

RO/UIC/4413/2021

July 9, 2021

General Manager

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road,
Karachi - 74000.

Dear Sir,

Disclosure of Material Information

The United Insurance Company of Pakistan Ltd.

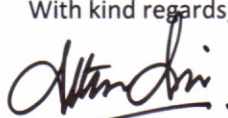
In accordance with Section 96 and 131 of the Securities Act 2015 and Clause 5.6.1 of the Rule Book of Pakistan Stock Exchange Limited (PSX), we hereby convey the following:

At a meeting of the Board of Directors of The United Insurance Company of Pakistan Limited held at 3:00 (p.m.) on July 8, 2021 at the Head Office of the Company, the Board of Directors approved the draft of Scheme of Merger of SPI Insurance Company Limited with and into The United Insurance Company of Pakistan Limited under Sections 279 to 282 and 285 of the Companies Act, 2017 laid before the Board of Directors of the Company, subject to obtaining all necessary shareholders and regulatory approvals.

The Board of Directors approved the draft of the Scheme, subject to any changes and modifications as may be required by the shareholders of the Company or the Securities and Exchange commission of Pakistan (SECP) and such amendment as may be considered necessary without affecting the substance thereof. Furthermore, the Board approved the Swap Computation Certificate, issued by RSM Avais Hyder Liaquat Nauman, Chartered Accountants, which inter alia, contains the methodology, valuation and calculation of swap ratios.

The Scheme of Merger and Swap Computation Certificate are attached herewith.

With kind regards,



Athar A. Khan
Company Secretary



Enclosed: As above

Copy to:

- (i) **Director/HOD**
Surveillance, Supervision and Enforcement Department
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue, Blue Area Islamabad
- (ii) **Director/HOD**
Insurance Division
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue Blue Area Islamabad

REGISTERED OFFICE

Suite # 204, 2nd Floor, Madina City Mall,
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ISO 9001: 2015



SCHEME OF MERGER OF

SPI INSURANCE COMPANY LIMITED

WITH AND INTO

THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED

**(UNDER SECTIONS 279 TO 283 AND 285 OF
THE COMPANIES ACT, 2017)**

SCHEME OF MERGER

UNDER SECTION 279 TO 283 AND 285 OF THE COMPANIES ACT, 2017

BETWEEN

The United Insurance Company of Pakistan Limited, a Public Company listed on the Pakistan Stock Exchange, incorporated in Pakistan on October 20, 1959, under the Defunct Companies Act, 1913, now the Companies Act, 2017, having its registered office at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh and its head office at UIG House 6-D, 1st Floor, Upper Mall, Lahore, in the province of Punjab (hereinafter referred to as “UIC”, which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

AND

SPI Insurance Company Limited, an Unquoted Public Company, incorporated in Pakistan on February 15, 2005 under the repealed Companies Ordinance, 1984, now the Companies Act, 2017, having its registered office at 204-A, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh and its head office at UIG House 6-D, Ground Floor, Upper Mall, Lahore, in the province of Punjab. (hereinafter referred to as “SPI”, which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns).

RECITALS

WHEREAS by this Scheme of Merger (“the Scheme”), it is, inter alia, proposed that:

1. The entire undertaking comprising all the assets, liabilities and obligations of SPI shall, as at the Effective Date (as defined later in this Scheme), stand merged with, transferred to, vested in, and be assumed by UIC.
2. As consideration for the above, it is proposed that shares of UIC shall be issued to the shareholders of SPI in accordance with this Scheme.
3. Upon the merger and transfer of SPI in the manner stated under this Scheme, SPI shall be dissolved without winding up.
4. This Scheme, if approved by the respective shareholders of UIC and SPI, through a special resolution, and sanctioned by the Commission by an order passed in this respect, it will be binding on UIC and SPI along with all the shareholders, employees, policyholders, contracting parties, tax authorities and any other regulatory / statutory bodies of or with respect to UIC and SPI (as applicable).

RATIONALE FOR THE SCHEME

The business carried on by UIC is substantially similar to the business that is being carried on by SPI. Merger of the companies will result in the shareholders holding shares in a single company carrying on the same insurance business. The Scheme shall achieve the following benefits:

(i). Economies of scale

The Consolidation of the business of UIC and SPI will bring economies of scale – obtaining optimal operating scale and thereby reduce average unit costs of each insurance policy. The underwriting, re-insurance, claims processing and investment operations of insurers have fixed cost components that can be sources of economies of scale;

