

# **SCHEME OF ARRANGEMENT**

**UNDER SECTIONS 279 TO 283 AND 285  
READ WITH SECTION 505 OF  
THE COMPANIES ACT, 2017**

**BETWEEN**

**HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PRIVATE) LIMITED**

**AND**

**FIRST HABIB MODARABA**

**AND**

**HABIB METRO MODARABA**

**FOR**

**The merger / amalgamation of the entire undertaking of Habib Metro Modaraba with and into First Habib Modaraba, along with all ancillary matters.**

## SCHEME OF ARRANGEMENT

UNDER SECTIONS 279 TO 283 AND 285  
READ WITH SECTION 505  
OF THE COMPANIES ACT, 2017

### ENTERED INTO BETWEEN

**HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PRIVATE) LIMITED**, a private company limited by shares, incorporated and existing under the laws of Pakistan, registered as a modaraba company under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, and having its registered office at 6<sup>th</sup> Floor, HBZ Plaza, I. I. Chundrigar Road, Karachi (hereinafter referred to as the "**Modaraba Company**", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

### AND

**FIRST HABIB MODARABA**, a modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, managed by the Modaraba Company, and having its registered office at 6<sup>th</sup> Floor, HBZ Plaza, I. I. Chundrigar Road, Karachi (hereinafter referred to as "**FHM**", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns);

### AND

**HABIB METRO MODARABA**, a modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, managed by the Modaraba Company, and having its registered office at 3<sup>rd</sup> Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi (hereinafter referred to as "**HMM**", which expression shall mean and include, where the context so requires or admits, its successors-in-interest and permitted assigns).

### RECITALS

1. **WHEREAS** by this Scheme of Arrangement ("**Scheme**"), it is, *inter alia*, proposed that the entire undertaking, comprising all the Assets, Liabilities and Obligations of HMM shall, as at the Effective Date (as defined below), stand merged with, transferred to, vested in, and be assumed by FHM.
2. **AND WHEREAS**, as consideration for the above, it is proposed that FHM Certificates shall be issued to the HMM Certificate Holders in accordance with this Scheme.
3. **AND WHEREAS**, upon the merger and transfer of HMM in the manner prescribed under this Scheme, HMM shall be dissolved without winding up.
4. **AND WHEREAS**, the Registrar Modarabas, Securities and Exchange Commission of Pakistan (Modaraba Wing) has granted its approval / no objection for the Amalgamation vide letter no. SC/M/PRDD/HMMML/2022 –RS 19/148, dated July 22, 2022.

5. **AND WHEREAS**, this Scheme, if approved through a resolution by the requisite majority of the respective certificate holders of FHM and HMM, along with the requisite majority of creditors (as may be applicable), and sanctioned by the Court by an order passed in this respect, is to be binding on the Modaraba Company, FHM and HMM, along with all the certificate holders, creditors, employees, Customers, contracting parties, government, tax and regulatory / statutory authorities, bodies and departments of or with respect to FHM and HMM (as applicable) respectively.

#### **BENEFITS OF THIS SCHEME**

**A. Arrangements Between the Modarabas and their Respective Certificate Holders**

The Amalgamation shall allow FHM and HMM to effectuate the arrangement envisaged by the parties, including the Modarabas and their respective certificate holders, through the provisions of Sections 279 to 283 and 285 (read with Section 505) of the Act.

**B. Larger Asset Base**

The Amalgamation would lead to an increase in the asset base and the size of the surviving entity i.e. FHM. This would in turn assist the management to have access to more external funds at competitive rates. The larger size of the fund capital and asset base would provide greater comfort to existing and potential creditors of the surviving / merged entity. Moreover, access to larger resources would in turn improve growth prospects and the ability to undertake large assignments.

**C. Synergies**

Both the Modarabas are multi-purpose Modarabas, involved in similar lines of business / activities. Accordingly, the Amalgamation would provide an opportunity to operate the business / operations of FHM and HMM through a consolidated operations department, a single accounts department and one set of employees, thus resulting in economies of scales. The same would also be beneficial as the entity would benefit from increased market presence.

**D. Increase in Risk Absorption Capacity**

The larger size of FHM (as the merged / amalgamated modaraba) would increase its risk absorption capacity thus enhancing the capacity to manage the potential risks arising out of the adverse and uncertain operating environment. In the long run, this factor would provide greater stability as well as sustainability in operations.

**E. Reduction in Administrative Costs**

The Amalgamation would enable the merged entity i.e. FHM to carry out its business through single operations, accounts, treasury and management information system department with one set of management and staff, thus resulting in substantial cost savings and economies of scales, leading to enhanced efficiency and profitability.

**F. Single Corporate and Tax Reporting**

The Amalgamation will make single corporate and tax reporting possible for the merged entity. The same 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 resulting in duplication of work and higher costs.

