

WSPL / 0899
December 15, 2021**The Board of Directors of****Waves Singer Pakistan Limited**9 KM, Multan Road,
Hanjarwal, Lahore, Pakistan**Samin Textiles Limited**8.7 KM, Multan Road,
Lahore, Pakistan

Dear Sirs,

Subject: Determination of share issuance ratio against acquisition of carved out business

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. WSPL/0178 to assist in the determination of Share Issuance Ratio of Samin Textiles Limited (hereinafter referred to as SMTM), to the shareholders of Waves Singer Pakistan Limited (hereinafter referred to as WSPL), against acquisition of its carved out home appliance business. SMTM and WSPL are, collectively, hereinafter referred to as Companies.

1. Understanding of the transaction

We understand that the management of WSPL is considering carving out and transfer of its home appliance business to SMTM as at the cut-off date of August 31, 2021 against purchase consideration in the form of cash payable to WSPL and shares of SMTM to be issued to WSPL and a portion of shares of SMTM to be issued directly to shareholders of WSPL based on valuation of WSPL's carved out business and SMTM's business valuation determined as at the cut-off date of August 31, 2021.

Details of shareholders and share issuance ratio shall be as per the draft Scheme shared with YA on December 15, 2021, to be duly approved by the Board of Directors of WSPL and SMTM with the share issuance ratio being determined on the basis of the calculations and valuations set out in this letter. We further understand that according to the scheme, SMTM's share capital will be reduced in the ratio of 100 shares for every 225 shares held (1:2.25) and new shares will be issued by SMTM after reduction of its existing share capital.

The Scheme of Arrangement for the amalgamation, to be duly approved by the Board of Directors of both companies is envisaged to be effective as of the start of business on September 01, 2021 or a date as approved by the Honorable Lahore High Court.

2. About the companies**2.1 Brief overview****Waves Singer Pakistan Limited**

WSPL is public limited company, incorporated and existing under the laws of Pakistan. Its core business is retailing and trading of domestic consumer appliances and other light engineering products, besides the manufacturing and assembling of the same. The year-end of the company is December 31st.

Samin Textiles Limited

SMTM is a public limited company, incorporated and existing under the laws of Pakistan. Initially it was involved in the production and selling of textile products. However, after sustaining losses for several years, SMTM shut down the production activities and liquidated its assets in 2018 and thereafter remained dormant. In January 2021, Mr. Haroon Ahmad Khan acquired shareholding in SMTM and presented a revival plan for SMTM. The year-end of the company is June 30th.

2.2 Share capital of companies

S. No	Company	Number of Issued Shares as at August 31, 2021	Par Value (PKR)	Issued Share Capital (PKR '000)
1	WSPL	281,406,088	10	2,814,061
2	SMTM	26,728,000	10	267,280

2.3 Pattern of Shareholding

Shareholding Pattern of WSPL as at August 31, 2021 is as follows:

S. No	Shareholder	No. of Shares	% Holding
1	Mr. Haroon Ahmad Khan & Family	135,766,197	48.25%
2	Other Shareholders	145,639,891	51.75%
	Total number of shares	281,406,088	100%

Shareholding Pattern of SMTM as at August 31, 2021 is as follows:

S. No	Shareholder	No. of Shares	% Holding
1	Mr. Haroon Ahmad Khan	10,442,071	39.07%
2	Other Shareholders	16,285,929	60.93%
	Total number of shares	26,728,000	100%

3. Snapshot of WSPL's carved out home appliance business to be transferred to SMTM

Business to be vested in SMTM from WSPL	(PKR '000)
Non-current assets	6,117,545
Current assets	9,440,967
Equity	750,000
Non-current liabilities	1,105,710
Current liabilities	5,512,891
WSPL's Carved out Business Value to be Transferred to SMTM	8,189,911

For breakdown of WSPL's carved out business value to be transferred to SMTM, refer to Annexure A and C.

4. Valuation of Companies

Waves Singer Pakistan Limited

As per discussion and as agreed with the client, valuation of WSPL's carved out business has been carried out considering asset approach and income approach.