(ii). Increasing risk absorption

The basic principle of insurance is "the law of large numbers," which holds that expected losses become more predictable as the breadth of the policyholder pool increases. Enhanced predictability implies that large insurers have fewer volatile earnings and thus need to hold less equity capital per policy underwritten, providing a potentially powerful source of cost reduction. Increasing underwriting diversification may also permit insurers to engage in higher risk, higher return investment strategies without increasing their costs of capital. Mergers often enable insurers to expand their pool of policyholders more rapidly than is usually possible through organic growth;

(iii). Synergies

Bringing the synergistic effect – whole is greater than the sum of parts, this '2+2=5' effect will result in elimination of overlapping functions. This synergy in operations will lead to greater financial strength, and improve the market position of the merged company by offering unified yet comprehensive services to the policyholders of UIC and SPI post the completion of the Scheme;

(iv). Organizational efficiency and optimal utilization of resources

Assisting in achieving higher long term financial returns and making available the assets, employees, financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of both UIC and SPI leading to synergistic benefits, enhancement of future business potential, cost reduction and efficiencies, productivity gains and logistical advantages, including operational rationalization, organizational efficiency and optimal utilization of resources, which will be in the interest of shareholders, policyholders, employees, creditors and other stakeholders, thereby contributing to significant future growth and enhancement of shareholder value post completion of the Scheme;

(v). Efficiency in management and control

Rationalization and standardization of the business processes, economies of scale, corporate and administrative efficiencies, and streamlining of operations to enable more efficient management and control of day-to-day operations to reduce overheads, administrative and other expenditure, which will contribute to make the merged company more profitable, thereby further offering better service to policyholders and enhancing the overall shareholder value post the completion of the Scheme;

(vi). Reduction in costs on account of common procedures

Enabling common accounting, common compliances, and common auditing resulting in reduction of costs, post the completion of the Scheme. The merger will make single corporate and tax reporting possible for the merged company. It will entail elimination of maintenance of separate records for business operations, selling, purchasing, marketing, legal, administrative, and secretarial and other records under the various laws; and

(vii). Efficient funds management

Achieving greater efficiency in funds management, unfettered access to cash flow generated by the merged business which can be deployed more efficiently to fund organic and inorganic growth opportunities.

NOW THEREFORE, this Scheme is presented as follows:

ARTICLE-01

INTRODUCTION

- (a) UIC is a Public Listed Company, its principal activity is General Insurance Business and undertakes Fire and Property Damage, Marine Aviation and Transport, Motor, Crop and Miscellaneous General Insurance.

UIC has been allowed to work as Window Takaful Operation through license no. 1 on August 18, 2014 by the Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on Islamic General Insurance in Pakistan.

- (b) SPI is, an Unquoted Public Limited Company, engaged in non-life insurance business mainly comprising of Fire and Property Damage, Marine Aviation and Transport, Motor, Crop and Livestock and Miscellaneous General Insurance. SPI commenced its commercial operations on April 13, 2005.

SPI has been allowed to work as Window Takaful Operator through License No.3 on November 20, 2014 by Securities and Exchange Commission of Pakistan under Window Takaful Rules, 2012 to carry on Islamic General Insurance in Pakistan.

DEFINITIONS

In this Scheme, unless inconsistent with the subject or context, the following expressions have the meanings as set out herein below:

“Act” means the Companies Act, 2017, as notified, clarified, amended, supplemented, modified and/or replaced from time to time and shall include any statutory replacement or re-enactment thereof, including any rules made thereunder or notifications, circulars or orders made/issued thereunder from time to time;

“Applicable Law” means all applicable (i) statutes, enactments, acts of legislature or parliament, laws, ordinances, code, directives, rules, regulations, bye-laws, notifications, guidelines or policies of any applicable jurisdiction; and (ii) administrative interpretation, writ, injunction, directions, directives, judgment, arbitral award, decree, orders or approvals required from Government Authorities of, or agreements with, any Government Authority;

“Board of Directors” or “Board” in relation to the companies means their respective board of directors, and unless it is repugnant to the context or otherwise, includes any committee of directors or any person authorized by the board of directors or by such committee of directors;

“Commission” means the Securities and Exchange Commission of Pakistan (SECP);

“Effective Date” means the date on which Scheme becomes operative – described in further detail in Article 03;

“Encumbrance” means (a) any encumbrance including, without limitation, any claim, mortgage, negative lien, pledge, equitable interest, charge (whether fixed or floating), hypothecation, lien, deposit by way of security, security interest, trust, guarantee, commitment, assignment by way of security, or other encumbrances or security interest of any kind securing or conferring any priority of payment in respect of any obligation of any person and includes without limitation any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security in each case under any law, contract or otherwise, including any option or right of pre-emption, public right, common right, easement rights, any attachment, restriction on use, transfer, receipt of income or exercise of any other attribute of ownership, right of set-off and/ or any other interest held by a third party; (b) any voting agreement, conditional sale contracts, interest, option, right of first offer or transfer restriction; (c) any adverse claim as to title, possession or use; and/ or (d) any agreement, conditional or otherwise, to create any of the foregoing, and the term ‘encumber’ shall be construed accordingly;