**NOW THEREFORE**, this Scheme is presented as follows:

**ARTICLE 1**

**DEFINITIONS**

- 1.1. In this Scheme, unless the subject or context otherwise requires, the following expression shall bear the meanings specified below:

**"Act"** means the Companies Act, 2017 (as amended from time to time);

**"Amalgamation"** shall have the same meaning as prescribed thereto in Article 2.1. of this Scheme;

**"Annexure A"** is the annexure attached hereto which lists the members of the Board of Directors of the Modaraba Company;

**"Annexure B"** is the annexure attached hereto containing the Swap Letter;

**"Assets"** mean assets, properties and rights of every description and kind (whether present or future, actual or contingent, tangible or intangible) and includes properties held on trust and benefit of securities obtained from Customers, benefits, powers, rights, authorities, privileges, contracts, Government consents, tax refunds / credits, tax exemptions (including holding period of such assets and liabilities along with all the rights attached and accrued thereto including, but not limited to, equity-based tax credits for unexpired period), sanctions and authorizations, including all registrations, licences, Claims, no objection certificates / letters, permits, categories, entitlements, sanctions, permissions and benefits relating to the business / modaraba / entity (as the case may be), all trademarks, patents, copyrights, intellectual property rights, licences, liberties, secret processes, know-how, good-will, data and confidential information belonging / pertaining to a modaraba / entity (as the case may be). Without in any way limiting or prejudicing the generality of the foregoing, it is hereby clarified that the Assets shall include: (i) all properties, immovable and movable, real, corporeal or incorporeal, in possession or reversion, present or contingent of whatsoever nature and wheresoever situated belonging to a modaraba / entity (as the case may be), as well as equity, stocks, debentures, bonds, rights under futures, options, derivative contracts, commodities etc. (and all rights associated therewith); (ii) all inventory, stock-in trade, consignments from shipments, plant, machinery, equipment, furniture and fixtures, computer hardware and software, software applications and licences, motor vehicles, office equipment, appliances and accessories, spare parts and tools; (iii) all choses-in-action, instruments, decretal amounts, bank and other accounts, cash balances, reserve funds, revenue balances, investments, loans, advances, guarantees, deposits, prepayments, receivables, book debts, trade debts and all other rights and interest in and arising out of such property in the ownership, possession, power or control of a modaraba / entity (as the case may be), whether

legal or beneficial, whether within or out of Pakistan, and all books of accounts, registers, records, information, reports, policies, research and all other documents of whatever nature relating thereto; (iv) all the connections and facilities for telecommunications, electricity, gas, water and other installations, owned by, leased or licensed to a modaraba / entity (as the case may be) (including related deposits); (v) the Contingent Claims, tax credits / carry forward losses and proceeds realized from the Liquidation of the Contingent Claims; and (vi) unadjusted tax receivables / losses;

**"CDC"** means the Central Depository Company of Pakistan Limited;

**"CDS"** means the Central Depository System (an electronic book entry system for the recording and transfer of securities, established under the Central Depositories Act, 1997 and maintained by the CDC);

**"Claim"** means claim, counter-claim, demand or cause of action and includes a Contingent Claim;

**"Completion Date"** has the same meaning as prescribed thereto in Article 3.1 of this Scheme;

**"Contingent Claims"** means any potential Claim that a modaraba / entity may have against any person prior to the Effective Date which may not be disclosed or reflected as part of its Assets on its books or records;

**"Contracts"** means any contracts, agreements, deeds, instruments, insurance policies, letters or undertakings of every description, creating any obligations enforceable against the parties, including any finance agreements;

**"Court"** means the High Court of Sindh at Karachi;

**"Customer"** means any person having entered into a transaction, arrangement or other dealing with a modaraba / entity;

**"Effective Date"** shall have the same meaning as prescribed thereto in Article 3.1 of this Scheme;

**"existing"** means existing, outstanding or in force immediately prior to the Effective Date (unless stated otherwise);

**"FHM"** shall have the meaning as prescribed in the Preamble above;

**"FHM Certificates"** means the modaraba certificates (as defined in the Ordinance) of PKR 5/- (Pak Rupees Five) each in the certificate capital of FHM;

**"HMM"** shall have the meaning as prescribed in the Preamble above;

**"HMM Certificate Holders"** means the registered certificate holders of HMM on the Record Date, to whom FHM Certificates shall be issued in accordance with the provisions of this Scheme;

**“Liabilities and Obligations”** includes all borrowings, liabilities, duties, commitments and obligations of every description (whether present or future, actual or contingent) arising out of any Contract or otherwise whatsoever, and all Securities, and the term **“Liabilities”** and **“Obligations”** are used interchangeably and / or in conjunction with each other;

**“Liquidation”** means the release, compromise, satisfaction, settlement or reduction to judgment of any Claim by a competent court of law;

**“Modaraba Company”** shall have the meaning as prescribed in the Preamble above;

**“Ordinance”** means the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (as amended from time to time);

**“Record Date”** means the date to be fixed by the Board of Directors of the Modaraba Company, after the Completion Date, to determine the identities and entitlements of the HMM Certificate Holders;

**“Scheme”** means this Scheme of Arrangement, in its present form with any modifications thereof or additions thereto, approved or with any conditions imposed by the Court;

**“Security”** or **“Securities”** means interest, right or title in and to any and all mortgages, encumbrances or charges (whether legal or equitable), debenture, bill of exchange, promissory note, guarantee, lien, pledge (whether actual or constructive), hypothecation, assignment by way of security, right of set-off, undertaking or other means of securing payment or discharge of any Liabilities and Obligations;

