



KPMG Taseer Hadi & Co.  
Chartered Accountants  
351 Shadman-1, Jail Road,  
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The Board of Directors  
Samin Textiles Limited  
15/3 Block A Model Town  
Lahore

Our ref LA-IA-TL-569-21  
Contact Bilal Ali

22 December 2021

Dear members of the Board

**Samin Textiles Limited ("the Company")**  
**Audit Report on draft special purpose interim financial statements**

We are pleased to enclose four copies of the draft special purpose interim financial statements ("the financial statement") of the Company for two months period 01 July 2021 to 31 August 2021, along with our draft audit report to the management. These special purpose interim financial statements have been initialed by us for identification purposes. We shall sign our report, in its present or modified form, after these special purpose interim financial statements have been approved by the Board of Directors ("the Board") and signed by the Chief Financial Officer, Chief Executive Officer and a Director authorized to do so in this behalf and after we have received the following:

- a) Specific Board's approval for the following:
  - Completeness of the Related party balances and transactions as disclosed in note 17 to these special purpose interim financial statements;
  - Completeness of the Remuneration of Chief Executive, Executive Directors, Executives and Employees as disclosed in note 13.1 and 17.1 to these special purpose interim financial statements;
- b) Approval of Board for the management position in respect of contingencies and commitments and their completeness as disclosed in note 8 to these special purpose interim financial statements;
- c) Approval of Board that Waves Singer Pakistan Limited, a related party, has not charged the Company for using/ sharing any of its resources and facilities;
- d) Representation letter duly signed by the Chief Executive Officer and Chief Financial Officer.
- e) Extract of minutes of Board meeting where these special purpose interim financial statements are approved.

These special purpose interim financial statements shall remain and be deemed un-audited unless these have been approved by the Board and signed by the Chief Financial Officer, Chief Executive Officer and a Director authorized to do so on its behalf and the audit report on these special purpose interim financial statements has been signed by us.





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**1. Scope of Management's Responsibilities**

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in Section 249 of the Companies Act, 2017 and the International Standards on Auditing as applicable in Pakistan. While the auditors are responsible for forming and expressing an opinion on the financial statements, the Management is responsible to prepare and present the financial statements in accordance with Approved Accounting Standards as applicable in Pakistan. Management's responsibilities include the maintenance of adequate accounting records and such internal controls as management and Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The preparation of financial statements requires management to exercise judgment in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. The Board of Directors are responsible for overseeing the strategic direction of the Company and overseeing the financial reporting process. The audit of financial statements does not relieve the Board / management of their responsibilities. Accordingly, our examination of books of account and records should not be relied upon to disclose all the errors or irregularities which are not material in relation to the financial statements taken as a whole.

**2. Matters for Discussion**

We would like to draw your attention to the following accounting and others matters which are relevant to these financial statements:

**2.1 Restatement on account of Sponsor loan and tax refunds due from government**

According to clause 4 of the Share purchase agreement dated 22 January 2021 between Ex-sponsors, New sponsors and the Company, the Ex-sponsors (sellers) will be entitled to pursue and recover the receivable balances including tax refunds as appearing in half yearly reviewed interim financial statements of the Company as at 31 December 2020. These receivables as and when received will be transferred to a separate bank account to be designated and operated by sellers. Accordingly, as explained in note 7.1 of these special purpose interim financial statements the amount of tax due from government which was assigned to the ex-sponsors should have been adjusted against loan from sponsors during the year ended 30 June 2021. Since the adjustment was not accounted for in the prior year the equity and current assets of the Company for the respective year were overstated. This adjustment has been treated as a prior period error and comparative figures have been restated retrospectively as required under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Consequently, due to the financial impact as highlighted in note 7 of these special purpose interim financial statements by the management and complying with the requirements of ISA 706, we have included an emphasis of matter paragraph in our audit report to highlight this matter.

**2.2 Going concern assumption**

We draw attention to note 1.2 of these special purpose interim financial statements that indicate that as at the reporting date the accumulated losses are Rs 39.14 million (30 June 2021: Rs 39.21 million) and current liabilities exceeds current assets by the same amount. The new management has shown commitment to revive the Company and, in this regard, a draft scheme of arrangement has already been prepared for acquisition of home appliances business of Waves Singer Pakistan Limited (WSPL). The management is hopeful that this plan, which is subject to various regulatory approvals, once approved and implemented, will result in revival of the operations of the Company.



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Accordingly, these special purpose financial statements have been prepared on going concern basis on the assumption that the Company will be able to successfully acquire the home appliances business from WSPL and achieve satisfactory levels of profitability in the future as 'Waves' is a leading home appliances brand and has active market presence in the market.

Consequently, due to uncertainties involved the same has been highlighted in note 1.2 of these special purpose interim financial statements by the management and complying with the requirements of ISA 706, we have included an emphasis of matter paragraph in our audit report to highlight the material uncertainty relating to going concern assumption of the Company.

**2.3 Placement of the Company in the defaulter's segment**

The Pakistan Stock Exchange Limited ("the Exchange") had placed the Company in the defaulter's segment of the Exchange w.e.f. 03 November 2020.

Failure in rectification of the non-compliance within the stipulated time frame can lead to suspension in trading of Company's shares, compulsory buy-back directions to the major shareholders/ sponsors having control of the Company in the manner as provided by the Exchange and delisting through a notice in writing under intimation to the Commission.

Management has submitted a revival plan and various progress reports to the Exchange. However, the Company is still on the defaulter's segment of the Exchange. This is for the information of the Board.

