

SCHEME OF ARRANGEMENT

UNDER SECTION 279 to 283 and Section 505 (1)(c) OF THE COMPANIES ACT 2017

BETWEEN

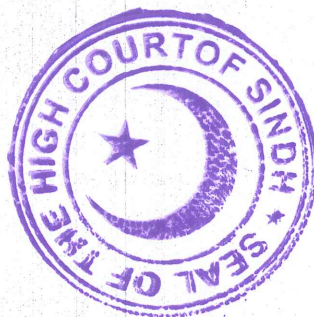
FIRST UDL MODARABA

AND

UDL INTERNATIONAL LIMITED

AND

UDL FINANCIAL SERVICES LIMITED



PARTS OF THE SCHEME

The Scheme is divided into the following parts:

- (a) Part I, which deals with the introduction, definitions, rationale and objects of the Scheme;
- (b) Part II, which deals with the 100% Merger of First UDL Modaraba with and into UDL International Limited and simultaneously, upon merger of First UDL Modaraba with and into UDL International Limited, the UDL International Limited shall hive down Diminishing Musharika portfolio of the First UDL Modaraba, with and into its wholly owned subsidiary UDL Financial Services Limited. Resultantly, First UDL Modaraba shall be dissolved and cease to exist without winding up. Accordingly, the Modaraba Management Company of First UDL Modaraba shall amend its Memorandum of Association and shall duly surrender its registration; and
- (c) Part III, which deals with the general terms and conditions applicable to Part II of the Scheme.

1. PART I

1.1. Introduction

- (a) **FIRST UDL MODARABA** is a listed Modaraba (herein after referred to as UDL Modaraba), floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, with its registered office situated at 1st Floor, Business Enclave, 77-C, 12th Commercial Street, OFF: Kh-e-Ittehad, DHA, Phase-II Extension, Karachi.

It is a multipurpose Modaraba, allowed to engage in all types of businesses, including manufacturing, trading, distribution, financial activities, etc. UDL Modaraba, in the past had been involved in commodity trading and was also engaged in the manufacturing and marketing of Pharmaceuticals, however, due to the weakening rupee coupled with other factors, manufacturing was discontinued. At present, the Modaraba is engaged in providing Islamic Financing through the Diminishing Musharika Mode of financing and also holds certain investments in listed securities and term deposits. The Modaraba has been in business for more than 30 years and has consistently distributed profits for most of its existence.

The certificate capital structure of UDL Modaraba as on November 30, 2022 is as follows:

Authorised

50,000,000 certificates of PKR 10 each

Issued, Subscribed and Paid-up

35,120,548 (certificates) of PKR 10 each

- (b) **UDL INTERNATIONAL LIMITED** (hereinafter referred to as “UDL International”) is a public unlisted company, incorporated under the provisions of the Companies Act 2017 on May 19, 2022, with its registered office situated at 1st Floor, Business Enclave, 77-C, 12th Commercial Street, OFF: Kh-e-Ittehad, DHA, Phase-II Extension, Karachi.

The share capital structure of UDL International as on November 30, 2022 is as follows:

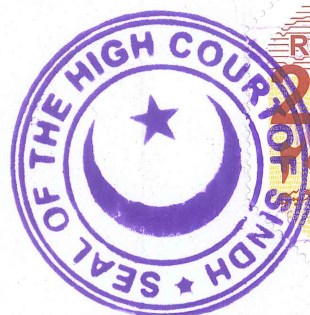
Authorised

50,000 shares of PKR 10 each

Issued, Subscribed and Paid-up

10,000 (Ordinary Shares) of PKR 10 each

UDL International has never traded and has no assets and liabilities other than those resulting from its incorporation and issued share capital.



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- (c) **UDL FINANCIAL SERVICES LIMITED** (hereinafter referred to as the “UDL Financial”), an Investment Finance Services Company, engaged in Islamic Financial Activities, including Diminishing Musharika, Ijarah, Musharika’s etc. It is a wholly owned subsidiary of UDL International.

The share capital structure of UDL Financial is as follows:

Authorised

10,000,000 shares of PKR 10 each

Issued, Subscribed and Paid-up

1000 (Ordinary Shares) of PKR 10 each

UDL International has never traded and has no assets and liabilities other than those resulting from its incorporation and issued share capital.

- (d) The principal object of this Scheme of Arrangement (the “Scheme”) is to effect the Merger (defined hereunder) of the entire undertaking and business of UDL Modaraba together with all proprieties, assets, rights, liabilities, quotas, obligations, diminishing musharika and non-diminishing musharika portfolios of every description of UDL Modaraba to be transferred to and stand vested in, and be assumed by UDL International as subsisting on the Effective Date, in the manner provided for in this Scheme, pursuant to the provisions of Sections 279 to 283 and 505(1)(c) of the Companies Act 2017; in exchange for which shares will be issued by UDL International to the certificate holders of UDL Modaraba and the entire certificate capital in UDL Modaraba shall be cancelled and consequently UDL Modaraba shall be dissolved and cease to exist without winding up in accordance with the terms of the sanction order of the Court (defined hereunder) under Sections 279 to 283 and 505(1)(c) of the Act (defined hereunder). Whereas, pursuant to the sanction of Scheme by the High Court of Sindh at Karachi and subsequent to the amalgamation of UDL Modaraba with and into UDL International, UDL International shall be listed on Pakistan Stock Exchange as a Public listed company and its shares shall be traded on Pakistan Stock Exchange in the same manner as those of certificates of UDL Modaraba.