**“Swap Letter”** means the letter dated June 7, 2022, issued by Yousuf Adil, Chartered Accountants, attached hereto as Annexure B, pertaining to the Amalgamation, and stipulating, *inter alia*, the basis and calculation of the Swap Ratio, along with the FHM Certificates to be allotted and issued to the HMM Certificate Holders; and

**“Swap Ratio”** has the same meaning as prescribed thereto in Article 9.1 of this Scheme.

## ARTICLE 2

### OBJECTS OF THE SCHEME

- 2.1. The principal object of this Scheme is to amalgamate the entire undertaking of HMM with and into FHM, by transferring to, merging with and vesting in FHM the whole of HMM, including all the Assets, Liabilities and Obligations of HMM, as of the Effective Date, against the allotment and issue of FHM Certificates to the HMM Certificate Holders based on the Swap Ratio, and dissolving HMM without winding up in accordance with the provisions of this Scheme (the **“Amalgamation”**).
- 2.2. It is hereby clarified that although all of the above steps will take place on the same date, the same shall be deemed to be effective as of the Effective Date.

### ARTICLE 3

#### EFFECTIVE DATE

- 3.1. This Scheme shall become operative and bind the Modaraba Company, FHM and HMM as soon as an order is passed by the Court under Sections 279 / 282 of the Act, sanctioning this Scheme and making the necessary provisions under Section 282 of the Act (hereinafter referred to as the "**Completion Date**"). When this Scheme becomes operative on the Completion Date, the Amalgamation, in accordance with this Scheme, will be treated as having effect from the start of business on July 1, 2022 or such other date as may be stated by the Court (hereinafter referred to as the "**Effective Date**"). The parties shall file a certified copy of the order passed by the Court with the Registrar Modaraba, Securities and Exchange Commission of Pakistan and Registrar of Companies in accordance with Section 279, read with Section 505 of the Act.
- 3.2. Accordingly, as of the Effective Date and thereafter, until the undertaking of HMM (including the Assets, Liabilities and Obligations thereof) is actually transferred to and vested in FHM in terms of this Scheme, the business of HMM will be deemed to have been carried for and on account and for the benefit of FHM, and all income, profits, gains and losses accruing or arising to, or incurred by, HMM (including any taxes paid or deducted or withheld) from the Effective Date shall be treated as the income, profits, gains or losses (including any taxes paid or deducted or withheld), as the case may be, of FHM. The reserves including unappropriated profits / losses of HMM, up to and immediately preceding the Effective Date, if any, shall constitute and be treated as reserves / losses of a corresponding nature in FHM and shall be accounted for on that basis in the books of account of FHM.

### ARTICLE 4

#### CAPITAL

- 4.1. The authorized certificate capital of FHM is PKR 1,100,000,000/- (Pak Rupees One Billion One Hundred Million), divided into 220,000,000 (Two Hundred Twenty Million) modaraba certificates of PKR 5/- (Pak Rupees Five) each, out of which 201,600,000 (Two Hundred One Million Six Hundred Thousand) modaraba certificates have been issued, fully subscribed to and paid up.
- 4.2. The authorized certificate capital of HMM is PKR 300,000,000/- (Pak Rupees Three Hundred Million), divided into 30,000,000 (Thirty Million) modaraba certificates of PKR 10/- (Pak Rupees Ten) each, all of which have been issued, fully subscribed to and paid up.
- 4.3. Upon the sanction of this Scheme, and as a consequence hereof, the authorized certificate capital of HMM shall be merged and combined with the authorized certificate capital of FHM. Resultantly, as a consequence of the above, the authorized certificate capital of FHM shall thus stand enhanced to PKR 1,400,000,000/- (Pak Rupees One Billion Four Hundred Million), divided into 280,000,000 (Two Hundred Eighty Million) modaraba certificates of PKR 5/- (Pak Rupees Five) each. Approval of the certificate holders of FHM to this Scheme shall also include and constitute an approval for the increase of the authorized certificate capital of FHM to PKR 1,400,000,000/- (Pak Rupees One Billion Four Hundred Million), including any consequential amendments to any documents.

## ARTICLE 5

### BOARD OF DIRECTORS

- 5.1. The present directors of the Modaraba Company are listed in Annexure A attached hereto.
- 5.2. All the directors of the Modaraba Company have interest in the Amalgamation to the extent of their respective certificate holdings in FHM and HMM (to the extent applicable). The directors are also interested to the extent of remuneration and fringe benefits (to the extent applicable) as per the policies of FHM / HMM. The effect of this Scheme on the interest of these directors does not differ from the respective interests of the certificate holders of each of FHM and HMM.

## ARTICLE 6

### AMALGAMATION

#### 6.1. General Description

- (i) As of the Effective Date, HMM, as a going concern, shall be amalgamated with and vest in FHM upon the terms and conditions set forth in this Scheme without any further act, deed, matter or thing, process or procedure.
- (ii) The Modaraba Company, which is the current modaraba management company of both FHM and HMM, shall remain the modaraba management company of the post-amalgamated modaraba i.e. FHM.
- (iii) FHM shall be able to carry out all the business of HMM and shall be entitled to all the rights and the benefits thereof.
- (iv) In consideration of the Amalgamation, FHM shall allot and issue FHM Certificates to the HMM Certificate Holders in accordance with Article 9 below.
- (v) HMM shall be dissolved, without winding up, from the date on which all the FHM Certificates, to be allotted by FHM to the HMM Certificate Holders, as prescribed in Article 9, have been so allotted, or on such later date as the Court may prescribe.