Finally, we would like to thank the management and staff of the Company for the courtesy and co-operation extended to us during the course of our audit.

Yours faithfully

*KPMG Taseer Hadi & Co.*





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## INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer of Samin Textiles Limited

Report on the Audit of Special purpose Interim Financial Statements

### Opinion

We have audited the annexed special purpose interim financial statements of **Samin Textiles Limited** ("the Company"), which comprise the statement of financial position as at 31 August 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period then ended, and notes to the special purpose interim financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2021, and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting as described in note 2.2 to these special purpose interim financial statements.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of these Special Purpose Interim Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to the following:

- note 7 to these special purpose interim financial statements which indicates that the comparative information presented as at 30 June 2021 has been restated. Our opinion is not modified in respect of this matter.
- note 1.2 in these special purpose interim financial statements, which indicates that as at 31 August 2021 the accumulated losses are Rs 39.14 million and the current liabilities exceed its current assets by the same amount. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2 to the financial statements, indicate that a material uncertainty exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter





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- note 2.2 to these special purpose interim financial statements, which describes the basis of accounting. These special purpose interim financial statements have been prepared to address the legal requirements for a prospective merger. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Management of the Company and should not be used by or distributed to parties other than the Securities and Exchange Commission of Pakistan, Competition Commission of Pakistan and for submission to the Honorable High Court for the above purpose. Our opinion is not modified in respect of this matter.

**Other matter – comparative information**

The financial statements of the Company as at and for the year ended 30 June 2021, excluding the adjustments described in note 7 to the special purpose interim financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 07 October 2021. The comparative figures for the statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the two months period ended 31 August 2020 are unaudited.

As part of our audit of the special purpose interim financial statements as at and for the 2 months period ended 31 August 2021, we audited the adjustment described in note 7 that was applied to restate the comparative information presented as at 30 June 2021. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 30 June 2021, other than with respect to the adjustment described in note 7 to the special purpose interim financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustment described in note 7 is appropriate and have been properly applied.

**Responsibilities of Management and those charged with governance for the Special Purpose Interim Financial Statements**

Management is responsible for the preparation and fair presentation of these special purpose interim financial statements in accordance with the basis of accounting as described in note 2.2 and 2.3 to the financial statements and for such internal control as management determines is necessary to enable the preparation of the special purpose interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these special purpose interim financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Special Purpose Interim Financial Statements**

Our objectives are to obtain reasonable assurance about whether these special purpose interim financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose interim financial statements.





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As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these special purpose interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these special purpose interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of these special purpose interim financial statements, including the disclosures, and whether these special purpose interim financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of these special purpose interim financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Bilal Ali.

**Lahore**

**Date: 22 December 2021**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



**Samin Textiles Limited**  
**Period End 31<sup>st</sup> August 2021**



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## INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer of Samin Textiles Limited

Report on the Audit of Special purpose Interim Financial Statements

### Opinion

We have audited the annexed special purpose interim financial statements of **Samin Textiles Limited** ("the Company"), which comprise the statement of financial position as at 31 August 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period then ended, and notes to the special purpose interim financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 August 2021, and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting as described in note 2.2 to these special purpose interim financial statements.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of these Special Purpose Interim Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to the following:

- note 7 to these special purpose interim financial statements which indicates that the comparative information presented as at 30 June 2021 has been restated. Our opinion is not modified in respect of this matter.
- note 1.2 in these special purpose interim financial statements, which indicates that as at 31 August 2021 the accumulated losses are Rs 39.14 million and the current liabilities exceed its current assets by the same amount. As stated in note 1.2, these events or conditions, along with other matters as set forth in note 1.2 to the financial statements, indicate that a material uncertainty exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter



**Samin Textiles Limited**  
**Special Purpose Financial Statements**  
**Interim Statement of Financial Position**  
*As at 31 August 2021*

**EQUITY AND LIABILITIES**

**Share capital and reserves**

Authorised capital 300,000,000 (30 June 2021: 30,000,000)  
ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital  
Loan from sponsors  
Revenue reserve - accumulated losses

	Note	31-Aug-21 (Rupees)	30-Jun-21 (Rupees) <i>Restated</i>
4		300,000,000	300,000,000
4		267,280,000	267,280,000
5		113,855,377	113,855,377
		(420,276,517)	(420,346,482)
		(39,141,140)	(39,211,105)

**Current Liabilities**

Trade and other payables  
Short term borrowing  
Provision for taxation

6	43,152,617	40,739,263
7	-	-
	167,683	-
	43,320,300	40,739,263

**Current assets**

Trade debts  
Tax refunds due from government  
Cash and bank balances  
Non current assets held for sale

9	2,651,003	-
7	-	-
10	58,158	58,159
	2,709,161	58,159
11	1,469,999	1,469,999
	4,179,160	1,528,158

**Contingencies and commitments**

8	4,179,160	1,528,158
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The annexed notes 1 to 21 form an integral part of these interim special purpose financial statements.