- (e) Simultaneously, upon merger of UDL Modaraba, with and into UDL International, UDL International shall hive down Diminishing Musharika portfolio along with certain other assets and liabilities as more fully disclosed in the split balance sheet, that will form part of the diminishing musharika portfolio, with and into its wholly owned UDL Financial, while the non-diminishing musharika portfolio shall be retained in the UDL International. In exchange for such hive down, the UDL Financial shall issue share capital to UDL International. Consequently, in accordance with the Special Purpose Balance Sheets, and Share Swap Ratio Report, UDL Financial shall without any further application issue and allot 22,500,000 shares of PKR 10 each, credited as fully paid-up, to UDL International which is based on the carrying value of the diminishing musharika portfolio.



1.2. Definitions

- (a) In this Scheme, unless the subject or context otherwise requires, the following terms stated herein shall have the meanings assigned thereto:
- (i) “Act” means the Companies Act, 2017.
 - (ii) “Assets” means the assets, properties and rights of every description and kind (whether present or future, actual or contingent, tangible or intangible).
 - (iii) “Commission” means the Securities and Exchange Commission of Pakistan.

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- (iv) **"Court"** means the High Court of Sindh at Karachi under Sections 279 to 283 of the Act;
 - (v) **"Effective Date"** means the date as defined in terms of clause 2.3 (a) .
 - (vi) **"Merger"** is defined in Part II of this Scheme;
 - (vii) **"Scheme"** means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved by the Court;
 - (viii) **"Shares"** means the ordinary shares of PKR 10 each in the certificate capital of UDL Modaraba to be entirely cancelled pursuant to this Scheme;
 - (ix) **"Share Swap Ratio Report"** means the Share Swap Ratio Report as defined under Section 2.4 (c) of this Scheme;

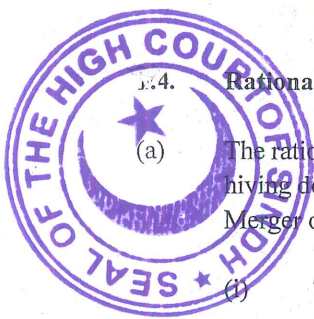
1.3. Objects of the Scheme of Arrangement

- (a) The principal object of this Scheme is to effect the Merger and Amalgamation of UDL Modaraba with and into UDL International by:
 - (i) transferring entire undertaking and business including its Diminishing Musharika and non- diminishing musharika portfolios together with all properties, assets, rights, liabilities, quotas and obligations of every description which are described more precisely in Part II of this Scheme, whose transfer and vesting shall take effect on and from the Effective Date;
 - (ii) the transfer of and vesting in UDL International, in exchange for which Shares will be issued by UDL International to certificate holders of UDL Modaraba and the entire certificate capital in UDL Modaraba shall be cancelled as specified in Part II, Section 2.5 of this Scheme.; and
 - (iii) Simultaneously, upon merger of UDL Modaraba, with and into UDL International, UDL International shall hive down its Diminishing Musharika portfolio along with certain other assets and liabilities that will form part of the diminishing musharika portfolio, to its wholly owned UDL Financial, while the non- diminishing musharika portfolio shall be retained in the UDL International. In exchange for such hive down, UDL Financial shall issue share capital to UDL International.

1.4. Rationale of the Scheme of Arrangement

- (a) The rationale for Merger of UDL Modaraba with and into UDL International and simultaneous hiving down of Diminishing Musharika portfolio to UDL Financial by UDL International upon Merger of UDL Modaraba pursuant to this Scheme is as follows:

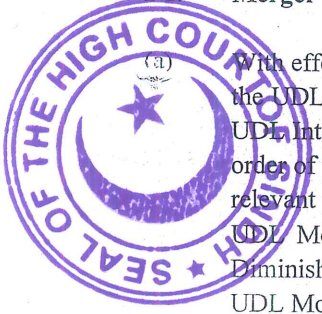
- (i) The current environment, local and global, encourages mergers, amalgamations and acquisitions, in order to create diversified asset profile, multiple revenue streams, increased operational and management competence and better risk management and to have an overall resilience to absorb and tide-over anticipated and unexpected hardships caused by local and global socio-economic changes.
- (ii) UDL Modaraba, being a perpetual, multipurpose and multidimensional Modaraba is allowed to engage in all types of business activities, including manufacturing, trading, marketing, licensed financial activities, etc. The Modaraba is listed on Pakistan Stock Exchange. However, it is considered desirable and expedient to merge entire assets of UDL Modaraba with and into UDL International in the manner and on the terms and conditions as contained in this Scheme, as companies are provided with more flexible legislative options by incorporating new subsidiaries for new businesses and raise capital from capital markets with ease of managing distinct business divisions independent of one another. Consequently, each business division is capable of addressing independent business opportunities.



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- (iii) UDL International was incorporated solely for the purpose of acquiring UDL Modaraba and has not previously traded and holds no assets of its own. Whereas UDL Financial is incorporated for managing the financial activities of the diminishing musharika portfolio of UDL International, which requires a Non-Banking Finance Company ("NBFC") licence from the Commission.
 - (iv) The simultaneous hiving down of the Diminishing Musharika portfolio from UDL International to its wholly owned UDL Financial, upon merger of the Diminishing Musharika and non- diminishing musharika portfolios of UDL Modaraba with and into UDL International is likely to enable the business activities relating to the Diminishing Musharika portfolio to be pursued and carried on with greater focus and attention by an independent company in the form of UDL Financial having its own business focus and adoption of strategies necessary for the growth of the respective business.
 - (v) The hiving down of the Diminishing Musharika portfolio is also necessary as UDL International would be engaged in trading and its wholly owned subsidiary i.e., UDL Financial would be engaged in financial activities that require a Non-Banking Finance Company licence from the Commission. Both the UDL International and UDL Financial companies shall be Shariah compliant companies pursuant to fulfillment of criteria defined under the provisions of Section 451 of the Act, and Shariah Governance Regulations, 2018 introduced under S.R.O. 1318 (I)/2018 dated November 2, 2018 by the Commission.
 - (vi) The Merger seeks to create a new platform for independent growth of the Business in a more focused manner, while allowing UDL International to concentrate on its growth efforts, thereby *inter alia* strengthening each company's ability to undertake and develop their respective businesses effectively.
 - (vii) The Certificate Holders of UDL Modaraba shall hold shares in UDL International thereby becoming shareholders in UDL International. This gives the shareholders the ability to continue to remain invested in UDL giving them greater flexibility in managing their investments as opposed to Modaraba.