#### 6.2. Transfer of the Assets

As of the Effective Date, all the Assets of HMM shall immediately, without any conveyance or transfer, and without any further act or deed, be vested in and become the undertaking and Assets of FHM, which shall have, hold and enjoy the same in its own right as fully as the same were possessed, held and enjoyed by HMM prior to the Amalgamation. The vesting / transfer of the Assets shall be subject to all Securities subsisting thereon (if any).

#### 6.3. Transfer of Liabilities and Obligations

As of the Effective Date, all the Liabilities and Obligations of HMM, including towards the creditors of HMM (if any), shall immediately, and without any further act or deed, be assumed



by and become the Liabilities and Obligations of FHM, which shall pay, undertake, satisfy, discharge and perform, when due, all such Liabilities and Obligations.

**6.4. FHM's Right to Execute Deeds**

Deeds, assignments or similar instruments to evidence the aforesaid transfer of Assets and / or assumption of Liabilities and Obligations of HMM may, if required at any time, be executed by officers of FHM authorized in this regard.

**6.5. References to Assets and Liabilities and Obligations**

Any reference in this Scheme to Assets or Liabilities and Obligations of HMM is a reference to Assets or Liabilities and Obligations to which HMM is for the time being entitled or subject to (whether beneficially or in any fiduciary capacity) immediately preceding the Effective Date, wherever such Assets or Obligations and Liabilities are situated or arise and whether or not the same are capable of being transferred or assigned to or by HMM under any applicable law or instrument.

**6.6. Assets held in Trust, etc.**

Any Asset comprised or vested in HMM, which immediately before the Effective Date was held by HMM as trustee or custodian in the form of any trust deed, settlement, covenant, agreement or will or as executor of the will, or administrator of the estate of a deceased person or as judicial trustee appointed by order of any court, or in any other fiduciary capacity, shall, as of the Effective Date, be held by FHM in the same capacity upon the trusts, subject to the powers, provisions and Liabilities applicable thereto.

**6.7. Contracts**

Every Contract to which HMM is a party shall have effect as of the Effective Date as if:

- (i) FHM had been a party thereto instead of HMM; and
- (ii) Any reference (however worded and whether express or implied) to HMM therein shall stand substituted, as respects anything to be done as of the Effective Date, to a reference to FHM.

**6.8. Bank Accounts**

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

**6.9. Instructions**

Any existing instruction, order, direction, mandate, power of attorney, authority, undertaking or consent given to HMM in writing shall have effect, as of the Effective Date, as if given to FHM.

#### 6.10. **Negotiable Instruments**

Any negotiable instrument or order for payment of money drawn on or given to, or accepted or endorsed by HMM, or payable at any place of business of HMM, whether so drawn, given, accepted or endorsed before, as of the Effective Date, shall have the same effect as of the Effective Date, as if it had been drawn on, or given to, or accepted or endorsed by FHM, or were payable at the same place of business of FHM.

#### 6.11. **Custody of Documents**

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

#### 6.12. **Securities:**

- (i) Any Security held immediately before the Effective Date by HMM or by a nominee or agent of or trustee for HMM, as security for the payment or discharge of any liability and obligation of a Customer shall, as of the Effective Date, be held by, or, as the case may require, by that nominee, agent or trustee for FHM and be available to FHM (whether for its own benefit or, as the case may be, for the benefit of any other person) as security for the payment or discharge of that liability and obligation.
- (ii) In relation to any Security vested in FHM, pursuant to and / or in accordance with the provisions of this Scheme, and any liabilities and obligations thereby secured, FHM shall be entitled to the rights and priorities to which HMM would have been entitled if they had continued to hold the Security.
- (iii) Any Security referred to in the foregoing provisions of this paragraph which extends to future advances or liabilities shall, as of the Effective Date, be available to FHM (whether for its own benefit or as the case may be, for the benefit of any other person) as security for the payment or discharge of future advances and future liabilities to the same extent and in the same manner in all respects as future advances or liabilities to HMM or, as the case may be, FHM, were secured thereby immediately before that time.

#### 6.13. **Legal Proceedings**

Where by virtue of this Scheme any right, Claim or Liability of HMM becomes a right, Claim or Liability of FHM as of the Effective Date, FHM shall have the same rights, claims, powers and remedies (and in particular the same rights, Claims and powers as to taking or resisting legal proceedings or making or resisting applications to any authority) for ascertaining, perfecting or enforcing that right, Claim or Liability as if it had at all times been a right, Claim or Liability of FHM, and any legal proceedings or application to any authority existing or pending immediately before the Effective Date by or against HMM may be continued by or against FHM.

**6.14. Judgments**

Any judgment or award obtained by or against HMM, and not fully satisfied before the Effective Date shall at that time, to the extent to which it is enforceable by or against HMM, become enforceable by or against FHM.

**6.15. Evidence**

All books and other documents which would, before the Effective Date, have been evidenced in respect of any matter, for or against HMM, shall be admissible in evidence in respect of the same matter for or against FHM.