“Ordinance” means the Insurance Ordinance, 2000, as notified, clarified, amended, supplemented, modified and/or replaced from time to time and shall include any statutory replacement or re-enactment thereof, including any rules made thereunder or notifications, circulars or orders made/issued thereunder from time to time;

“Scheme” or “the Scheme” or “this Scheme” means this scheme of merger pursuant to Sections 279 to 283, 285 and other applicable provisions of the Act, with such modifications and amendments as may be made from time to time, with the appropriate approvals and sanctions, as may be required under the Act;

“UIC” means The United Insurance Company of Pakistan Limited, a Public Listed Company, having its registered office at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh and notwithstanding anything to the contrary in this Scheme shall include Conventional as well as Window Takaful Operations of the company; and

“SPI” means SPI Insurance Company Limited, an Unquoted Public Limited Company, having its registered office at 204-A, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh and notwithstanding anything to the contrary in this Scheme shall include Conventional as well as Window Takaful Operations of the company.

ARTICLE-02

OBJECTS OF THE SHCEME

The principal object of this Scheme is to merge SPI with and into UIC by transferring to, merging with and vesting in UIC the whole of SPI, including all assets, liabilities and obligations of SPI, as of the Effective Date, against the allotment and issue of shares of UIC to the shareholders of SPI based on the swap ratio, and dissolving SPI without winding-up (the “Merger”).

It is hereby clarified that although the above steps will take place on the same date, the same shall be deemed to be effective as of the Effective Date.

ARTICLE-03

EFFECTIVE DATE

The Scheme shall become operative and bind UIC and SPI as soon as certified copies of the order passed by Commission under sections 279 / 282 of the Act, sanctioning this Scheme and making any necessary provisions under section 282 of the Act, have been filed with the Registrar of companies (hereinafter referred to as the “Completion Date”). When this Scheme becomes operative on the Completion Date, the Merger, in accordance with the Scheme, will be treated as having effect from the start of business on 30th June, 2021 or at such other date as may be stated by the Commission

Accordingly, as of the Effective Date and thereafter, until the undertaking of SPI (including the assets, liabilities and obligations of SPI) is actually transferred to and vested in UIC in terms of this Scheme, the business of SPI will be deemed to have been carried for and on account and for the benefit of UIC. The reserves up to and immediately preceding the Effective Date, shall constitute and be treated as reserves of a corresponding nature in UIC and shall be accounted for on the basis in books of account of UIC.

ARTICLE-04

CAPITAL

EXISTING SHARE CAPITAL

The share capital of the both companies as on June 30, 2021 is as set out below:

(a) Share capital of UIC:

Particulars	Rs. (Millions)
<u>Authorized share capital</u> 400 million ordinary shares of Rs. 10/- each	4,000
<u>Issued, subscribed and paid-up share capital</u> 295 million ordinary shares of Rs. 10/- each	2,950

(b) Share capital of SPI:

Particulars	Rs. (Millions)
<u>Authorized share capital</u> 100 million ordinary shares of Rs. 10/- each	1,000
<u>Issued, subscribed and paid-up share capital</u> 57.5 million ordinary shares of Rs. 10/- each	575

CHANGES IN SHARE CAPITAL

Consequent upon the Scheme becoming effective, the authorized capital of SPI will merge and combined with the authorized capital of UIC; and, the issued share capital of SPI will be eliminated in consequence of issuance of new shares of UIC to the shareholders of SPI.

Pre-Merger Authorized Share Capital		Post-Merger Authorized Share Capital
UIC	SPI	UIC
Rs. 4,000 million	Rs. 1,000 million	Rs. 5,000 million

The clause V of the Memorandum of Association and clause IIA of the Articles of Association of UIC shall, with effect from the Effective Date, without any further act, deed, matter or thing, be replaced by the following clause:

“The authorized share capital of the company is Rs. 5,000,000,000 (Rupees Five Billion only) divided into 500,000,000 (Five Hundred Million only) ordinary shares of Rs. 10 (Rupees Ten only) each.”