2. PART II

2.1. Merger - The transfer and vesting of UDL Modaraba in UDL International



(3) With effect from the Effective Date, without any further act, deed, instrument, matter or thing, the UDL Modaraba shall stand merged with its entire business and undertaking with and into UDL International and shall cease to exist without winding up in accordance with the sanction order of the Court pursuant to Sections 279 to 283 and Section 505 (1)(c) of the Act and other relevant provisions of the Act in the manner provided for in this Scheme and shall comprise of UDL Modaraba together with all proprieties, assets, rights, liabilities, quotas, obligations, Diminishing Musharika and non- diminishing musharika portfolios of every description of UDL Modaraba to be transferred to and stand vested in, and be assumed by UDL International including, without limitation, properties of all kinds and by whatever title held, whether movable or immovable or tangible or intangible, and without limiting the generality of the foregoing, particularly in accordance with the Special Purpose Balance Sheet. Moreover, requisite formalities shall be completed in accordance with the prospectus of UDL Modaraba which includes but is not limited to serving of notices upon the certificate holders of UDL Modaraba for determination and cancellation of modaraba certificates and issuance of ordinary shares in UDL International and hence, handing over the physical certificates by the certificate holders to UDL International.

- (b) Without limiting the generality of the foregoing, all immovable assets and properties, as identified in the Special Purpose Balance Sheet shall stand transferred to UDL International as of the Effective Date, and all bodies, institutions and concerned government departments shall effect such transfer in the name of UDL International without any act, delay or deed and without payment of any amount, fees, charges, levies or taxes of whatsoever nature.

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- (c) All the rights, debts, liabilities and obligations of UDL Modaraba at the Effective Date shall, without any further act, deed or instrument, be transferred and vested in UDL International so as to become as and from the Effective Date the rights, debts, liabilities and obligations of UDL International.
- (d) All assets and properties of UDL Modaraba, including, without limitation, properties of all kinds and by whatever title held, whether movable or immovable or tangible or intangible, and without limiting the generality of the foregoing in particular:
 - (i) the office furniture, etc at the rented premises located at 1st Floor, Business Enclave, 77-C, 12th Commercial Street, OFF: Kh-e-Ittehad, DHA, Phase-II Extension, Karachi.
 - (ii) all equipment, tools, appliances, computer systems and equipment, motor and other vehicles, furniture, fixtures and fittings;
 - (iii) all contracts entered into by or subsisting in favour of UDL Modaraba which remain in whole or in part to be performed, inclusive of all rights and obligations of UDL Modaraba arising thereunder;
 - (iv) all contracts, agreements, trusts, leases, hires, rentals, sub-leases, tenancies, conveyances, grants, instruments of transfer, engagements, commitments and arrangements entered into by UDL Modaraba;
 - (v) all actionable claims, book, trade and other debts or sums (including suppliers' credit notes) due, owing, accrued or payable to UDL Modaraba (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and other receivables, loans made, investments (both short term and long term, including without limitation, investments in shares, debentures, debt instruments and other securities), cash in hand and at banks or other depositories;
 - (vi) all historical and current documents, customer lists, products, 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 materials and other accounting (including management accounting reports) and other financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm and microfiche) in relation to UDL Modaraba;
 - (vii) all connections and facilities for telecommunication owned by, or leased or licensed to UDL Modaraba, including mobile phones, telephones, telexes and facsimile and the benefit of all payments and deposits made by or for the account of UDL Modaraba in connection therewith;
 - (viii) all connections, meters and other installations owned by, or leased or licensed to, UDL Modaraba for the supply of electricity, gas and water and the benefit of all payments and deposits made by or for the account of UDL Modaraba in connection therewith;
 - (ix) all rights, powers, authorities and privileges of UDL Modaraba including all registrations, licences, permits, categories, entitlements, sanctions, approvals and permissions as detailed under Schedule 1 attached hereto;
 - (x) all rights, title and interest of UDL Modaraba in technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, instruction manuals, product specifications, the results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche) and computer software;
 - (xi) all rights, title and interest of UDL Modaraba anywhere in the world and the goodwill in respect of any trademarks, service marks, trade names, trading styles, copyrights, designs, patents, inventions, secret processes, know-how and confidential information, including, without limitation, any licences (inclusive of the benefits and burdens of such licences) for the same, and any applications or the rights to apply for protection or registration of



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any of the same and any continuing, reissue, divisional and re-examination patent application;

- (xii) the goodwill of UDL Modaraba;
- (xiii) all other rights, powers, authorities and privileges of UDL Modaraba including, without limitation:
 - (aa) all registrations, licences, permits, categories, entitlements, authorisations, sanctions, permissions and approvals issued or granted by any government, governmental department or agency, or any statutory or local authority or any municipal corporation; and
 - (bb) all concessions, entitlements, tariff protections and duty and tax exemptions and remissions; and
 - (cc) all credits and refunds on account of sales tax, customs duties, taxes including, levies, fees, charges, or imposts paid on account of, or in connection with any properties, assets or materials comprised in the UDL Modaraba; and
 - (dd) all rights against third parties (including sub-contracts and any retention of title rights);
- (xiv) all debts and other liabilities and obligations of UDL Modaraba whether accrued or accruing or contingent and whether incurred solely or jointly with another or others including amounts owing to banks and financial institutions and other creditors;
- (xv) all loans, advances, finances, leases and banking facilities provided to, or agreed to be provided to, UDL Modaraba inclusive of interest, mark up or other return and bank charges in respect thereof;
- (xvi) all amounts owing (whether or not due for payment) or payable by UDL Modaraba in respect of the supply of goods, utilities and services to UDL Modaraba and which are unpaid (including, without limitation, credit notes granted and advances received from suppliers or customers);
- (xvii) the liabilities of UDL Modaraba on account of its employees including such liabilities payable on termination of service by way of gratuity, redundancy, provident fund, pension or otherwise;
- (xviii) the liabilities of UDL Modaraba for payment of taxes, and the entitlements of UDL Modaraba to credit or refund of payments made for or in respect of any assessment or liability for taxes including advance tax collections;
- (xix) the benefits of any policies of insurance issued to or otherwise available to UDL Modaraba; and
- (xx) all legal proceedings, if any, instituted by or against UDL Modaraba that may be pending before the Effective Date shall be continued by or against UDL International in respect of non-diminishing musharika portfolio and by or against UDL Financial in respect of the hived down diminishing musharika portfolio of UDL Modaraba, with UDL Modaraba having no further liability.



