# Waves Singer Pakistan Ltd
# Directors' Report to the Shareholders

The directors of Waves Singer Pakistan Limited (WSPL) are pleased to submit the annual report and audited accounts for the year ended December 31, 2018. During the year, the Company posted:

| **OPERATING RESULTS** | **FY18**<br>**Rs. in '000** | **FY17**<br>**Rs. in '000** |
|---|---|---|
| Gross Sales | 10,268,910 | 4,772,736 |
| Gross Profit | 2,394,205 | 1,097,284 |
| Admin, Marketing, selling and distribution Expenses | (1,539,462) | (924,397) |
| Other Expenses | (108,768) | (118,760) |
| Finance Costs (net) | (272,827) | (216,878) |
| **Profit/(Loss) from core business activities** | **473,148** | **(162,751)** |
| Other Income | 37,359 | 498,264 |
| Profit for the year before taxation | 510,507 | 335,513 |
| Taxation | (128,432) | (23,381) |
| **Profit after taxation** | **382,075** | **312,132** |
| Other comprehensive income - net of tax | 15,197 | (15,749) |
| Surplus transferred to accumulated profits | 3,235 | 1,440,563 |
| Un-appropriated profit brought forward | 1,586,439 | (150,507) |
| **Profit available for appropriation** | **1,986,946** | **1,586,439** |
| **APPROPRIATIONS:** | | |
| Final dividend 2017 Rs. 1.25 per share | (177,320) | 0 |
| **Un-appropriated profit carried forward** | **1,809,626** | **1,586,439** |
| | | |
| **Earnings Per Share** | 2.34 | 1.91 |

## Business Overview

### Company's Principle Activities

WSPL is a public company limited by shares and is quoted on the Pakistan Stock Exchange (PSX). The Company is principally engaged in manufacturing and assembling of domestic consumer appliances and other light engineering products as well as whole sale retailing and trading of the same.

During 2017 Singer Pakistan Limited entered in an amalgamation arrangement to acquire Cool Industries Private Ltd (the manufacturer of a strong Brand Name in the home appliance industry – "**WAVES "Naam hi Kafi hai"**.

The Company also entered in to a demerger arrangement to carve out its retail business network of 139 outlets to Electronics Marketing Company Private Ltd (EMCPL).

The Merger and Demerger arrangement was approved by the honorable High Court on 22nd May 2018 with retrospective effect from 1st July 2017. Accordingly, the first consolidated accounts were issued as of 31 December 2017 consolidating operating results of Singer Pakistan Ltd for the full year and Cool Industries Private Ltd for six months. The year under review (2018) is the first year showing consolidated results for the complete year.

**WSPL** is now the holding company with two fully owned subsidiary companies and operates as follows:

**Waves Singer Pakistan Limited-Holding Company (WSPL)**. The Company is listed on the PSX and is Manufacturing Waves and Singer Brand Products including Deep Freezers, Refrigerators, Air Conditioners, Washing Machines, Microwaves, Water Heaters, Cooking Range and allied items. The company also import Singer Brand Sewing Machines in CBU condition. The Company sells its production through its subsidiary companies as follows:

**Waves Marketing Private Ltd (WML) - Wholly owned subsidiary of WSPL** sells Waves and Singer Brand products to a strong network of 1400 dealers across Pakistan.

**Electronics Markeing Company Private Limited (EMCPL) - Wholly owned subsidiary of WSPL** sells Waves and Singer Brand home appliances as well as all other leading brands of home appliances industry in Pakistan through its network of 139 retail outlets across Pakistan.

## Operating Performance Analysis

Gross sales increased by Rs. 5.5 billion i.e. 115% growth over the previous year. This remarkable growth in sales is partially due to increased volumes and better pricing and is partially due to the reason that consolidates results for 2018 include full year sale of both Waves and Singer brands as compared to 2017 when Waves Brand sales were consolidated only for six months after the merger. **It is worth mentioning here that your company achieved this notable growth in revenue despite the fire incidence that occurred in Waves Production Facility during the peak season of May 2018**. Due to this fire incidence, the Company sacrificed sales estimated in the range of Rs. 1.50 billion.