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Lahore



Director



Chairman



Chief Financial Officer

**Samin Textiles Limited**  
**Special Purpose Financial Statements**  
**Interim Statement of Profit or Loss**  
*For the period 01 July 2021 to 31 August 2021*

		(Audited) 1 July 2021 to 31 August 2021	(Unaudited) 1 July 2020 to 31 August 2020
	Note	----- (Rupees) -----	
Revenue		13,414,647	-
Sales tax		(1,949,141)	-
Revenue - net	12	11,465,506	-
Cost of sales		(10,761,951)	-
<b>Gross profit</b>		<b>703,555</b>	<b>-</b>
Other income		-	109
Administrative expenses	13	(465,907)	(2,415,775)
		(465,907)	(2,415,666)
<b>Profit / (loss) from operations</b>		<b>237,648</b>	<b>(2,415,666)</b>
Finance cost	14	-	(1,283,583)
<b>Profit / (loss) before taxation</b>		<b>237,648</b>	<b>(3,699,249)</b>
Taxation	15	(167,683)	-
<b>Profit / (loss) for the period</b>		<b>69,965</b>	<b>(3,699,249)</b>
Earnings / (loss) per share - basic and diluted (Rupees)	16	0.003	(0.138)

The annexed notes 1 to 21 form an integral part of these interim special purpose financial statements.

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Lahore

Director

Chairman

Chief Financial Officer



**Samin Textiles Limited**  
**Special Purpose Financial Statements**  
**Interim Statement of Comprehensive Income**  
*For the period 01 July 2021 to 31 August 2021*

	(Audited) 1 July 2021 to 31 August 2021	(Unaudited) 1 July 2020 to 31 August 2020
	----- (Rupees) -----	
Profit / (loss) for the period	69,965	(3,699,249)
Other comprehensive income	-	-
Total Comprehensive income/(loss) for the period	<u>69,965</u>	<u>(3,699,249)</u>

The annexed notes 1 to 21 form an integral part of these interim special purpose financial statements.

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Lahore

Director

Chairman

Chief Financial Officer

**Samin Textiles Limited**  
**Special Purpose Financial Statements**  
**Interim Statement of Cash Flows**  
*For the period 01 July 2021 to 31 August 2021*

	(Audited) 1 July 2021 to 31 August 2021	(Unaudited) 1 July 2020 to 31 August 2020
Note	----- (Rupees) -----	
<b><u>Cash flows from operating activities</u></b>		
Profit / (loss) before taxation	237,648	(3,699,249)
Adjustments for non cash and other items :		
Finance costs	-	1,283,583
<b>Profit before working capital changes</b>	<b>237,648</b>	<b>(2,415,666)</b>
<b><u>Effect on cash flows due to working capital changes</u></b>		
Increase in current assets		
Trade debts	(2,651,003)	-
Tax refunds due from government	-	(102,338)
	(2,651,003)	(102,338)
Increase / (decrease) in trade and other payables	2,413,354	(18,046,487)
<b>Cash used in operations</b>	<b>(1)</b>	<b>(20,564,491)</b>
Income tax received	-	8,660,383
<b>Net cash used in operating activities</b>	<b>(1)</b>	<b>(11,904,108)</b>
<b><u>Cash flows from financing activities</u></b>		
Increase in sponsors' loan	-	12,539,971
Finance cost paid	-	(3,008,868)
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>9,531,103</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1)</b>	<b>(2,373,005)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>58,159</b>	<b>2,484,192</b>
<b>Cash and cash equivalents at end of the period</b>	<b>58,158</b>	<b>111,187</b>

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The annexed notes 1 to 21 form an integral part of these interim special purpose financial statements.

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Lahore

Director

Chairman

Chief Financial Officer



**Samin Textiles Limited**  
**Special Purpose Financial Statements**  
**Interim Statement of Changes in Equity**  
*For the period ended 31 August 2021*

Issued, subscribed and paid-up capital	Loan from sponsors	Revenue Reserve	Total
		Accumulated losses	

----- (Rupees) -----

**As at 01 July 2020** 267,280,000 73,018,587 (401,651,721) (61,353,134)

**Total comprehensive loss for the year**

Loss for the year	-	-	(3,699,249)	(3,699,249)
Other comprehensive income	-	-	-	-
	-	-	(3,699,249)	(3,699,249)

**Balance as at 31 August 2020 - unaudited** 267,280,000 73,018,587 (405,350,970) (65,052,383)

**Total comprehensive loss for the year**

Loss for the year	-	-	(14,995,512)	(14,995,512)
Other comprehensive income	-	-	-	-
	-	-	(14,995,512)	(14,995,512)

Sponsors loan during the year - 40,836,790 - 40,836,790

**Balance as at 30 June 2021 - restated** 267,280,000 113,855,377 (420,346,482) (39,211,105)

**Total comprehensive income for the period**

Profit for the period	-	-	69,965	69,965
Other comprehensive income	-	-	-	-
	-	-	69,965	69,965

**Balance as at 31 August 2021** 267,280,000 113,855,377 (420,276,517) (39,141,140)

The annexed notes 1 to 21 form an integral part of these interim special purpose financial statements.

KPMG

Lahore

  
**Director**

  
**Chairman**

  
**Chief Financial Officer**

**Samin Textiles Limited**  
**Special Purpose Financial Statements**  
**Notes to these interim Financial Statements**  
*For the period 1 July 2021 to 31 August 2021*

**1 Status and nature of business**

- 1.1** Samin Textiles Limited ("the Company") was incorporated in Pakistan on November 27, 1989 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the Company is situated at 15/3 Block A, Model Town, Lahore. The Company is currently listed on Pakistan Stock Exchange. The principal business of the Company is trading, import and export of textile products and electric appliances.
- 1.2** As at the reporting date the accumulated losses are Rs 39.14 million (30 June 2021: Rs 39.21 million) and current liabilities exceeds current assets by the same amount. However, Company has been taken over by new management in second quarter of 2021 with an agenda to implement a revival plan and accordingly these financial statements have been prepared on going concern basis as explained below.