2.2. Hiving down of Diminishing Musharika Portfolio of UDL Modaraba

- (a) With effect from the Effective Date, without any further act, deed, instrument, matter or thing, there will be a simultaneous demerger by way of which UDL International shall hive down the diminishing musharika undertaking of the UDL Modaraba with and into the UDL Financial. While the non-diminishing musharika undertaking of UDL Modaraba shall be retained by UDL International in accordance with the sanction order of the Court pursuant to Sections 279 to 283 and 505(1)(c) of the Act and other relevant provisions of the Act in the manner provided for in this Scheme and shall comprise of diminishing musharika portfolio of UDL Modaraba together with all proprieties, assets, rights, liabilities, quotas, obligations, Diminishing Musharika and diminishing musharika portfolios of every description of UDL Modaraba to be transferred to

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and stand vested in, and be assumed by UDL Financial including, without limitation, properties of all kinds and by whatever title held, whether movable or immovable or tangible or intangible, and without limiting the generality of the foregoing, particularly in accordance with the Special Purpose Balance Sheet.

- (b) Without limiting the generality of the foregoing, all immovable assets and properties, as identified in the Special Purpose Balance Sheet in respect of diminishing musharika portfolio of UDL Modaraba shall stand transferred from UDL International, pursuant to the merger of UDL Modaraba and UDL International, with and into UDL Financial as of the Effective Date, and all bodies, institutions and concerned government departments shall effect such transfer in the name of UDL Financial without any act, delay or deed and without payment of any amount, fees, charges, levies or taxes of whatsoever nature.
- (c) All the rights, debts, liabilities and obligations of the diminishing musharika portfolio of UDL Modaraba with and into UDL International, pursuant to the merger of UDL Modaraba and UDL International, at the Effective Date shall, without any further act, deed or instrument, simultaneously be transferred and vested and be assumed by UDL Financial so as to become as and from the Effective Date the rights, debts, liabilities and obligations of UDL Financial.
- (d) All assets and properties to the extent of diminishing musharika portfolio of UDL Modaraba as mentioned in clause 2.1 (d) of this Scheme, including, without limitation, properties of all kinds and by whatever title held, whether movable or immovable or tangible or intangible, shall, pursuant to the merger of UDL Modaraba and UDL International, be simultaneously hived down through demerger of the diminishing musharika undertaking assumed by UDL International, with and into UDL Financial.

2.3. Effective Date

- (a) The effective date of the Scheme shall be later of the date on which Scheme is sanctioned by the High Court and the date on which License to undertake Non Banking Finance Business is obtained by UDL International's wholly owned subsidiary, UDL Financial from the Commission.
- (b) The merger of UDL Modaraba and its transfer to and vesting in UDL International, in accordance with the terms and conditions of this Scheme shall be treated as having taken effect from the Effective Date, and as from that time the UDL Modaraba shall be deemed to have been carried on for and on account of and in trust for UDL International and all profits and losses accruing or arising to or incurred by UDL Modaraba (including any taxes paid or deducted or withheld) from the Effective Date shall be treated as the profits or losses (including any taxes paid or deducted or withheld), as the case may be, of UDL International.

- (c) Similarly, the simultaneous hiving down of the diminishing musharika portfolio from UDL International with and into its wholly owned UDL Financial in accordance with the terms and conditions of this Scheme, shall also be treated as having taken effect from the Effective Date. On the Effective Date, the diminishing musharika component shall be deemed to have been carried on for and on account of and in trust for UDL Financial and all profits and losses accruing or arising to or incurred by UDL International to the extent of diminishing musharika portfolio (including any taxes paid or deducted or withheld) from the Effective Date shall be treated as the profits or losses (including any taxes paid or deducted or withheld), as the case may be, of UDL Financial.

2.4. Issuance and Cancellation of Shares / Certificates

- (a) Upon the Scheme becoming operative and in consideration of the Merger and transfer of UDL Modaraba with and into UDL International in accordance with the Special Purpose Balance Sheets, and the Share Swap Ratio Report, UDL International shall without any further application:
 - (i) Cancel the shares in UDL International then held by its shareholders;
 - (ii) issue and allot 35,120,548 shares of PKR 10 each, credited as fully paid-up, to Certificate Holders of UDL Modaraba; i.e. 1 fully paid up share of PKR 10 each of UDL International for every 1 fully paid up certificate holding of PKR 10 (Pak Rupees Ten) each held in UDL Modaraba to the Certificate Holders whose names appear in the



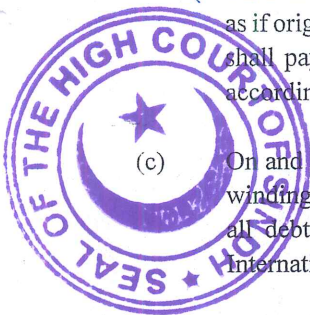
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register of members of UDL Modaraba as on the Effective Date or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the respective Board of Directors;