ARTICLE-05

BOARD OF DIRECTORS

EXISTING CONSTITUTION OF THE BOARD

The Board of Directors both companies as on 30th June, 2021 is as set out below:

(a) Board of Directors of UIC:

Sr #	Name of Director	Position
1.	Javaid Sadiq	Chairman
2.	Khawas Khan Niazi	Director
3.	Mian M.A Shahid	Chief Executive Officer
4.	Huma Waheed	Director
5.	Agha Ali Imam	Director
6.	Jamil Ahmad Khan	Director
7.	Syed Rahat Ali Shah	Director

(b) Board of Directors of SPI:

Sr #	Name of Director	Position
1.	Azizullah Memon	Chairman
2.	M. Saleem Shaikh	Chief Executive Officer
3.	M. Asghar	Director
4.	Mrs. Tahira Raza	Director
5.	Uzman Naveed Chaudhary	Director
6.	Khurram Khan	Director
7.	Ihsan ul Haq Khan	Director

PROPOSED CONSTITUTION OF THE BOARD

The directors of SPI shall cease to hold office as directors without any right to any compensation for loss of office. The board of Directors of UIC, as on the Effective Date, shall become the board of the merged company, until next elections.

ARTICLE-06

MERGER OF SPI INTO AND WITH UIC

General Description

Upon this Scheme becoming effective, SPI along with all its assets, liabilities, contracts, insurance policies, employees, licenses, records, approvals etc. being integral parts of SPI shall stand transferred to and vested in or shall be deemed to have been transferred to and vested in UIC, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of this Scheme, in accordance with Sections 279 to 283, 285 and other applicable provisions of the Act, Section 67 of the Ordinance and Applicable Laws, if any, in accordance with the provisions contained herein.

Without prejudice to the generality of the above and to the extent applicable, unless otherwise stated herein, upon this Scheme becoming effective following shall be transferred to and vested in UIC:

1. Assets and properties

All assets and properties of SPI, including without limitation, properties of all kind and by whatever title held and whether movable or immovable, tangible or intangible, leasehold assets, including but not limited to and without limiting the generality of foregoing in particular:

- (a) the entire lease, estate, right, title and interest of the SPI in and to the piece and parcel of building and structures constructed at 204-A, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh and UIG House 6-D, Ground Floor, Upper Mall, Lahore, in the province of Punjab, together with all rights, estimates, privileges and advantages appurtenant thereto or for the benefit thereof, or with the same enjoyed or reputed to belong thereto, and all other rights relating thereto;
- (b) all furniture and fixture, office equipment, computer equipment, motor vehicles, tracking devices;
- (c) all service marks, copyrights, logos, corporate names, brand names and software and all website content (including text, graphics, images, audio, video and other proprietary information;
- (d) all contracts, insurance policies, agreements, trusts, leases, hires, rentals, subleases, tenancies, conveyances, grants, instruments of transfer, engagements, commitments and arrangements entered into by SPI or subsisting in favour of SPI, inclusive of all rights and obligations of SPI arising thereunder;

- (e) all investments in shares, whether listed or unlisted, bonds, term deposits, treasury bills and any other private or government securities;
- (f) all sundry debts, actionable claims owing, accrued or payable to SPI (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and other receivables, premium or policy payment received, outstanding loans and advances, recoverable in cash or in kind or for value to be received;
- (g) all balances in current and saving accounts with government or private banking institutions, and in hand cash, policy & revenue stamps and bond papers; and
- (h) all historical and current documents, policyholder lists, product lists, catalogues, literature, employee records, documents of title, sales targets, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional material and other accounting (including management accounting reports) and other financial data whether in hard copy or in computer held form

but the transfer and vesting of such assets and properties shall be subject to all mortgages, charges and other encumbrances subsisting thereon;

2. Assets and rights under insurance contracts

All insurance related assets including without limitation all premiums attributable or referable to insurance policies; any direct debit mandate, standing order or other instruction in force on the Effective Date, providing for the payment by a bank or other intermediary of premiums or other amounts to SPI under or in respect of any insurance policies; rights, benefits and powers under or by virtue of the insurance policies; any proposals for insurance not yet accepted and any offer or invitation for insurance made by SPI; entitlement of SPI to carry out in any capacity, including as trustee, any activity in connection with or for the purposes of the insurance undertaking; and any other rights and entitlement of SPI pertaining to the insurance policies;

3. Other rights and privileges

- (a) All rights, powers, authorities and privileges of every kind and description held by SPI including without limitations, all registrations, licenses, permits, categories, entitlements, sanctions, approvals and permissions or otherwise concerning the investment in or carrying on of any business by SPI or the businesses and other activities carried on by SPI or any part thereof together with every and all renewals, validations and approvals, or other right, power, authority, or privilege;

- (b) Benefits of all capital allowances and tax losses, any policies of insurance issued to or otherwise available to SPI, all other rights, powers, authorities and privileges of SPI, including without limitation, all concessions, entitlements, tariff protections and duty and tax exemptions and remissions, all credits and refunds on account of sales tax, custom duty, octroi and other duties, taxes, levies, fees, charges, and inclusive of the right to adjust the amount of sales tax paid by SPI;