**6.16. Authorizations**

Any authorizations / powers of attorney granted by HMM to any persons shall continue to subsist subsequent to the Amalgamation and shall be deemed to be authorizations / powers of attorney granted by FHM to such persons, until or unless otherwise revoked or modified by FHM.

**6.17. Objective Clauses**

All business clauses provided in the Prospectus of HMM shall be merged with the Objective / business Clauses of FHM.

**6.18. Clarification**

The provisions contained in Articles 6.2 to 6.17 above are without prejudice to the generality of any other provisions in this Scheme, but subject to any provisions in this Scheme to the contrary effect.

**ARTICLE 7**

**CERTAIN OBLIGATIONS AND REPRESENTATIONS**

- 7.1. Upon the Amalgamation, FHM shall take all necessary and expedient steps to properly and efficiently manage its entire business and affairs and shall operate and promote its entire business and affairs in the normal course (to the extent applicable).
- 7.2. As of the Completion Date (but with effect from the Effective Date), FHM shall undertake, pay, satisfy, discharge, perform and fulfil the Liabilities and Obligations, Contracts, engagements and commitments whatsoever of HMM.

**ARTICLE 8**

**THE SCHEME'S EFFECT**

- 8.1. The provisions of this Scheme shall be effective and binding by operation of law and shall become effective in terms of Article 3 above.

- 8.2. The execution and / or sanction of this Scheme, and the Amalgamation in terms hereof, shall not: (i) constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any law for the time being in force; (ii) give rise to any forfeiture; (iii) invalidate or discharge any Contract or Security; and (iv) 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 HMM and / or FHM.
- 8.3. Upon the sanction of this Scheme, as of the Effective Date, the terms of this Scheme shall be binding on the Modaraba Company, FHM and HMM, and also on all the respective certificate holders of FHM and HMM, the Customers of each of FHM and HMM, the creditors of the Modarabas and on any other person having any right or liability in relation to either of them.

## ARTICLE 9

### CONSIDERATION FOR THE AMALGAMATION AND RELATED MATTERS

- 9.1. As consideration for the Amalgamation, FHM shall allot and issue an aggregate of 20,061,000 (Twenty Million and Sixty one Thousand) FHM Certificates to the HMM Certificate Holders, credited as fully paid up, at par, against the 30,000,000 (Thirty Million) modaraba certificates of HMM, of PKR 10/- (Pak Rupees Ten) each, held by the HMM Certificate Holders, on the basis of a swap ratio of approximately 0.6687 FHM Certificate for every 1 (one) modaraba certificate of HMM (0.6687:1) held by each HMM Certificate Holder (the "**Swap Ratio**"). All entitlements of the HMM Certificate Holders shall be determined in the proportion aforesaid. Having said that, fractional modaraba certificates shall not be issued, and all fractions less than a FHM Certificate shall be consolidated into whole FHM Certificates which shall be disposed of by FHM in a manner determined by the Board of Directors of the Modaraba Company.
- 9.2. The Swap Ratio has been determined on the basis of the respective financial statements of each of FHM and HMM for the period ended March 31, 2022, which have been specially audited, and the relative valuations / calculations carried out by Yousuf Adil, Chartered Accountants, as stipulated in the Swap Letter, which have been approved by the Board of Directors of the Modaraba Company.
- 9.3. Subsequent to the Completion Date, at least 14 (fourteen) days' notice (or such extended period as prescribed under the applicable laws) shall be given to the certificate holders of HMM, specifying the Record Date in order to determine the identities of the HMM Certificate Holders and their entitlements. Such notice shall also specify the date by which the certificate holders of HMM (holding modaraba certificates of HMM in physical form) shall deliver to HMM, for cancellation, all the modaraba certificates of HMM held by them, and such modaraba certificates shall be delivered to HMM on or before that date. In relation to those HMM Certificate Holders who hold modaraba certificates of HMM in book entry form through the CDS on the date specified in the notice, the book entries relating to the modaraba certificates of HMM in the CDC accounts / sub-accounts of such HMM Certificate Holders shall stand cancelled.
- 9.4. HMM shall, within 10 (ten) days of the Record Date, provide FHM with the list of the HMM Certificate Holders along with details of their respective entitlements.