- (b) Resultantly, certificate holders shall have proportionate shareholding in UDL International in equivalent proportion to that of their certificate holding in UDL Modaraba. Consequently, entire certificate holding of UDL Modaraba would be cancelled through allotment of proportionate shares issued by UDL International to the certificate holders of UDL Modaraba.
- (c) The above arrangement has been determined on the basis of the accounts of UDL Modaraba as of November 30, 2022 and the workings of A. F. Ferguson & Co., Chartered Accountants in terms of their letter dated ("Share Swap Ratio Report"), the Share Swap Ratio Report has been approved by the Board of Directors of UDL Modaraba and UDL International.
- (d) The allotment of the shares and entire cancellation of certificate capital in terms of this Scheme shall be made within ninety (90) days from the date of filing of the order of the Court with the Commission.
- (e) Simultaneously, upon the Scheme becoming operative and in consideration of the Merger and transfer of UDL Modaraba with and into UDL International in accordance with the Special Purpose Balance Sheets, and the Share Swap Ratio Report, UDL International shall hive down the diminishing musharika portfolio with and into UDL Financial. Consequently, in accordance with the Special Purpose Balance Sheets, and Share Swap Ratio Report, UDL Financial shall without any further application issue and allot 22,500,000 shares of PKR 10 each, credited as fully paid-up, to UDL International which is based on the carrying value of the diminishing musharika portfolio.

2.5. Discharge of Liabilities of UDL Modaraba by UDL International

- (a) All contracts, agreements, commitments, engagements and arrangements, grants, instruments of transfer, rights, powers, authorities, and privileges entered into by or subsisting in favour of UDL Modaraba upon being transferred to and vested in UDL International shall remain in full force and effect as if originally entered into by or granted in favour of UDL International instead of UDL Modaraba and UDL International may enforce all rights and shall perform all obligations and discharge all liabilities arising thereunder accordingly.
- (b) The debts, liabilities and obligations of UDL Modaraba upon being transferred to and vested in UDL International shall be treated as the debts, liabilities and obligations of UDL International as if originally incurred by UDL International instead of UDL Modaraba and UDL International shall pay and discharge all such debts and liabilities and shall perform all such obligations accordingly.
- (c) On and from the Effective Date, UDL Modaraba shall cease to exist as going concern without winding up and shall stand released and discharged from all obligations to pay and discharge all debts and liabilities and to perform all obligations transferred to and vested in UDL International under this Scheme.
- (d) In regard of any debts and liabilities transferred to and vested in UDL International in respect of which the creditors concerned were provided a security interest over the assets being retained by UDL Modaraba under this Scheme, the securities so held by such creditors shall on and from the Effective Date stand released by them to the extent and for the purposes of such debts and liabilities and such securities shall be substituted by securities of a similar nature which UDL International shall provide over the assets of UDL International.
- (e) All suits, appeals, arbitrations, governmental investigations and other legal proceedings instituted by or against UDL Modaraba pending on or immediately before the Effective Date with any court, tribunal, regulatory body or any other authority shall be treated as suits, appeals and legal proceedings by or against UDL International and may be continued, prosecuted and enforced by or against UDL International accordingly.



2.6. **Employees**

- (a) From the Effective Date, all employees of UDL Modaraba shall become employees of UDL International or UDL Financial, along with the benefit of all outstanding dues, benefits and entitlements of past service.

3. **PART III**

3.1. **GENERAL TERMS AND CONDITIONS**

(a) **Effectiveness of the Scheme**

- (i) The terms of this Scheme shall be operative and binding by operation of law on sanction of the Scheme by the Court from the Effective Date.
- (ii) The Merger and simultaneous demerger and hive down in terms of this Scheme shall not constitute any assignment, transfer, devolution, conveyance alienation, parting with possession or other disposition under any law for the time being in force. Further it shall not give rise to any forfeiture, invalidate or discharge any contract or encumbrance.
- (iii) As on the Effective Date, the terms of this Scheme shall be binding on UDL International and UDL Modaraba and also on the shareholders, Certificate Holders and creditors of UDL International and UDL Modaraba or any other person, including all regulators, and government authorities, etc., having any right or liability in relation to any of them.
- (iv) As on the Effective Date, the terms of this Scheme shall be binding on UDL International and UDL Financial and also on their shareholders or creditors or any other person, including all regulators, and government authorities, etc., having right or liability in relation to any of them.

(b) **Application to the High Court of Sindh**

- (i) UDL Modaraba, UDL International and UDL Financial shall jointly, with all reasonable steps, make necessary applications to the Court for sanction and carrying out of this Scheme. UDL Modaraba, UDL International and UDL Financial shall also take such other steps, as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.



(c) **Modification and Implementation**

(i) If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of UDL Modaraba, UDL International and UDL Financial, affect the validity and implementation of the other parts or provisions of this Scheme. The Board of Directors of UDL Modaraba, UDL International and UDL Financial may consent from time to time on behalf of all concerned to any modifications, amendments, substitutions, or additions made to this Scheme or to any conditions, which the Court may deem fit and appropriate to order, approve or direct.

(d) **Conditionality of the Scheme**

- (i) This Scheme is conditional upon and subject to sanction of the Court pursuant to Sections 279 to 283 and 505(1)(c) of the Act and may be sanctioned in its present form or with any modification or addition as the Court may approve and this Scheme with such modification or addition if any is also subject to any conditions, which the Court may impose.

(e) **Operation of the Scheme**

- (i) This Scheme shall become operative on the Effective Date. Unless this Scheme shall have become operative as aforesaid on the Effective Date or such later date (if any) as the Court may allow, this Scheme shall not become operative.

(f) **Costs**

- (i) UDL Modaraba, UDL International and UDL Financial shall bear their own costs, charges and expenses including stamp duties arising out of or incurred in carrying out and implementing this Scheme and matters incidental thereto.