4. Liabilities and obligations under insurance contracts

All insurance related liabilities of SPI including without limitation all obligations (including confidentiality and privacy obligations) in respect of any personal data of any person which relates to the insurance policies, and any consent given by any person in respect of any data in regard to any insurance policy; any liability, mandate or other instruction in force on the Effective Date or which has arisen or accrued after the Effective Date as to payment, or manner of payment by SPI of any sum payable under any insurance policies; all obligations to administer and negotiate any proposals for insurance which would become policies upon acceptance; all obligations to issue a new, additional or replacement policy to any person entitled to exercise any right or option granted under the terms of a policy; and any other outstanding liability or obligation of SPI pertaining to the insurance policies;

5. Liabilities and obligations toward employees

The liabilities of SPI on account of its employees or former employees including such liabilities payable on termination of service by way of gratuity, redundancy, provident fund, pension or otherwise; the contracts of employment between SPI and its employees upon merger of SPI with UIC becoming effective and the rights and obligations of SPI arising under such contracts;

6. Other loans and obligations

- (a) All loans, advances, finances, leases and banking facilities (including any guarantees, letters of credit, letters of comfort or any other instrument or arrangement which may give rise to a contingent liability in whatever form), if any, due or which may at any time in future), provided to or agreed to be provided to SPI inclusive of interest, mark up or other return and bank charges in respect thereof, whether accrued or accruing or contingent and whether incurred solely or jointly with another or others including all amounts owing to banks, financial institutions and other creditors;
- (b) all liabilities of SPI for payment of taxes, and the entitlements of SPI to credit or refund of payments made for or in respect of any assessment or liability for taxes including advance tax collections;

7. Connections and facilities

- (a) All connections and facilities for telecommunication owned by or leased or licensed to SPI, including telephones, telexes, internets and facsimile and the benefit of all payments and deposits made by or for the account of SPI in connection therewith;
- (b) all connections, meters and other installations owned by or leased or licensed to SPI for the supply of electricity, gas and water and the benefit of all payments and deposits made by or for the account of SPI in connection therewith; and

8. Reserves

All reserves, revenue or capital, including without limitation, fair value reserves and accumulated and unappropriated profits.

Employees

On and from the Effective Date, all full-time officers and employees of SPI shall become the employees of UIC at the same level of remuneration and under the same terms and conditions of service which they were receiving, including those relating to entitlements and benefits arising upon termination of services.

Execution of contracts

UIC shall, under the provisions of this Scheme, be deemed to be authorized to execute any such writings / contracts on behalf of SPI and to carry out or perform all such acts, formalities or compliances referred to above as may be required in this regard.

Legal proceedings

Without prejudice to the other provisions of the Scheme and notwithstanding the vesting of SPI into UIC, UIC may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required, under Applicable Law or otherwise, execute deeds (including deeds of adherence), confirmations or other writings or tripartite arrangements with any party to any contract or arrangement in relation to which SPI has been a party, including any filings with the regulatory authorities in order to give formal effect to the above provisions and to carry out or perform all such formalities or compliances referred to above on the part of SPI. UIC will, if necessary, also be a party to the above.

Tax proceedings

All tax assessment proceedings / appeals of whatsoever nature by or against SPI pending and / or arising at the Effective Date and relating to SPI shall be continued and / or enforced until the Effective Date by SPI. In the event of SPI failing to continue or enforce any proceeding / appeal, the same may be continued or enforced by UIC, at the cost of UIC. As and from the Effective Date, the tax proceedings shall be continued and enforced by or against UIC in the same manner and to the same extent as would or might have been continued and enforced by or against SPI. Further, the aforementioned proceedings shall not abate or be discontinued nor be in any way prejudicially affected by reason of the merger of SPI with UIC or anything contained in the Scheme.

Upon the Scheme becoming effective, any advance tax, self-assessment tax, minimum alternate tax and / or other credit available or vested with SPI, including any taxes paid and taxes deducted at source and deposited by SPI on inter se transactions till the Effective Date shall be treated as advance tax paid by UIC and shall be available to UIC for set-off against its liability under the Income Tax Ordinance, 2001 and any excess tax so paid shall be eligible for refund together with interest.

Bank accounts

Any accounts maintained by SPI with any bank or financial institution shall, as of the Effective Date, become accounts between UIC and such bank or financial institution, subject to the same conditions and incidents as therefore; provided that nothing herein shall affect any right of UIC to vary the conditions or incidents subject to which any account is kept.