After the acquisition of the Company by the new management in April 2021, a revival plan of the Company was devised and formulated by the new management and shared with Pakistan Stock Exchange (PSX). However, in order to fast track the revival of the business operations, the Board of Directors instructed the management to analyze a potential opportunity to acquire home appliances business from Waves Singer Pakistan Limited (WSPL, a related entity). Accordingly, management engaged various subject matter experts to analyze the said opportunity. As explained in note 19, a draft scheme of arrangement has already been prepared for acquisition of home appliances business of WSPL and is expected to be presented to the Board for their final approval. As the acquisition requires approval from various regulatory departments there is a material uncertainty regarding the timing and outcome of the process and delay in receipt of these requisite approvals may delay the acquisition and hence may affect the Company to operate as going concern during the intervening time period. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern and therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business. The management is hopeful that this plan, which is subject to various regulatory approvals, once approved and implemented, will result in revival of the operations of the Company. Accordingly, these special purpose financial statements have been prepared on going concern basis on the assumption that the Company will be able to successfully acquire the home appliances business from WSPL and achieve satisfactory levels of profitability in the future as 'Waves' is a leading home appliances brand and has active market presence in the market.

In addition, the major sponsor has also confirmed to provide financial and other support as and when needed.

**2 Basis of preparation and accounting**

- 2.1** In order to comply with the legal requirement of a proposed merger as explained below. These special purpose interim financial statements have been prepared in accordance with the accounting policies as explained in note 3. In addition, the disclosure requirement of the fourth schedule of the Companies Act, 2017 have also been complied with.
- 2.2** The Company is considering to acquire the appliances business from another Company, a related entity. Accordingly these special purpose interim financial statements have been prepared to address the legal requirements for such a merger. As such these interim financial statements for the period 01 July 2021 to 31 August 2021 are not for general purposes and its distribution are restricted to the Securities and Exchange Commission of Pakistan, Competition Commission of Pakistan and for submission to the Honorable Lahore High Court.



The Company's accounting year is from 01 July to 30 June, however these special purpose interim financial statements have been prepared for the period from 01 July 2021 to 31 August 2021. Comparative statement of financial position is stated from annual audited financial statements as of 30 June 2020, whereas comparatives for statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows and related notes are extracted from unaudited interim financial statements of the Company for the two months' period from 01 July 2021 to 31 August 2021. The comparatives for statement of profit or loss and other comprehensive income, statement of cash flows and related notes is unaudited.

### **2.3 Basis of measurement**

These special purpose interim financial statements have been prepared under the historical cost conventions.

### **2.4 Use of estimates and judgments**

The preparation of these special purpose interim financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to these special purpose interim financial statements or where judgment was exercised in application of accounting policies are as follows:

	<i>Note</i>
- Taxation	3.1
- Provisions	3.7
- Contingencies and Commitments	3.8

### **2.5 Functional and presentation currency**

These special purpose interim financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

## **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these special purpose interim financial statements.

### **3.1 Taxation**

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity / surplus on revaluation of fixed assets or in other comprehensive income.

#### **Current taxation**

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years.

Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

### **Deferred taxation**

Deferred tax is accounted for using the balance sheet method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in these special purpose interim financial statements and the corresponding tax bases used in the computation of the taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

## **3.2 Financial Instruments**

### **Recognition and initial measurement**

All financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### **Classification and subsequent measurement**

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), fair value through statement of profit or loss (FVTPL) and in case of an equity instrument it is classified as FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### **Amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and



- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Any gain or loss on derecognition is recognized in interim statement of profit or loss.

Financial assets measured at amortized cost comprise of cash and bank balances and trade debts.

#### **Debt Instrument - FVOCI**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to interim statement of profit or loss. However, the Company has no such instrument at the reporting date.

#### **Equity Instrument - FVOCI**

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and these investments are never reclassified to interim statement of profit or loss. However, the Company has no such instrument at the reporting date.

#### **Fair value through statement of profit or loss (FVTPL)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in interim statement of profit or loss. The Company has no such investments at the reporting date.

### **Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, while the interest expense and foreign exchange gains and losses are recognized in interim statement of profit or loss. Any gain or loss on derecognition is also recognized in statement of profit or loss.

The Company's financial liabilities comprise of trade and other payables

### **Derecognition**

#### **Financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company might enter into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### **Financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in interim statement of profit or loss.

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss.



The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The Company reviews the recoverability of its trade debts and other receivables to assess amount of loss allowance required on an annual basis. Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

#### **3.4 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, and deposits held with banks having original maturities of three months or less and where these are held for the purpose of meeting short term cash commitments rather than for investments or other purposes.

#### **3.5 Non-current assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing sale.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangibles assets and property plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

#### **3.6 Revenue recognition**

Revenue represents the fair value of consideration received or receivable for sale of goods, net of sales tax, sales returns and related discounts. Revenue is recognized when or as performance obligation is satisfied by transferring control of promised goods or services to a customer and control either transfers overtime or point in time.

#### **3.7 Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

### **3.8 Contingencies and Commitments**

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgement and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

### **3.9 Earnings per share**

Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The Company is not exposed to the dilutive effect on EPS.

### **3.10 Trade and other receivables**

Trade debts and other receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognized at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest method.