Schedule 1

List of Registrations, Licenses and Permits

NOT APPLICABLE



Schedule 2

Special Purpose Balance Sheets of UDL Modaraba



Schedule 2

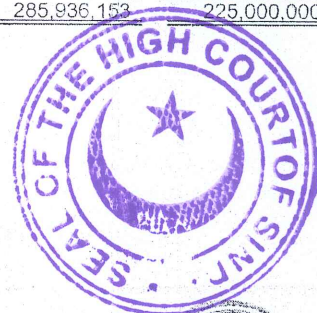
FIRST UDL MODARABA
SPECIAL PURPOSE BALANCE SHEET
AS AT 30 NOVEMBER 2022

| | Notes | First UDL Modaraba A | Other portfolio B Rupees | Diminishing Musharika portfolio C |
|---|-------|----------------------------|--------------------------------|--|
| ASSETS | | | | |
| Non-current assets | | | | |
| Fixed assets - tangible | 3 | 25,388,131 | 19,602,719 | 5,785,412 |
| Intangible assets | 4 | 1,420,779 | 1,407,279 | 13,500 |
| Long term investments | 5 | 96,115,232 | 96,115,232 | - |
| Diminishing Musharika Financing | 6 | 68,079,124 | - | 68,079,124 |
| Long term deposits | 7 | 1,384,350 | 1,305,350 | 79,000 |
| | | 192,387,616 | 118,430,580 | 73,957,036 |
| Current assets | | | | |
| Short term investments | 8 | 235,239,797 | 155,239,797 | 80,000,000 |
| Current portion of Diminishing Musharika Financing | 6 | 48,909,409 | - | 48,909,409 |
| Diminishing Musharika Financing installments receivable | 9 | 935,511 | - | 935,511 |
| Advances | 10 | 4,477,200 | 4,477,200 | - |
| Prepayments, deposits and other receivables | 11 | 4,352,470 | 3,571,603 | 780,867 |
| Taxation - net | 12 | 16,778,524 | 16,778,524 | - |
| Cash and bank balances | 13 | 84,811,048 | 64,393,871 | 20,417,177 |
| | | 395,503,959 | 244,460,995 | 151,042,964 |
| TOTAL ASSETS | | 587,891,575 | 362,891,575 | 225,000,000 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accrued and other liabilities | 14 | 17,051,183 | 17,051,183 | - |
| Unclaimed profit distributions | 15 | 59,904,239 | 59,904,239 | - |
| | | 76,955,422 | 76,955,422 | - |
| TOTAL LIABILITIES | | 76,955,422 | 76,955,422 | - |
| NET ASSETS | | 510,936,153 | 285,936,153 | 225,000,000 |

REPRESENTED BY
CAPITAL AND RESERVES

Issued, subscribed and paid up certificate capital
Statutory reserves
Accumulated profit
Certificate holders' equity

351,205,480
192,812,478
330,945
544,348,903



SURPLUS ON REVALUATION OF INVESTMENTS
TOTAL CAPITAL AND RESERVES

(33,412,750)

510,936,153

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NOTES TO THE ACCOUNTS:

1 LEGAL STATUS AND NATURE OF THE BUSINESS

- 1.1 First UDL Modaraba (the Modaraba) was formed in 1991 under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed there under, having its registered office at 1st Floor, Business Enclave, 77-C, 12th Commercial Street, Off: Khayaban-e-Ittehad, DHA (Ext), Karachi and is managed by UDL Modaraba Management (Private) Limited (the Management Company), a company incorporated in Pakistan. It is a perpetual, multipurpose and multidimensional Modaraba engaged in providing finance under Murabaha and Musharika arrangements, Ijarah, commodity trading, and trading in listed and non-interest bearing securities. The Modaraba is listed on Pakistan Stock Exchange.
- 1.2 The Board of Directors, in its meeting held on 26 September 2022, has in-principal approved conversion of the Modaraba into a public limited company by way of merger, subject to all requisite regulatory and legal approvals.

These Special Purpose Balance Sheets of Segments have been prepared for determining the Diminishing Musharika portfolio and Other portfolio of the Modaraba. Accordingly, these Special Purpose Balance Sheets of Segments are not suitable for any other purpose. These segments / portfolios are not operated as separate entities.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directions issued under the Act;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations 2021; and

Where the provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas differ from IFRS Standards and IFAS, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas have been followed.

The SECP has issued directive (vide SRO 431(1)/2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS - 2) shall be followed in the preparation of the financial statements by Companies and Modarabas while accounting for lease financing transaction as defined by the said standard. The Modaraba has adopted the said standard.

2.2 Basis of measurement

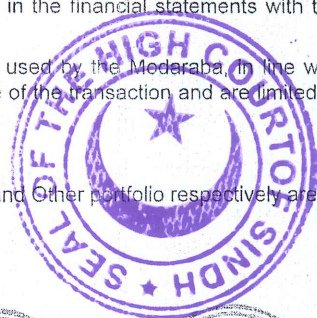
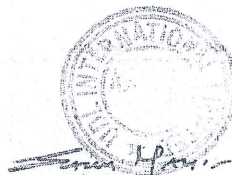
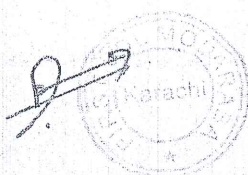
These financial statements have been prepared on historical cost basis except otherwise disclosed in the financial statements with the requirements of IFRS - 9 "Financial Instruments", wherever applicable.

Permissible Islamic financial products including Murabaha (as a liability) and Musharika have been used by the Modaraba in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon.

2.3 Basis of allocation

Basis of allocation of the assets and liabilities of the Modaraba to the Diminishing Musharika portfolio and Other portfolio respectively are disclosed in the notes underneath each financial statement line item.