Custody of Documents

The custody of any document, record or goods held by SPI as bailee and duly recorded in their books that pass to SPI under any contract of bailment relating to any such document, record or goods shall on the day become rights and obligations of UIC.

ARTICLE-07

THE SCHEME'S EFFECT

The provisions of this Scheme shall be effective and binding by operation of law and shall become effective in terms of Article-03 above.

The execution of this Scheme shall not:

- (a) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any law for the time being in force;
- (b) give rise to any forfeiture;
- (c) invalidate or discharge any contract or security; and
- (d) give rise to any right of first refusal or pre-emptive right that any person may have in respect of any investment made by such person in UIC and / or SPI.

Upon the sanction of this Scheme, as of the Effective Date, the terms of this Scheme shall be binding on UIC and SPI and also on all the respective shareholders of UIC and SPI, the policyholders of each UIC and SPI and on any other person having any right or liability in relation to either of the Companies.

ARTICLE-08

CONSIDERATION – ISSUANCE OF SHARES

1. Each member of SPI holding ordinary share(s) on the Effective Date, shall, after book closure, be entitled to claim and receive as of right, such number of fully paid-up ordinary shares of the face value of Rs. 10/- each, at par, of UIC as may be determined to the extent and in the manner detailed hereunder, in exchange of his/her/its existing holding of share(s) in SPI:

Share Exchange Basis	
SPI	UIC
1 Share	0.90 shares

2. According to the share swap ratio as detailed above, in exchange of total issued and fully paid up 57,500,000 shares of SPI, total number of ordinary shares of UIC, having face value of Rs.10/- each, is worked out to be 51,750,000 shares.
3. The new shares will be issued to those registered members of SPI whose names will appear on the register of members on the Effective Date for the purpose. All entitlements of the registered holders of the ordinary shares of SPI, to the new shares of UIC, shall be determined in the proportion to their existing shareholding in SPI. Fractional shares shall not be issued.
4. The share swap ratio has been determined on the basis of the annual audited financial statements of SPI and UIC dated December 31, 2020 and the recommendations of RSM Avais Hyder Liaquat Nauman, Chartered Accountants in terms of their valuation certificate dated 28th June, 2021, attached herewith as an annexure to the Scheme.
5. Such UIC shares may be allotted through Central Depository System (as established and defined under the Central Depositories Act, 1997) of the Central Depository Company of Pakistan Limited (the "CDC") in accordance with the rules and regulations of the CDC.
6. The shares of UIC, to be issued and allotted in the manner as aforesaid to the shareholders of SPI, on an application made to the Pakistan Stock Exchange, shall and be deemed to rank pari passu as "quoted shares" with the existing shares of UIC for all purposes including listing, trading, quoting and dealing in such shares on the Pakistan Stock Exchange, with the same legal effect and force as if this Scheme was not sanctioned.
7. Upon the issue and allotment of the shares of UIC to the shareholders of SPI in the aforesaid manner, all the existing share certificates representing the shares of SPI shall stand cancelled.
8. The allotment of the UIC Shares shall be made within 30 days from the date of completion as applicable under relevant laws.

9. The approval of this Scheme by shareholders of UIC under sections 279 to 283, 285 and other applicable provisions of the Act, whether at a meeting or otherwise, or any dispensation of the same by the Commission, shall be deemed to have been an approval under any other applicable provisions under the Act and no further resolution(s) would be required to be separately passed in this regard.

ARTICLE-09

GENERAL PROVISIONS

ACCOUNTING TREATMENT IN THE BOOKS OF UIC

The accounting treatment of the merger shall be as of the Effective Date and UIC shall account for the amalgamation in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules 2017, the Insurance Accounting Regulations, 2017, the Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

Applicable financial reporting standards used by both companies are same, therefore there is no difference in accounting policies used by UIC and SPI. However, in case of any difference, a uniform set of accounting policies will be adopted following the merger. The effects on the financial statements of any changes in accounting policies will be reported in accordance with the requirements of IAS-8 'Accounting Policy, Changes in Accounting Estimates and Errors'.

MODIFICATION OR AMENDMENTS TO THE SCHEME

The scheme shall be subject to such modifications of conditions, as the Commission may deem expedient to impose. The Board of Directors of UIC and SPI may consent to any modifications or additions to this Scheme or to any conditions which the Commission may think fit. In case of any difficulty in implementation of any aspect of this Scheme, clarifications, directions and / or approval may be obtained from the Commission.

UIC and SPI, acting through their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize including any committee or sub-committee thereof, may take such steps as may be necessary, desirable or proper to resolve any doubts, difficulties or questions whatsoever for carrying the Scheme into effect, whether by reason of any orders of the Commission or of any directive or orders of any other authorities or otherwise howsoever arising out of, under or by virtue of this Scheme and / or any matters concerning or connected therewith.