Asset approach to valuation involves determination of the going-concern fair value of all the assets and liabilities of a business. Management has provided asset valuer reports of land, buildings and plant & machinery that are to be transferred to SMTM. For details, refer to Annexure F.

Income approach is used to value a business based on the amount of income the business is expected to generate in the future. One of the valuation methods under income based approach that is primarily used when valuing a business, is the DCF method.

The DCF method involves estimating the cash flow stream expected to be generated by the asset or business over an appropriate period and then discounting it to present value using an appropriate discount rate. This discount rate considers the time value of money, inflation, and the risk inherent in owning the asset or business being valued. An additional risk premium has been considered in Scenario II of valuation under Income Approach.

Value of WSPL's business carved out and to be transferred to SMTM as at August 31, 2021 under different approaches to valuation is as follows:

S. No	Particulars	Total Value (PKR '000)	Value Per Share (PKR)
	Value – Income Approach		
1	At discount rate 24.14% Scenario I	8,223,219	29.22
2	At discount rate 25.14% Scenario II	7,782,425	27.66
3	Value – Asset Approach	8,189,911	29.10

Value of WSPL's Carved out business is computed as the average of the values under asset approach and income approach (in both scenarios) that is as follows:

S. No	Particulars	Total Value (PKR '000)	Value Per Share (PKR)
1	Value of WSPL's carved out business at discount rate 24.14%	8,206,565	29.16
2	Value of WSPL's carved out business at discount rate 25.14%	7,986,168	28.38

Samin Textiles Limited

Value of SMTM as at August 31, 2021 under two metrics of market based approach to valuation is as follows:

S. No	Particulars	Total Value* (PKR '000)	Price Per Share (PKR)
1	Value – Market Approach (Average of last 6 months)	263,105	9.84
2	Value – Market Approach (Value as at August 31, 2021)	387,556	14.50

* Total value is computed based on total number of issued shares of SMTM of 26,728,000 as at August 31, 2021

For determining a single value of SMTM from the values determined above, we have computed the weighted average of the two values, assigning 80 percent weightage to the 6-month average market price (March to August 31, 2021) and 20 percent to market price as at August 31, 2021. For details on calculation of value of SMTM, refer to Annexure D.

S. No	Particulars	Total Value (PKR '000)	Value Per Share (PKR)
1	Value of SMTM before capital reduction	287,995	10.78
2	Value of SMTM after capital reduction	287,995	24.24

SMTM's share capital will be reduced in the ratio of 100 shares for every 225 shares held (1:2.25) and new shares to be issued by SMTM will be after reduction of its existing shares (as per the draft Scheme shared with YA on December 15, 2021). Value of PKR 24.24 per share (after the capital reduction as per the draft Scheme shared with YA on December 15, 2021) is used to determine the share issuance ratio against business carved out of WSPL and to be transferred to SMTM. For details on no. of shares of SMTM after capital reduction, refer to Annexure F.

5. Share issuance ratio range computation

Total consideration to be paid by SMTM will be in the form of cash and shares.

The consideration to be paid in the form of cash will amount to PKR 2,000,000,000/- However, the consideration to be paid by SMTM to WSPL and its shareholders in the form of shares will be dependent on WSPL's range of values for carved out business as determined above.

The consideration to be paid by SMTM to WSPL and its shareholders in the form of shares will be in the range as computed below:

Share issuance ratio range computation	Scenario I	Scenario II
Total value of WSPL's carved out business (PKR '000)	8,206,565	7,986,168
Consideration in cash (PKR '000)	2,000,000	2,000,000
Consideration in shares (PKR '000)	6,206,565	5,986,168
SMTM's value per share after capital reduction (PKR)	24.24	24.24
No. of shares to be issued by SMTM	256,006,196	246,915,344

The consideration to be paid by SMTM to WSPL and its shareholders in the form of shares will be in the range of PKR 6,206,565,000 (No. of shares 256,006,196 @ 24.24 per share) and PKR 5,986,168,000 (No. of Shares 246,915,344 @ 24.24 per share). For further details on computation of shares issuance range, refer to Annexure E.