2.4 Summary of significant accounting policies



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These Special Purpose Balance Sheets of Segments have been prepared in accordance with the accounting policies as applied in preparation of statutory financial statements of the Modaraba for the year ended 30 November, 2022.

The Special Purpose Balance Sheets of Segments do not comprise a full set of financial statements prepared in accordance with the approved accounting standards as applicable in Pakistan.

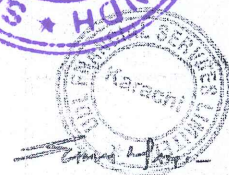
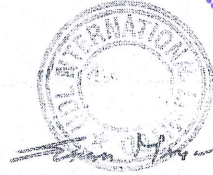
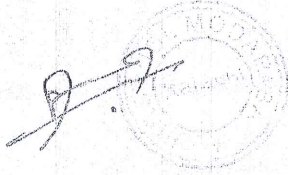
| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|--|-----------------------|-----------------|---------------------------------------|
| 3 | Fixed assets - tangible | | | |
| | Furniture and fittings | 3.1 8,979,315 | 8,979,315 | - |
| | Books | ✓ 3.1 8,595 | 8,595 | - |
| | Vehicles | 3.1 14,033,317 | 8,247,905 | 5,785,412 |
| | Computer equipment | 3.1 1,237,433 | 1,237,433 | - |
| | Office equipment and appliances | 3.1 1,129,472 | 1,129,472 | - |
| | Assets leased out under Ijarah: Vehicles | 3.1 - | - | - |
| | | 25,388,131 | 19,602,719 | 5,785,412 |

3.1 Fixed assets identified as exclusively relating to diminishing musharika business form part of the Diminishing Musharika portfolio and the remaining fixed assets form part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|--------------------------|-----------------------|-----------------|---------------------------------------|
| 4 | Intangible assets | | | |
| | Computer Software | 4.1 1,420,779 | 1,407,279 | 13,500 |

4.1 Intangible assets identified as exclusively relating to diminishing musharika business form part of the Diminishing Musharika portfolio and the remaining intangible assets form part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|------------------------------------|-----------------------|-----------------|---------------------------------------|
| 5 | Long term investments | | | |
| | | | | |
| | Pharma & Bio Tech | | | |
| | The Searle Company Limited | 447,451 | 31,688,480 | 31,688,480 |
| | AGP Limited | 20,000 | 1,447,600 | 1,447,600 |
| | IBL HealthCare Limited | 20,368 | 909,635 | 909,635 |
| | | | - | - |
| | Food and Personal Care Products | | | |
| | Gillette Pakistan Limited | 183,385 | 23,012,984 | 23,012,984 |
| | Al Shaheer Corporation | 97,333 | 1,108,623 | 1,108,623 |
| | At-Tahur ltd (PREMA) | 21,615 | 443,756 | 443,756 |
| | | | - | - |
| | Cement | | | |
| | Power Cement Limited | 404,826 | 1,918,875 | 1,918,875 |
| | Fauji Cement | 281,250 | 3,782,813 | 3,782,813 |
| | | | - | - |
| | Oil & Gas | | | |
| | Sui Northern Gas Pipelines Limited | 4,713 | 180,131 | 180,131 |
| | Sui Southern Gas Pipelines Limited | 6,000 | 62,040 | 62,040 |
| | | | - | - |
| | Modaraba | | | |
| | BRR Guardain Modaraba | 1,982 | 26,162 | 26,162 |
| | | | - | - |
| | Real Estate Investment | | | |



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| | | | | |
|--|---------|------------|------------|---|
| Dolmen City REIT | 105,500 | 1,427,415 | 1,427,415 | - |
| Chemicals | | - | - | - |
| United Distributors (Pakistan) Limited | 590,419 | 11,892,570 | 11,892,570 | - |
| Sitara Peroxide Limited | 34,500 | 592,020 | 592,020 | - |
| Textile Composite | | - | - | - |
| International Knitwear Limited | 832,153 | 9,453,258 | 9,453,258 | - |
| United Brands Limited | 219,570 | 2,650,210 | 2,650,210 | - |
| Rupali Polyester Limited | 100,000 | 2,820,000 | 2,820,000 | - |
| Nishat Mills Limited | 25,000 | 1,467,250 | 1,467,250 | - |
| Power Generation & distribution | | - | - | - |
| K-Electric Limited | 374,500 | 966,210 | 966,210 | - |
| Fixed Line Telecommunication | | - | - | - |
| Worldcall Telecom Limited | 195,000 | 265,200 | 265,200 | - |
| | | 96,115,232 | 96,115,232 | - |

5.1 Long-term investments do not relate to the diminishing musharika business and hence are part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|-----|-----------------------|-----------------|---------------------------------------|
| 6 Diminishing Musharika Financing | | | | |
| Diminishing Musharika Financing | 6.1 | 118,667,438 | - | 118,667,438 |
| Less: Provision in respect of Diminishing Musharika Financing | 6.1 | (1,678,905) | - | (1,678,905) |
| Less: Current portion shown | 6.1 | (48,909,409) | - | (48,909,409) |
| | | 68,079,124 | - | 68,079,124 |

6.1 The portfolio pertaining to diminishing Musharika financing relates exclusively to the diminishing musharika business and hence forms part of the Diminishing Musharika portfolio.