- 9.5. The modaraba certificates of HMM (existing in physical form) delivered / to be delivered by the HMM Certificate Holders in accordance with Article 9.3. above shall stand cancelled (whether or not the same have been surrendered to HMM by the prescribed date) and the HMM Certificate Holders shall be entitled to modaraba certificates / CDC book-entries representing the number of fully paid up FHM Certificates to which the respective HMM Certificate Holder is entitled to in accordance with the provisions of this Scheme.
- 9.6. The allotment of the FHM Certificates (in accordance with the provisions of this Article 9) shall be made by FHM within 45 (forty-five) days from the date notified above. The FHM Certificates shall be made ready for delivery as soon as practicable thereafter and notices of their readiness for their delivery shall be given to the HMM Certificate Holders in the manner provided in the prospectus of FHM. Modaraba certificates not collected within the time specified in any such notice shall be sent by post in prepaid envelopes addressed to the persons entitled thereto at their respective registered addresses. In the case of joint certificate holders, modaraba certificates may be delivered to or may be sent to the address of that one of the joint holders whose name appears first in respect of such joint holding. FHM shall not be responsible for loss of any modaraba certificates in such transmission.
- 9.7. In the case of HMM Certificate Holders holding modaraba certificates of HMM in book entry form through the CDS, the CDC shall (based on details provided by FHM) credit their respective CDC accounts / sub-accounts with book entries relating to the corresponding number of FHM Certificates which the relevant HMM Certificate Holder is entitled to in accordance with this Article 9. Such allotment / issuance shall be carried out in accordance with the rules and regulations of the CDC.
- 9.8. The FHM Certificates, allotted and issued to the HMM Certificate Holders in accordance with the provisions of this Scheme, shall, in all respect, rank *pari passu* with the modaraba certificates of FHM held by the certificate holders of FHM, and shall be entitled to all dividends declared by FHM after the Completion Date.
- 9.9. Subject to the sanction of this Scheme by the Court, HMM shall, without winding up, stand dissolved from the date on which all the FHM Certificates, to be allotted by FHM to the HMM Certificate Holders as prescribed above, have been so allotted.

## **ARTICLE 10**

### **EMPLOYEES**

- 10.1. On and from the Completion Date (but with effect from the Effective Date), all full time officers and employees (including workmen) of HMM shall become the employees of FHM at the same level of remuneration and under the same terms and conditions of service which they were receiving or, as the case may be, by which they were governed immediately before the Effective Date, including those relating to entitlements and benefits arising upon termination of services, on the basis of continuation of service, unless the employment of any such person(s) is terminated (including pursuant to resignation or otherwise) between the Effective Date and Completion Date. It is clarified that if any such employee is already also an employee of FHM, such employee will simply continue being the employee of FHM only.
- 10.2. On and from the Completion Date, all the funds / amounts (including in the nature of cash, investments or otherwise) in the Habib Metro Modaraba Employees Provident Fund shall be

transferred from such fund and vest in the trustees of a similar fund(s) established by FHM (including the First Habib Modaraba Employee Contributory Provident Fund) for the benefit of its employees, which shall (from the Completion Date, for the purposes of this Article) include the employees of HMM who were members / beneficiaries of the Habib Metro Modaraba Employees Provident Fund. The trustees of the respective funds shall take necessary steps for carrying out the above arrangement.

- 10.3 On and from the Completion Date, funds / amounts standing to the credit of the employees of HMM with respect to the Habib Metro Modaraba Employees Provident Fund shall transfer to and vest in the trustees of a similar fund(s) established by FHM (including the First Habib Modaraba Employee Contributory Provident Fund) for the benefit of its employees, which shall (from the Completion Date, for the purposes of this Article) include the employees of HMM who we members / beneficiaries of the Habib Metro Modaraba Employees Provident Fund. The trustees of the respective funds shall take necessary steps for carrying out the above arrangement.

## **ARTICLE 11**

### **GENERAL**

#### **11.1. Modifications by the Court**

This Scheme shall be subject to such modification of conditions, as the Court may deem expedient to impose. The Board of Directors of the Modaraba Company may consent to any modifications or additions to this Scheme or to any conditions which the Court 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 Court. Notwithstanding the above, in the event that the terms of this Scheme are not approved by the certificate holders and / or creditors of FHM and / or HMM (to the extent applicable) in its entirety and / or the Scheme, as approved by the respective Modarabas, is modified by the Court, the Board of Directors of the Modaraba Company shall be entitled to withdraw this Scheme (whether or not approval from the certificate holders and creditors of the respective Modarabas has been obtained).

#### **11.2. Headings**

Article 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 or any of its provisions.

#### **11.3. Severability**

If any provision of this Scheme is found to be unlawful and unenforceable by a competent court of law, then to the fullest extent possible, all of the remaining provisions of the Scheme shall remain in full force and effect.

#### **11.4. Costs and expenses**

All costs, charges and expenses in respect of the preparation of this Scheme and carrying the same into effect shall be borne by FHM and HMM equally.

Karachi.

Dated: July 22, 2022.



For and on behalf of

**HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PRIVATE) LIMITED**

Name:

Muhammad Shoaib

Designation:

Chief Executive Officer

A handwritten signature in blue ink.



For and on behalf of

**FIRST HABIB MODARABA**

Name:

Tehsin Abbass

Designation:

Chief Financial Officer

A handwritten signature in blue ink.