All of the above is subject to the approval of the Board of Directors and shareholders of the respective companies and thereafter sanction of the Scheme by the Honorable Lahore High Court in accordance with the provisions of Sections 279 to 283 and 285(8) of the Companies Act, 2017.

6. Caveats

- This share issuance 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.
- We have no responsibility to update this letter for events and circumstances occurring after the date of this letter.
- 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 market approach is used to value a company as a whole. It is not relevant to the valuation of WSPL's carved out business as some assets, liabilities and equity items will be retained by WSPL post-transaction. Also, no public data with required details is readily available of such comparable transaction executed in the same industry, therefore as agreed with client, market valuation method is not considered for WSPL.
- This letter does not in any manner address the prices at which the issuance of shares of SMTM against business of WSPL will transfer following the announcement of the Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the transfer of shares.
- Management representation has been obtained on valuation assumptions of WSPL, and business of WSPL carved out and to be transferred to SMTM.
- A draft of this letter was shared with the managements of WSPL and SMTM, prior to its finalization of report, as part of our standard practice to make sure that factual inaccuracy/omission are avoided in the report.
- All accounting matters in relation to the transaction will be the responsibility of WSPL and SMTM.
- 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 not audited the financial accounts of the Companies.
- 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 here in 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 assets and liabilities transfer nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the assets and liabilities transfer as compared with any other alternative business transaction or any other alternatives, whether or not such alternatives could be achieved or are available.
- 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 shareholders of the Companies, management of the Companies, statutory authorities, and the Lahore High Court. 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 Companies 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.

Yours truly,



Chartered Accountants

Breakdown of WSPL's Business Carved Out and to be transferred to SMTM

Particulars – (PKR '000)	WSPL as at August 31, 2021	WSPL's Business To Be Transferred to SMTM
Non-current assets		
Property, plant and equipment	5,594,420	(3,229,920)
Intangible assets	2,879,080	(2,879,080)
Investment property	323,480	-
Investment in subsidiaries	501,000	-
Employee retirement benefits	-	-
Long term deposits	8,545	(8,545)
	9,306,525	(6,117,545)
Current assets		
Stores, spares and loose tools	45,489	(45,489)
Stock-in-trade	2,759,383	(2,759,383)
Trade debts	6,078,825	(6,078,825)
Receivable from SMTM	-	-
Advances, deposits, prepayments	557,270	(557,270)
Taxation – net	175,017	-
Cash and bank balances	127,162	-
	9,743,146	(9,440,967)
Total assets	19,049,671	(15,558,512)
Capital equity		
Issued, subscribed and paid-up capital	2,814,062	-
Share premium reserve	5,025,661	-
Capital reserve	5,000	-
Revenue reserve - unappropriated profit	2,183,745	(750,000)
Surplus on revaluation of property,	529,212	-
	10,557,680	(750,000)
Non-current liabilities		
Total long term loans -secured	1,426,956	(743,828)
Lease liabilities	70,434	(70,434)
Employee retirement benefits	14,447	(14,447)
Deferred tax liability - net	267,179	(267,179)
Deferred income	9,822	(9,822)
	1,788,838	(1,105,710)
Current liabilities		
Trade and other payables	1,512,346	(1,310,704)
Mark-up accrued on borrowings	140,946	(116,140)
Short term borrowings - secured	4,107,964	(3,758,804)
Unpaid dividend	1,197	-
Current portion of long term liabilities	940,700	(327,243)
	6,703,153	(5,512,891)
Total equity and liabilities	19,049,671	(7,368,601)