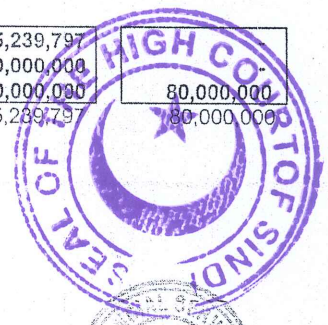
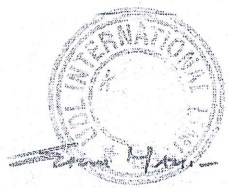
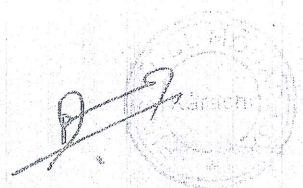
| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|----------------------|-----|-----------------------|-----------------|---------------------------------------|
| 7 Long term deposits | | | | |
| Related party | 7.1 | 735,000 | 735,000 | - |
| Others | 7.1 | 649,350 | 570,350 | 79,000 |
| | | 1,384,350 | 1,305,350 | 79,000 |

7.1 Long term deposits identified as exclusively relating to diminishing musharika business form part of the Diminishing Musharika portfolio and the remaining long term deposits form part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|--|-----------|-----------------------|-----------------|---------------------------------------|
| 8 Short term investments | | | | |
| Investment in quoted securities | 8.1 & 8.2 | 15,239,797 | 15,239,797 | - |
| Investment in term deposit receipts | 8.1 & 8.2 | 50,000,000 | 50,000,000 | - |
| Investment in Mutual Fund - HBL Asset Management Limited | 8.3 | 170,000,000 | 90,000,000 | 80,000,000 |
| | | 235,239,797 | 155,239,797 | 80,000,000 |

8.1 Quoted Securities

Number of
Shares / Certificates
(face value Rs 10/-)




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| | | | | | |
|--|--------|------------|------------|---|--|
| Oil & Gas Exploration/Marketing | | | | | |
| Oil And Gas Development Company Limited | 28,000 | 2,031,680 | 2,031,680 | - | |
| Pakistan State Oil | 10,000 | 1,501,500 | 1,501,500 | - | |
| Engineering | | | | | |
| Huffaz Seamless Pipe Industries Limited | 23,500 | 232,885 | 232,885 | - | |
| Pharma & Bio Tech | | | | | |
| Abbott Laboratories (Pakistan) Limited | 100 | 54,142 | 54,142 | - | |
| Construction And Material | | | | | |
| Power Cement Ltd. Preference Shares | - | - | - | - | |
| Food and Personal Care Products | | | | | |
| Gillette Pakistan Limited | 91,000 | 11,419,590 | 11,419,590 | - | |
| | | 15,239,797 | 15,239,797 | - | |

8.2 Short-term investments do not relate to the diminishing musharika business and hence are part of the Other portfolio.

8.3 Short-term investments identified as exclusively relating to diminishing musharika business form part of the Diminishing Musharika portfolio whereas remaining balances form part of the Other portfolio.

| | | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|---|-----|-----------------------|-----------------|---------------------------------------|
| 9 |  Diminishing Musharika Financing installments receivable | 9.1 | 935,511 | .. | 935,511 |

9.1 This relates exclusively to the diminishing musharika business and hence forms part of the Diminishing Musharika portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|----|-----------|-----------------------|-----------------|---------------------------------------|
| 10 | Advances | | | |
| | Employees | 10.1 | 4,309,000 | 4,309,000 |
| | Others | 10.1 | 168,200 | 168,200 |
| | | | 4,477,200 | 4,477,200 |

10.1 These do not relate to the diminishing musharika business and hence are part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio | |
|----|---|-----------------------|-----------------|---------------------------------------|---------|
| 11 | Prepayments, deposits and other receivables | | | | |
| | Prepayments | 11.1 | 2,301,064 | 1,520,197 | 780,867 |
| | Security deposits | 11.1 | 13,000 | 13,000 | - |
| | Others | 11.1 | 2,038,406 | 2,038,406 | - |
| | | | 4,352,470 | 3,571,603 | 780,867 |

11.1 Prepayments, deposits and other receivable identified as exclusively relating to diminishing musharika business form part of the Diminishing Musharika portfolio and the remaining prepayments, deposits and other receivable form part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|----|--------------------|-----------------------|-----------------|---------------------------------------|
| 12 | Taxation - net | | | |
| | Advance income tax | 12.1 18,456,390 | 18,456,390 | - |
| | Current tax | 12.1 (1,677,866) | (1,677,866) | - |
| | | 16,778,524 | 16,778,524 | - |

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12.1 Taxation does not relate to the diminishing musharika business and hence are part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|------|-----------------------|-----------------|---------------------------------------|
| 13 Cash and bank balances | | | | |
| Cash in hand | 13.1 | 650 | 650 | - |
| Cash at bank - in current accounts | 13.1 | 49,576,365 | 49,576,365 | - |
| Cash at bank - in profit bearing accounts | 13.1 | 35,234,033 | 14,816,856 | 20,417,177 |
| | | 84,811,048 | 64,393,871 | 20,417,177 |

13.1 Cash and bank balances identified as exclusively relating to diminishing musharika business form part of the Diminishing Musharika portfolio whereas remaining balances form part of the Other portfolio.

14 Accrued and other liabilities

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|---|--|-----------------------|-----------------|---------------------------------------|
| Charity payable | | 22,937 | 22,937 | - |
| Provident fund | | - | - | - |
| Sindh Worker's Welfare Fund | | 2,948,882 | 2,948,882 | - |
| Management Company's remuneration payable | | 141,081 | 141,081 | - |
| Sales tax on the Management Company fee payable | | 7,447,061 | 7,447,061 | - |
| Security deposit for property | | 6,000,000 | 6,000,000 | - |
| Others | | 491,222 | 491,222 | - |
| | | 17,051,183 | 17,051,183 | - |

14.1 These do not relate to the diminishing musharika business and hence are part of the Other portfolio.

| | | First UDL Modaraba | Other portfolio | Diminishing Musharika portfolio |
|-----------------------------------|------|-----------------------|-----------------|---------------------------------------|
| 15 Unclaimed profit distributions | 15.1 | 59,904,239 | 59,904,239 | - |

15.1 These do not relate to the diminishing musharika business and hence are part of the Other portfolio.