For and on behalf of

**HABIB METRO MODARABA**

Name:

Intisar Muhammad Usmani

Designation:

Head of Credit

## **LIST OF ANNEXURES**

**“Annexure A”** – List of members of Board of Directors of the Modaraba Company.

**“Annexure B”** – Swap Letter dated June 7, 2022, issued by Yousuf Adil, Chartered Accountants.



**ANNEXURE A**

**LIST OF MEMBERS OF THE BOARD OF DIRECTORS OF  
HABIB METROPOLITAN MODARABA MANAGEMENT COMPANY (PRIVATE) LIMITED**

Mr. Syed Rasheed Akhter

Mr. Muhammad Shoaib

Mr. Usman Nurul Abedin

Mr. Saeed Uddin Khan

Mr. Mohammad Shams Izhar

Dr. Irum Saba

**Yousuf Adil**  
Chartered Accountants

Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314  
www.yousufadil.com

FHM/1501  
June 07, 2022

The Board of Directors of

**First Habib Modaraba**

Habib Metropolitan Modaraba Management Co. Pvt. Ltd.  
6th Floor, HBZ Plaza (Hirani Centre)  
I.I.Chundrigar Road, Karachi

**Habib Metro Modaraba**

Habib Metropolitan Modaraba Management Co. Pvt. Ltd.  
6th Floor, HBZ Plaza (Hirani Centre)  
I.I.Chundrigar Road, Karachi

Dear Sirs,

**Subject: Swap Computation Letter**

Yousuf Adil, Chartered Accountants (hereinafter referred to as "we" or "our" or "us" or "YA") has provided the services as agreed vide our engagement letter ref. no. FHM/1296 dated April 01, 2022 to assist in the determination of certificate swap ratio for the proposed merger of the following Modarabas in terms of a Scheme of Arrangement (the "Scheme"):

- a) First Habib Modaraba – hereinafter referred to as FHAM (the surviving Modaraba)
- b) Habib Metro Modaraba – hereinafter referred to as HMM (the merging Modaraba)

**1. Our understanding of the transaction**

We understand that the Scheme, the draft of which has been shared with us, proposed to be entered into between FHAM and HMM (hereinafter collectively referred to as the "Modarabas") principally envisages the merger, by way of amalgamation, of HMM with and into FHAM by transferring to, merging with, and vesting into FHAM, the rights, assets, liabilities and obligations of HMM, against the issuance of certificate of FHAM to the certificate holders of HMM, as a consequence of which HMM shall be dissolved without winding up (the "Amalgamation").

The Scheme is envisaged to be effective as of the start of business on April 01, 2022 or a date as approved by the Honorable High Court of Sindh.

**2. About the Modarabas**

**2.1 Brief Overview**

**A. First Habib Modaraba**

First Habib Modaraba (FHAM) was established in 1985 as Non-Bank Islamic Financial Institution as one of the pioneers within Modaraba sector of Pakistan. FHAM is a multipurpose, perpetual Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed

thereunder and is managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company), which owns 10% equity stake in FHAM. FHAM is engaged in the business of providing Islamic Financial Services and other related business.

## B. Habib Metro Modaraba

Habib Metro Modaraba was established in 2017 as Non-Bank Islamic Financial Institution. HMM is a multipurpose, perpetual Modaraba floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Habib Metropolitan Modaraba Management Company (Private) Limited (the Modaraba Management Company) which owns 10% equity stake in HMM. HMM is engaged in Residual Value car financing model on diminishing Musharaka basis, providing financing for solar power equipment and other related business.

## 2.2 Certificate Capital

S.No	Modaraba	Number of Certificates Issued as at March 31, 2022	Par Value (PKR)	Issued Certificate Capital (PKR)
1	FHAM	201,600,000	5	1,008,000,000
2	HMM	30,000,000	10	300,000,000

## 3. Certificate Swap Summary

Valuations for Certificate Swap Computation, as at March 31, 2022 on standalone basis are as follows:

- (i) the values determined for FHAM are PKR 1,913,184,000 calculated using market approach and PKR 3,866,744,676 calculated using asset approach; and
- (ii) the values determined for HMM are PKR 247,200,000 calculated using market approach and PKR 327,960,274 calculated using asset approach.

As agreed with management, each of the above valuation methodology has been assigned a weightage i.e. 50% to market approach and 50% to asset based approach to arrive at a single weighted average value per certificate for each Modaraba as follows:

Modaraba	Weighted Average Value Per Ordinary Certificate (PKR)
FHAM	14.34
HMM	9.59

*Based on the aforementioned valuations, the certificate swap ratio is computed to be 0.6687. Therefore, 0.6687 certificates of FHAM to be issued for 1 certificate of HMM. Accordingly, 20,061,000 certificates of FHAM to be issued as consideration for 30,000,000 certificates of HMM, subject to the approval of the Board of Directors and certificate holders of the respective companies and thereafter sanction of the Scheme by the Honorable High Court of Sindh in accordance with the provisions of Sections 279 to 283 and 285(8) of the Companies Act, 2017.*

*Detailed computation of Certificate Swap ratio can be referred from Annexure A.*