### **3.11 Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Account balances are classified as current liabilities if payment is due within one year or less (or in the normal operating cycles of business if longer). If not, they are classified as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

### **3.12 Loan from sponsors**

Loan from Sponsor is accounted for using Technical Release-32 "Accounting Directors Loan" (TR 32) issued by the Institute of Chartered Accountant of Pakistan (ICAP):

- Sponsor's loan that is interest free and payable at the discretion of the Company is to be recorded as equity at face value and is not to be subsequently remeasured; and
- Sponsor's loan that is interest free and payable on demand is to be recorded as financial liability

### **3.13 Standards, interpretations and amendments to published approved International Financial Reporting Standards that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 01 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous.



An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

– Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 01 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 01 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current.



The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 01 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are effective from annual period beginning on or after 01 July 2022 and management is in the process of determining the impact of these on these interim financial statements.



	Note	31-Aug-21	30-Jun-21	31-Aug-21	30-Jun-21
		(Number of shares)		Rupees	
<b>4 Share capital</b>					
<b>4.1</b>	Authorized share capital 4.1.1	<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
<b>4.1.1</b>	The authorized share capital stands at Rs. 300 million, divided into 30,000,000 shares of Rs. 10 each, according to the Memorandum and Articles of Association the Company.				
<b>4.2</b>	<b>Issued, subscribed and paid-up</b>	Note		<b>31-Aug-21</b>	<b>30-Jun-21</b>
				<b>Rupees</b>	
	26,728,000 (30 June 2021: 26,728,000) ordinary Rs. 10 each allotted for consideration paid in cash			<u>267,280,000</u>	<u>267,280,000</u>
<b>4.2.1</b>	Ordinary shares of the Company held by associated person and undertaking at the period end having more than 10% share holding is Mr. Haroon Ahmed Khan, 34.97%, CEO of Waves Singer Pakistan Limited.				
<b>4.3</b>	During the year ended 30 June 2021, the Company's Ex-sponsors entered into a Share Purchase Agreement (SPA) with new sponsors for acquisition of 67% shareholding from ex-sponsors of the Company.				
	As per clause 4 b (i) of SPA, Ex-sponsors (sellers) will be entitled to pursue and recover the receivable balances including tax refunds as appearing in half yearly reviewed interim financial statements of the Company as at 31 December 2020. These receivables as and when received will be transferred to a separate bank account to be designated and operated by sellers. As explained in note 7, such receivable balances have been adjusted against the loan from sponsors.				
	Further according to clause 4 b (ii) of the SPA, all liabilities whether disclosed or undisclosed including but not limited to direct or indirect liabilities, indebtedness, claim including demand, suit, litigation, arbitration, assessment or proceeding made or brought against the Company and the Purchaser and loss, damage, taxes (direct or indirect), settlement agreements, secured or unsecured related to the Company and pertaining to the period up-to consummation of this transaction shall be responsibility and liability of the Sellers. However, being prudent the management has not adjusted these balances as these will be accounted for as and when received from sellers.				
<b>5</b>	<b>Loan from sponsors</b>	Note		<b>31-Aug-21</b>	<b>30-Jun-21</b>
				<b>Rupees</b>	<b>Rupees</b>
					<i>Restated</i>
	Loan from sponsors			<u>91,795,032</u>	91,795,032
	Others	5.1		<u>22,060,345</u>	22,060,345
		5.2		<u>113,855,377</u>	<u>113,855,377</u>
<b>5.1</b>	This includes interest accrued, short term borrowings obtained from sponsors and segment payables and other liabilities etc.				
<b>5.2</b>	These represent interest free loans from members of the Company to meet financing requirements. These loan are designated interest free and are repayable at the discretion of the Company. Further, in accordance with Technical Release - 32 "Accounting Directors' Loan" issued by the Institute of Chartered Accountants of Pakistan, the loan has been classified as part of equity.				
<b>6</b>	<b>Trade and other payables</b>	Notes		<b>31-Aug-21</b>	<b>30-Jun-21</b>
				<b>Rupees</b>	<b>Rupees</b>
	Other payables	6.1		<u>25,526,358</u>	25,062,144
	Sales tax payable			<u>1,949,141</u>	-
	Accrued liabilities	6.2		<u>12,043,081</u>	12,043,081
	Payable to ex-employees	6.3		<u>3,634,037</u>	3,634,038
				<u>43,152,617</u>	<u>40,739,263</u>
<b>6.1</b>	It includes payables for supplies and services amounting to Rs 7.10 million (30 June 2021: Rs 7.10 million) and Rs 4.50 million (30 June 2021: Rs 4.50 million) respectively.				
<b>6.2</b>	This includes remuneration payable to ex-directors and ex-executives amounting to Rs. 2.28 million (30 June 2021: Rs. 2.28 million).				
<b>6.3</b>	It includes bonus payable to ex- directors and ex- executives amounting to Rs. 1.21 million (30 June 2021: Rs. 1.21 million).				



## 8 Contingencies and Commitments

### 8.1 Contingencies

- 1 A petition for execution of decree of the Civil Court relating to land of the Company situated in village Rousa, Kasur which has been sold last year is pending before Civil Judge, Kasur.
- 2 An appeal effect order u/s 124 for Tax Year 2008 in the light of direction given in the CIR(A)-II dated 16 April 2014 where total losses amounting to Rs. 128.92 million has been determined and a demand of Rs. 28.48 million has been vacated. However, the Company and tax department have approached ATIR against the order of CIR(A)-II, which is pending adjudication till date.

There is likelihood that matter will be resolved in favor of the Company. Accordingly, no provision/liability is required in these special purpose interim financial statements.