INTERPRETATION

If any terms or provisions of this Scheme are found to be or interpreted to be inconsistent with any provisions of Applicable Law at a later date, whether as a result of any amendment of Applicable Law or any judicial or executive interpretation or for any other reason whatsoever, the provisions of the Applicable Law shall prevail. Subject to obtaining the sanction of the Commission, if necessary, this Scheme shall then stand modified to the extent determined necessary to comply with the said provisions. Such modification will, however, not affect other parts of this Scheme. Notwithstanding the other provisions of this Scheme, the power to make such amendments / modifications as may become necessary, whether before or after the Effective Date, shall, subject to obtaining the sanction of the Commission.

HEADINGS

Section headings are not to be considered part of this Scheme, but are solely for convenience of reference, and shall not affect the meaning or interpretation of this Scheme of any of its provisions.

COSTS, CHARGES & EXPENSES

All costs, charges, taxes including duties, levies and all other expenses payable by SPI and UIC in relation to or in connection with the Scheme and / or incidental to the completion of the Scheme shall be borne as may be mutually agreed between SPI and UIC.

APPLICATION TO THE AUTHORITIES

UIC and SPI shall:

- (a) make applications under Sections 279 to 283, 285 and other applicable provisions of the Act, Section 67 of the Ordinance, and other applicable provisions, to the Commission for approval of the Scheme;
- (b) apply for clearance, if any required, from any other competent authority under Applicable Laws and perform all matters ancillary or incidental thereto, as may be necessary to give effect to the terms of the Scheme.

Upon this Scheme becoming effective, the shareholders of UIC shall be deemed to have also accorded their approval under all relevant provisions of the Act for giving effect to the provisions contained in this Scheme.

CONDITIONALITY TO EFFECTIVENESS OF THE SCHEME

1. The Scheme is conditional and subject to:
 - (a) the Scheme being approved by the requisite majority of each class of members of UIC and SPI, in accordance with the Act or dispensation having being received from the Commission in relation to obtaining such approval from the shareholders;
 - (b) the Commission having accorded its sanction to the Scheme, either on terms as originally approved by the companies, or subject to such modifications approved by the Commission, which shall be in form and substance acceptable to the companies; and
 - (c) Clearance, if any required, from any other competent authority under Applicable Laws.
2. The Scheme shall not come into effect unless the aforementioned conditions are satisfied and in such an event, unless each of the conditions are satisfied or waived as per terms of the Scheme, no rights and liabilities whatsoever shall accrue to or be incurred inter se the companies or their respective shareholders or policyholders or employees or any other person.

RESIDUAL PROVISIONS

1. Upon this Scheme becoming effective, UIC shall be entitled to:
 - (a) operate and utilize all bank accounts, cash and deposits relating to SPI, realize all monies and complete and enforce all pending contracts and transactions in respect of SPI in the name of SPI to the extent necessary; and
 - (b) occupy and use all premises, whether owned, leased or licensed, relating to SPI until the transfer of the rights and obligations of SPI to UIC under this Scheme is formally accepted by the parties concerned.

RSM Avas Hyder Liaquat Nauman
Chartered Accountants

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AA/154/21

June 28, 2021

Chief Executive
The United Insurance Company of Pakistan Limited
UIG House 6, Street D, Upper Mall Scheme,
Lahore.

Dear Sir,

Swap Computation Certificate

We have provided the services as agreed vide our engagement letter SP/274/2021 dated March 24, 2021, to assist in the determination of swap ratio of shares based on the proposed transaction between following Companies (hereinafter collectively referred to as the "Companies") as at the cut-off date:

- (a) The United Insurance Company of Pakistan – hereinafter referred to as 'UIC' or the Company (surviving entity); and
- (b) SPI Insurance Company Limited – hereinafter referred to as 'SPI' (merging entity).

1. Our understanding of the transaction

We understand that UIC intends to merge SPI, with and into UIC. By means of merger, all assets, rights, contracts, insurance policies, employees, licenses, records, liabilities and obligations of SPI will be transferred to and merged with and into UIC.

The swap ratio has been computed on the transaction cut-off date of December 31, 2020.

2. About the Companies

2.1. The United Insurance Company of Pakistan Limited

UIC is a Public Listed Company incorporated in Pakistan on October 20, 1959, as a Public Limited Company under the Defunct Companies Act, 1913, now the Companies Act, 2017, and its shares are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 204, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh, and its head office is situated at UIG House 6-D, 1st Floor, Upper Mall, Lahore, in the province of Punjab.