#### 4. Caveats

- This swap letter is subject to the limitations detailed herein. This letter is to be read in totality, and not in parts, in conjunction with all the relevant documents referred herein.
- This letter 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.
- Valuation is not a precise science; it is subjective and requires the application of experience and judgment to 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 variation could be material.
- The swap ratio for the Amalgamation has been computed based on the values determined for FHAM and HMM on standalone basis calculated using market approach and asset approach to valuation.
- As the Modarabas are Non-Banking Islamic Financial Institution (NBIFIs) which are being dealt in the capital market that is subject to uncertainties and various external influences including but not limited to govt. policies, exchange rate fluctuations, political developments, economic situation etc. Therefore, income approach (DCF method) to valuation is generally not suitable in such scenario. Additionally, considering Pakistan's current uncertain economic situation, volatility in the market, spiraling inflation, deteriorating exchange rates and uncertain government policies suggest that estimating medium to long term projection would be highly subjective in these uncertain times even for well-entrenched business models and may lead to inappropriate estimations. This also affects correct estimation of cost of capital, that is required for discounting cash flows. This warrants ruling out income approach (DCF method) to valuation of Modarabas that has not been considered during valuation of FHAM and HMM and has been agreed by the management of both the Modarabas.
- The procedures performed for issuing this letter, do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, therefore, we do not, hereby, express an opinion or other form of assurance.
- We have no responsibility to update this letter for events and circumstances occurring after the date of our letter.
- We have not audited the financial accounts of the Modarabas.
- Management confirms that there are no material changes in the carrying values of assets and therefore latest asset revaluation reports for FHAM and HMM have not been provided and hence we have relied on the balance of fixed assets as appearing in the audited balance sheets of FHAM and HMM as at March 31, 2022.
- We believe, as per the requirements of IFRS 9, the investments of FHAM have been revalued and the related impact of revaluation has already been considered and appearing in balance sheet as at March 31, 2022.
- This letter and the information contained herein are intended for providing selected information and only in connection with the purpose mentioned above or for sharing with certificate holders of the Modarabas, management of the Modarabas, the office of other regulatory or statutory authorities, and the High Court of Sindh. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the Modarabas or their management or their representatives intend to extend the use of this letter beyond the purpose mentioned earlier in this letter, with or without our consent, we will not accept any responsibility to any other party to whom this letter may be shown or who may acquire a copy of this letter.
- A draft of this letter was shared with the managements of FHAM and HMM, prior to its finalization of report, as part of our standard practice to make sure that factual inaccuracy/omission are avoided in the report.

- In rendering this letter, we have not provided legal, regulatory, tax or accounting advice and accordingly we do not assume any responsibility or liability in respect thereof.
- In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of this letter or by virtue of fact that the details provided to us are incorrect or inaccurate.
- This engagement does not look into the business/commercial reasons behind the Amalgamation nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Amalgamation as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available.
- Further this letter does not in any manner address the prices at which the equity certificates of the Modarabas will exchange following the announcement of the Scheme and we express no opinion or recommendation as to how the certificate holders of the Modarabas should vote at any certificate holders' meeting to be held in connection with the Amalgamation.

Yours truly,

*Yousuf Adil*

Chartered Accountants

**Annexure A: Computation of Certificate Swap Ratio**

**i. Value of Modarabas on Standalone Basis**

**FHAM**

Valuation Approaches	FHAM	Certificates as of Mar 31, 2022	Value per Certificate	Weight	Weighted Average Value Per Ordinary Certificate
Value - Market Approach [Average Market Price of Last 1 Year]	1,913,184,000	201,600,000	9.49	50%	14.34
Value - Asset Approach	3,866,744,676		19.18	50%	

Based on discussion with the management of FHAM, and as agreed by them for valuation of FHAM on standalone basis, Market Approach (average market price of last 1 year) and Asset Approach has been considered. Thereafter, each of the above valuation methodology has been assigned a weightage of 50% to arrive at a single weighted average value per certificate.

Using asset approach, we have derived the value for FHAM from the following key information provided by the client, which has been reviewed by us; however, we have not conducted any due diligence or verification of the information.

- Audited accounts of FHAM for the period ended March 31, 2022.

**HMM**

Valuation Approaches	HMM	Certificates as of Mar 31, 2022	Value per Certificate	Weight	Weighted Average Value Per Ordinary Certificate
Value - Market Approach [Average Market Price of Last 1 Year]	247,200,000	30,000,000	8.24	50%	9.59
Value - Asset Approach	327,960,274		10.93	50%	

Based on discussion with the management of HMM, and as agreed by them for valuation of HMM on standalone basis, Market Approach (average market price of last 1 year) and Asset Approach has been considered. Thereafter, each of the above valuation methodology has been assigned a weightage of 50% to arrive at a single weighted average value per certificate.

Using asset approach, we have derived the value for HMM from the following key information provided by the client, which has been reviewed by us; however, we have not conducted any due diligence or verification of the information.

- Audited accounts of HMM for the period ended March 31, 2022

## ii. Certificate Swap Ratio Computation

Based on above values of FHAM and HMM on standalone basis, the certificate swap ratio computed is as follows:

Certificate Swap Ratio	0.6687
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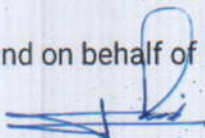
## iii. Issued Certificates of FHAM

Based on above certificate swap ratio, upon the sanction of the Scheme, and subject to the provisions thereof, FHAM would issue 20,061,000 new ordinary certificates to the certificate holders of HMM; consequently, FHAM's total certificate capital would consist of 221,661,000 certificates.

Description	Number of Certificates
Total Number of Certificates of FHAM - Pre Merger	201,600,000
New Certificates to be Issued by FHAM	20,061,000
<b>Total Number of Certificates of FHAM - Post Merger</b>	<b>221,661,000</b>

Note: The actual number of certificates to be issued by FHAM will be subject to the swap ratio approved by the Board of Directors and members of the respective Modarabas, as well as the sanction of the Scheme by the High Court.

For and on behalf of FHAM



For and on behalf of HMM