- 3 An order u/s 122(5A) for Tax Year 2009 on 27 October 2014 has been passed by Additional Commissioner Inland Revenue (Add. CIR) raising demand of Rs. 4.86 million. Appeal was filed before CIR-Appeals, who provided partial relief whereas interest on WPPF & on short term borrowings was disallowed against export sale, whereas, the Company has approached ATIR on 17 May 2015 against the order of CIR-Appeals which is pending adjudication till date. There is likelihood that matter will be resolved in favor of the Company. Accordingly, no provision/liability is required in these special purpose interim financial statements.
- 4 An order u/s 122(5A) for Tax Year 2010 on 31 October 2012 has been passed by Add. CIR reducing the Income Tax Refunds to Rs. 0.52 million by imposing minimum tax u/s 113 @ 0.5% on local sales amounting to Rs. 4.41 million. Appeal was filed before CIR Appeals who upheld the stance of Add. CIR. Appeal against the Order of CIR Appeals has been filed on 04 July 2013 before the Appellate Tribunal Inland Revenue (ATIR), Appeal was heard on 11 April 2019 where the ATIR upheld the decision of CIR. The Company has approached Honorable High Court, Lahore against such order.

Orders for Tax Year 2010 u/s 122(5A) dated 16 September 2015 and 26 November 2015, had also been passed by CIR which had reduced brought forward losses and created a liability amounting to Rs. 1.64 million and 1.78 million respectively. Appeal against orders of CIR was filed before CIR Appeals-II who annulled the aforesaid order and remanded back the case to Department for re-examination through an order dated 06 February 2019.

An appeal has been filed by tax Department before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication till date. There is likelihood that matter will be resolved in favor of the Company. Accordingly, no provision/liability is required in these special purpose interim financial statements.

- 5 An order u/s 122(5A) for Tax Year 2011 has been passed on 02 February 2016 by CIR reducing the Income Tax Refunds from Rs. 8.94 million to Rs. 2.93 million. Appeal against order of CIR was filed before CIR Appeals-II, Lahore who after considering arguments, deleted the additions made u/s 158(a) of the Ordinance by the CIR along with direction to re-examine the issue of refunds to the department through an order dated 06 February 2019. However, appeal was filed by tax department before higher appellate forum i.e. ATIR dated 22 March 2019, which is pending adjudication till date. There is likelihood that matter will be resolved in favor of the Company. Accordingly, no provision/liability is required in these special purpose interim financial statements.
- 6 In respect of the Audit proceedings for the Tax Year 2012. The Add. CIR (ACIR) passed an Order on 23 June 2018 u/s 122(5A) of the Ordinance along with notice of demand u/s 137 of the Ordinance whereby the tax demand of Rs. 3.97 million was raised and made impugned addition/disallowance of Rs. 22.74 million.

The Company has filed an Appeal before the first Appellate Forum i.e. Commissioner Appeals-II, that passed the Appellate Order no. 18/A-V dated 26 July 2021 wherein addition made on account of 'Markup' amounting to Rs. 22.53 million has been deleted and remaining additions have been remanded back to the ACIR for reexamination. The department has not been challenged this order of CIR-A so far.



- 7 An order u/s 122(1)(5) for Tax Year 2014 was passed on 29 July 2017 by ACIR, Unit-02, Zone-VII, whereby addition of Rs. 23.52 million were made and the tax demand of Rs. 1.29 million was raised. Appeal against order of ACIR has been filed before CIR Appeals-II, that passed the appellate order no. 33/A-V dated 25 June 2021 wherein additions made on account of salaries amounting to Rs. 0.90 million were reduced by 50% and disallowance of 'power and fuel charges' amounting to Rs. 1.50 million has been deleted and remaining additions have been remanded back to the ACIR for reexamination. The department has not been challenged this order of CIR-A so far.
- 8 An order u/s 122(1) for Tax Year 2015 was passed by ACIR whereby addition of Rs. 18.87 million was made and the tax refund claimed demand was reduced from Rs. 17.46 million to Rs. 17.10 million. Appeal against order of ACIR has been filed before Commissioner Inland Revenue Appeal (CIR-A) who passed the appellate order no. 19/A-V dated 26 July 2021 wherein additions made on account of donations amounting to Rs. 0.30 million has been deleted and remaining additions have been remanded back to the ACIR for reexamination. The department has not been challenged this order of CIR-A so far.
- 9 A suit has been filed by Dynamic Equipment & Control (Pvt.) Limited on 12 October, 2018 seeking recovery of Rs. 8.40 million from the Company. Notices have been issued and the Company is defending its rights in the suit. The Company has already recorded payable amounting to Rs. 7.10 million and is confident that no additional liability is required in these special purpose interim financial statements.
- 10 An appeal has been preferred against the Company in a recovery suit instituted against it by a customer of the Company on account of supply of defective cloth for a sum of Rs. 11.38 million along with damages of Rs. 5 million. The matter is subjudice before the Lahore High Court, Lahore. There is likelihood that the matter will be resolved in favor of the Company. Accordingly, no provision/liability is required in these special purpose interim financial statements.

#### 9 Trade debts

This represents receivable from Waves Singer Pakistan Limited, a related party, total balance is outstanding for two months.