Annexure B
Breakdown of SMTM's Post-Transaction Balance Sheet

Particulars – (PKR '000)	SMTM as at August 31, 2021	Business To Be Transferred from WSPL
Non-current assets		
Property, plant and equipment	-	3,229,920
Intangible assets and goodwill	-	2,879,080
Investment in subsidiaries	-	-
Long term deposits	-	8,545
	-	6,117,545
Current assets		
Stores, spares and loose tools	-	45,489
Stock-in-trade	-	2,759,383
Trade debts	2,651	6,078,825
Advances, deposits, prepayments	-	557,270
Taxation - net	-	-
Cash and bank balances	58	-
Non-current assets held for sale	1,470	-
	4,179	9,440,967
Total assets	4,179	15,558,512
Capital equity		
Issued, subscribed and paid-up capital	267,280	-
Share premium reserve	-	-
Capital reserve	-	-
Sponsor Loan	113,855	-
Revenue reserve - unappropriated profit	(420,277)	750,000
Surplus on revaluation of property,	-	-
	(39,141)	750,000
Non-current liabilities		
Total long term loans - secured	-	743,828
Payable to WSPL	-	-
Lease liabilities	-	70,434
Employee retirement benefits	-	14,447
Deferred tax liability - net	-	267,179
Deferred income	-	9,822
	-	1,105,710
Current liabilities		
Trade and other payables	43,153	1,310,704
Mark-up accrued on borrowings	-	116,140
Short term borrowings - secured	-	3,758,804
Unpaid dividend	-	-
Provision for taxation	168	-
Current portion of long term liabilities	-	327,243
	43,320	5,512,891
Total equity and liabilities	4,179	7,368,601

Annexure C
Value of SMTM per Share

Methods of valuation	Weightage	Value per share (PKR)	Weighted value per share (PKR)
Market approach (Average market value of last six months)	80%	9.84	7.88
Market approach (Market value as at August 31, 2021)	20%	14.50	2.90
Value of SMTM			10.78

Annexure D
Computation of Range of Shares Issuance Ratio

Share issuance ratio range computation	Formula	Scenario I	Scenario II
Total value of WSPL's carved out business (PKR '000)	A	8,206,565	7,986,168
Consideration in cash (PKR '000)	B	2,000,000	2,000,000
Consideration in shares (PKR '000)	C = A - B	6,206,565	5,986,168
SMTM's value per share after capital reduction (PKR)	D	24.24	24.24
No. of shares to be issued by SMTM	E = C / D	256,006,196	246,915,344

Annexure E
Post-transaction Paid-up Capital of SMTM

Based on issuance of shares computation, upon the sanction of the Scheme, and subject to the provisions thereof, SMTM, would issue shares in the range of:

- Scenario I – 256,006,196 ordinary shares @ par value of PKR 10 per share and
- Scenario II – 246,915,344 ordinary shares @ par value of PKR 10 per share

Post-transaction, the resulting paid-up capital of SMTM will be as follows:

Particulars	Scenario I	Scenario II
Existing number of shares	26,728,000	26,728,000
Number of shares after capital reduction	11,879,111	11,879,111
Shares to be issued	256,006,196	246,915,344
Total number of shares	267,885,307	258,794,455
Total paid-up capital @ PKR 10 Per Share (PKR '000)	2,678,853	2,587,945

Annexure F
Fair Valuation of Non-Current Assets of WSPL

S. No	Description	Book Value* (PKR '000)	Present Day Value (PKR '000)	Forced Sale Value (PKR '000)	Valuation Date
1	Land - Mouza Mustafabad, 41-KM Ferozepur Road, Off 2-KM Rohi Nala Road, Tehsil & Dist. Kasur	529,665	528,165	448,940	31-Aug-21
2	Building / civil works (Main factory)	429,858	356,358	302,904	31-Aug-21
3	Building / civil works (Dina Nath)		18,500	15,700	31-Aug-21
4	Plant and machinery (Main factory)	1,786,368	1,840,680	1,472,650	31-Aug-21
5	Plant and machinery (Dina Nath)		20,120	16,100	31-Aug-21
	Total	2,745,891	2,763,823	2,256,294	

* Book values as at August 31, 2021 were provided by the management of WSPL

Yousuf Adil, Chartered Accountants provides Audit & Assurance, Consulting, Risk and Financial Advisory and Tax services, through nearly 550 professionals in four cities across Pakistan. For more information, please visit our website at www.yousufadil.com.