The principal activity of the Company is General Insurance Business and it qualifies as a domestic insurance company under the Insurance Ordinance, 2000 and undertakes Fire and Property Damage, Marine Aviation and Transport, Motor, Crop and Miscellaneous General Insurance. The Company has been allowed to work as Window Takaful Operation through license no. 1 on August 18, 2014 by the Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on Islamic General Insurance in Pakistan. UIC has 295 million ordinary shares outstanding as at December 31, 2020 with a face value of Rs. 10 each.

2.2. SPI Insurance Company Limited

SPI is an Unquoted Public Limited Company incorporated in Pakistan on February 15, 2005 under the repealed Companies Ordinance, 1984, now the Companies Act, 2017. The registered office of the Company is situated at 204-A, 2nd floor, Madina City Mall, Abdullah Haroon Road, Saddar, Karachi, in the province of Sindh, and its head office is situated at UIG House 6-D, Ground Floor, Upper Mall, Lahore, in the province of Punjab.

The Company is engaged in non-life insurance business mainly comprising of Fire and Property Damage, Marine Aviation and Transport, Motor, Crop and Livestock and Miscellaneous General Insurance. The Company commenced its commercial operations on April 13, 2005. SPI has been allowed to work as Window Takaful Operator through License No.3 on November 20, 2014 by Securities and Exchange Commission of Pakistan under Window Takaful Rules, 2012 to carry on Islamic General Insurance in Pakistan. SPI has 57.5 million shares outstanding as at December 31, 2020 with face value of Rs. 10 each.

3. Our Methodology

The share swap ratio computation is based on the standalone valuation of the Companies by applying Net Assets Valuation (NAV) and Fair Valuation (FV) methodologies under the Asset approach and Discounted Cash Flows (DCF) methodology under Income approach.

We were provided with following information about the Companies:

- Audited financial statements for the year ended on 31st December 2020;
- Valuation reports from independent valuers and fair value calculations, where value of assets was determined to be materially difference from their carrying value; and
- Financial projections of next five financial years together with the assumptions used for such projections and any explanation as and when required by us.

We performed following procedures:

- Calculated breakup value per share by dividing net assets of the Companies, based on audited financial statements, over total number of shares issued;

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- Considered assumptions used for preparation of prospective financial statements in light of historical information;
- Assessed whether the forecasts are based on plans within the capacity of the Companies;
- Evaluated reasonableness of assumptions, judgments and valuation methods used by independent valuer for valuation of fixed assets of the Companies;
- Tested completeness and accuracy of source data used for determination of fair values;
- Made inquiries and applied analytical procedures;
- Tested the reliability and adequacy of underlying data by performing appropriateness checks including re-computations and reviewing internal consistency within the forecasts.

4. Share Swap Computation

Valuation Approach	Value per share		Swap Ratio
	SPI	UIC	
Net Assets under Break-up Value	12.60	14.01	0.90
Net Assets under Fair Valuation	12.66	21.15	0.60
Income Based Approach	18.62	27.43	0.68

As per the computed share swap ratio, based on break-up value, 0.90 shares of UIC shall be issued for every 1 share of SPI. Accordingly, 51,750,000 shares shall be issued to the shareholders of SPI as consideration for the merger, subject to the approval of the Board of Directors and shareholders of the respective Companies and thereafter approval of the Scheme by the Commission.

5. Caveats:

- 5.1. This certificate has been prepared solely for the transaction referred above in relation to the Scheme and accordingly, it is not to be used by any other person or for any other purpose.
- 5.2. Valuation is not a precise science; it is subjective and requires the application of experience and judgment on given facts to arrive at a conclusion. There is no single "right" answer; there are reasoned and reasonable values. Hence, the actual results and accordingly the valuation are likely to be different than projected since anticipated events do not occur as expected and the variations could be material.
- 5.3. Our valuation results are based on the audited financial statements, financial projections and related information received from the management of the Companies, where we have not conducted any due diligence or verification of the aforementioned Information.



- 5.4. This certificate has been issued on the understanding that the Companies have drawn our attention to all matters, concerning their financial positions, which may have a material impact on our valuation.
- 5.5. The procedures performed for issuing this certificate, do not constitute an audit in accordance with International Standards on Auditing, therefore, we do not, hereby express an opinion or other form of assurance.
- 5.6. We have no responsibility to update this certificate for events and circumstances occurring after the date of our certificate.

RSM

Yours truly,

A large, stylized blue ink signature of Syed Ali Adnan Tirmizey is written over the text.

RSM Avas Hyder Liaquat Nauman

Chartered Accountants

Engagement Partner: Syed Ali Adnan Tirmizey

Place: Lahore