	Note	31-Aug-21 Rupees	30-Jun-21 Rupees
<b>10 Cash and Bank Balances</b>			
Cash at bank:			
- current accounts		57,946	57,947
Cash in hand		212	212
		<u>58,158</u>	<u>58,159</u>
<b>11 Non-current assets held for sale</b>			
Non-current assets held for sale		<u>1,469,999</u>	<u>1,469,999</u>
<b>11.1 Office equipment</b>			
Opening balances		286,285	286,285
Disposal during the period		-	-
		<u>286,285</u>	<u>286,285</u>
<b>11.2 Vehicles</b>			
Opening balances	11.3	1,183,714	-
Carrying value transferred from property plant and equipment		-	5,590,414
Disposal during the period		-	(4,406,700)
		<u>1,183,714</u>	<u>1,183,714</u>
<b>11.3</b>			
Estimated realizable value of these non-current assets exceeds carrying value by approximately Rs. 5.21 million (30 June 2021: 5.21 million). This amount has not been incorporated in these financial statements. It will be recognized at the time of actual sale. The management is committed to the sale of these assets by 30 June 2022.			

		(Audited) 1 July 2021 to 31 August 2021 Rupees	(Unaudited) 1 July 2020 to 31 August 2020 Rupees
<b>12 Revenue - net</b>	<i>Note</i>		
Local sales		13,414,647	-
Less: Sales tax		(1,949,141)	-
		<u>11,465,506</u>	<u>-</u>

**13 Administrative expenses**

Salaries, wages and other benefits	13.1	-	1,414,849
Rent, rates and taxes		-	200,000
Repair and maintenance		-	120,887
Printing and stationery		-	9,505
Communication		-	63,184
Electricity, gas and water		-	326,404
Traveling and conveyance		-	56,109
Entertainment		-	17,858
Fee and subscription	13.2	445,907	20,917
Legal and professional		20,000	170,000
Miscellaneous		-	16,062
		<u>465,907</u>	<u>2,415,775</u>

**13.1** The Company is in revival phase and accordingly there are no employees and related expense.

**13.2** This includes audit fee amounting to Rs 0.20 million in respect of these special purpose interim financial statements.

		(Audited) 1 July 2021 to 31 August 2021 Rupees	(Unaudited) 1 July 2020 to 31 August 2020 Rupees
<b>14 Finance cost</b>			
Bank charges		-	348
Interest on Ex-sponsor's loan - related party		-	1,283,235
		<u>-</u>	<u>1,283,583</u>

**15 Taxation**

Current	<u>167,683</u>	<u>-</u>
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**15.1** The provision for current taxation represents minimum tax on turnover under section 113 of the Income Tax Ordinance 2001.

**15.2** Deferred tax asset amounting to Rs. 373.71 million (30 June 2021: Rs. Rs. 373.71 million) arising on account of un-absorbed depreciation, un-used tax losses and tax credits have not been accounted for due to uncertainty regarding its recoverability in the foreseeable future.



# 16 Earning / (loss) per share - basic and diluted

The calculation of earnings per share (basic and diluted) has been based on the following profit/ (loss) attributable to the ordinary shares of the Company and weighted average number of ordinary shares outstanding. There are no dilutive potential ordinary shares outstanding as at current and comparative reporting period.

	(Audited) 1 July 2021 to 31 August 2021	(Unaudited) 1 July 2020 to 31 August 2020
Profit/ (loss) for the period	69,965	(3,699,249)
Weighted average number of ordinary shares	26,278,000	26,728,000
Earnings per share - <i>basic and diluted</i>	0.003	(0.138)

# 17 Transactions and balances with Related Parties

Related parties comprise subsidiary, associated company, associate, companies where directors also held directorship, directors, provident fund and key management personnel. The Company in the normal course of business carries out transactions with its related parties. Transactions and balances with related parties are as follows:

Transactions and balances with Related parties	Relationship	Nature of transaction	(Audited) 1 July 2021 to 31 August 2021	(Unaudited) 1 July 2020 to 31 August 2020
Waves Singer Pakistan Limited	Common shareholding	Sale of parts for appliances products	13,414,647	-
		Receivable balance against sale of appliances products	2,651,003	-

17.1 The CEO and Directors are not drawing any remuneration including meeting fee.

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## 18 Financial risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Board of Directors reviews and agrees policies for managing each of the risks.

The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures. Audit committee is assisted in its oversight role by internal audit department. Internal audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

### 18.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. Credit risk of the Company arises principally from trade debts and bank balances.

#### 18.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk before any credit enhancements at the reporting date was:

	<b>Carrying amount</b>	
	<b>31 Aug 2021</b>	<b>30 Jun 2021</b>
	<b>Rupees</b>	<b>Rupees</b>
		<i>Restated</i>
Trade debts	<b>2,651,003</b>	-
Balances with banks	<b>57,946</b>	57,947
	<b>2,708,949</b>	57,947



### 18.1.2 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or historical information about the counterparty default rates. All counterparties, with the exception of customers and utility Companies, have external credit ratings determined by various credit rating agencies and other regulatory authorities. Credit quality of customer is assessed by reference to historical default rates and present ages.

#### 18.1.2(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to bank balances and deposits. Impairment on cash and cash equivalents has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. Credit risk is considered minimal as these counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Following are the credit ratings of counterparties with external credit ratings:

Banks	Rating Agency	Short term	Long term	31 Aug 2021 Rupees	30 Jun 2021 Rupees
Bank Alfalah Limited	PACRA	A-1+	AA+	11,425	11,425
Habib Bank Limited	VIS	A-1+	AAA	17,053	17,053
JS Bank Limited	PACRA	A-1+	AA-	10,812	10,812
MCB Bank Limited	PACRA	A-1+	AAA	15,447	15,447
National Bank of Pakistan	PACRA	A-1+	AAA	3,209	3,210
				<u>57,946</u>	<u>57,947</u>

#### 18.1.2(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts. The Company's exposure to credit risk is mainly due to sale made to the related party during the period and the due balance is outstanding by two months. The Company has been operating for only two months and hence there had been no balance requiring impairment as outstanding balance due from trade debts is not due by more than 60 days as at the reporting period.

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## 18.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves forecasting future cash flow requirements, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

### *Exposure to liquidity risk*

Following are the contractual maturities of the financial liabilities (based on the remaining period as of the period-end), including interest

31 Aug 2021						
	Carrying amount	Contractual cash flows	One year or less (Rupees in '000)	One to two years	Two to five years	More than 5 years
<i>Note</i>						
6	43,152,617	43,152,617	43,152,617	-	-	-
Trade and other payables						
<i>Financial liabilities</i>						
30 June 2021 (restated)						
	Carrying amount	Contractual cash flows	One year or less (Rupees in '000)	One to two years	Two to five years	More than 5 years
6	40,739,263	40,739,263	40,739,263	-	-	-
Trade and other payables						
<i>Financial liabilities</i>						

### 18.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. The Company is not exposed to market risk.

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#### 18.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

**18.4.1** The following table shows the carrying amounts and fair values of financial instruments and non- financial instruments including their levels in the fair value hierarchy:

##### On statement of financial position - Financial instruments

31 August 2021					
Carrying Amount		Fair value			
Financial assets	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3
at amortized cost					
(Rupees in '000)					
2,651,003	-	2,651,003	-	-	-
58,158	-	58,158	-	-	-
2,709,161	-	2,709,161	-	-	-
-	43,152,617	43,152,617	-	-	-

##### Financial assets - amortized cost

Trade debts  
Cash and bank balances

##### Financial liabilities - amortized cost

Trade and other payables

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### On statement of financial position - Financial instruments

	30 June 2021 <i>(restated)</i>			
	Carrying Amount		Fair value	
	Financial assets	Other financial	Level 1	Level 2
	at amortized cost	assets / liabilities	Total	Level 3
----- (Rupees in '000) -----				
<u>Financial assets - amortized cost</u>				
Cash and bank balances	58,159	-	58,159	-
	58,159	-	58,159	-
<u>Financial liabilities - amortized cost</u>				
Trade and other payables	-	40,739,263	40,739,263	-

The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair values.

### 18.5

#### Capital management

The Company's objectives when managing capital are :

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide adequate return to shareholders.

As explained in note 1.2 and 19 the Board of Directors has approved the merger of appliances business of Waves Singer Pakistan Limited into the Company and this would be beneficial in future prospects of the Company.

There is no debt on the Company and consequently not subject to externally imposed capital requirements.



## 19 Events after the reporting date

The Board of Directors in their meeting held on 10 December 2021, approved these special purpose financial statements and authorized the management to take steps for preparation of the relevant scheme of arrangement ('the Potential Merger Transaction') for acquisition of home appliances business from Waves Singer Pakistan Limited (a related company). The said scheme of arrangement along with the share issuance letter will be presented for consideration, review and approval of the Board in the next Board meeting to be held on 23 December 2021, following which the said scheme shall be submitted to the Honorable High Court along with the petition for acquisition of home appliances business. The scheme is planned to be implemented from 01 September 2021 and would be so implemented after the necessary corporate legal and regulatory requirements have been fulfilled and the plan has been approved. As per the draft plan, if implemented, the management intends to acquire the carrying values of assets and liabilities assumed at the date of merger as summarized below:

	01 Sep 2021 (Rupees in '000')
Property, plant and equipment	3,229,920
Intangible assets and goodwill	2,879,080
Long term deposits	8,545
Inventory and stores	2,804,872
Trade debts	6,078,825
Advances, deposits, prepayments and other receivables	557,270
Reserves	(750,000)
Loans and borrowings	(4,946,015)
Other non-current liabilities	(361,882)
Trade and other payables	(1,310,704)
<b>Total identifiable net asset to be acquired</b>	<b>8,189,911</b>

Net assets will be acquired against issue of shares of the Company to the Acquirer and its shareholders in addition of certain amount of cash consideration. There is no contingent consideration involved. At the date of authorization of these special purpose interim financial statements, the business combination is incomplete as the fair value of the acquired identifiable intangible assets is in process; hence, amount of goodwill and shares to be issued cannot be determined. The fair value of the financial assets acquired namely trade debts, advances, deposits, prepayments and other receivables approximates their carrying value. Adjustments for the above, as per the International Accounting Standards (IAS) would be made once approved by the Board of Directors and legal formalities have been fulfilled.

Waves Singer Pakistan Limited is a leading local player of appliances business. Consequent to the potential merger transaction, the Company would deemed be a Subsidiary Company of Waves Singer Pakistan Limited and it may meet the objectives of the Group for focus, growth and strategic alliance with global players in home appliances business.

For the eight months period ended 31 August 2021, the revenue and profit of the acquired Company amounts to Rs 6,028.95 million and Rs 225.45 million respectively. If the merger had occurred on 01 January 2021, the management estimates that the above revenue and profit would have been recognized in Company's results.

## 20 General

20.1 Figures in these special purpose interim financial statements have been rounded off to the nearest rupee.

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20.2 Corresponding figures have been re-arranged and/ or reclassified, where ever considered necessary, for the purpose of better presentation of the financial statements. However, no significant reclassification has been made in these special purpose interim financial statements. The Chief Executive Officer is for the time being not available in Pakistan, therefore, these financial statements are signed by the Chairman of the Board.

21 Date of authorization for issue

These special purpose interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on **10 DEC 2021** 2021.

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Director

  
Chairman

  
Chief Financial Officer