Alhamdulillah, the damage caused by fire was fully repaired within a short period of 2 months.

Gross profit for the year improved by Rs. 1.3 billion i.e. 118%, profit from core business activities improved by Rs. 636 Mn and the net profit for the year before tax improved by Rs. 175 million i.e. 52% compared to last year. These extra ordinary gains are also partially due to growth in business volume and partially due to full year consolidation as stated above.

Earnings per Share is Rs. 2.34 compared to Rs. 1.91 of 2017.

**Financial Position Analysis**

Financial position stands as follows:

| Financial Position Analysis | 2018 Rs. in '000 | 2017 Rs. in '000 |
|---|---|---|
| Non-Current Assets | 7,753,985 | 7,686,631 |
| Current Assets | 6,959,554 | 5,516,459 |
| **Total Assets** | **14,713,539** | **13,203,090** |
| Shareholders' Equity | 8,389,125 | 8,166,643 |
| Non-Current Liabilities | 1,127,014 | 919,888 |
| Current Liabilities | 5,197,400 | 4,116,559 |
| **Total Equity and Liabilities** | **14,713,539** | **13,203,090** |

## Dividend

The Board appreciates the confidence and trust of its shareholders. Keeping in view the Company's recent merger, financial performance and future cash flow requirements, the Directors are recommending a final cash dividend of 12.5 % i.e. PKR 1.25 per share (2017: 12.5% i.e. PKR 1.25 per share) for the approval of shareholders. This is in addition to Interim Bonus Shares in proportion of 15 share(s) for every 100 share(s) held i.e.15%. The bonus shares were issued from the Share Premium Reserve.

## Appropriations

Following is the summary of appropriations made during FY 2018:
Net Profit After Taxation: Rs. 382.075 million
Total comprehensive income for 2018: Rs. 397.272 million

For details of movement in the retained earnings and other reserves please refer Statement of Changes in Equity in the financial statements.

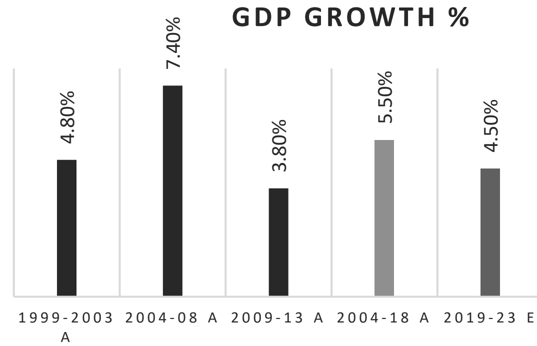
## Key Operating and Financial Data of Last 6 Years

As per the regulatory requirements, key financial and operating data for the last 6 years has been provided in the financial analysis section of this Annual Report.

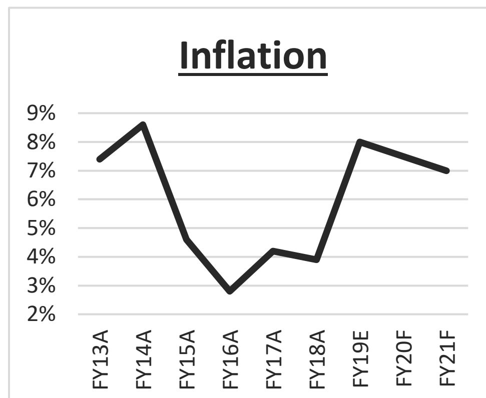
## Economic Analysis

Pakistan's economy grew at a CAGR of 5.5% during 2014-18, which is in line with country's long-term average growth rate. This growth was accompanied by a sharp increase in private consumption and improving investment to GDP ratio. More importantly, lower oil prices helped keep interest rates low, which with the flow of CPEC led investments and easing security concerns helped breakout country's falling investment to GDP indicator.

That said, overall, 2018 was a tough year as it saw Pakistan's economy buckle under increasing pressure, with decreasing foreign exchange reserves, increasing trade deficit, circular debt as well as foreign loans taking a toll on macroeconomic health. As a result, the economy suffered while resources were diverted to handling power crises, import bills, and other issues. The country's foreign exchange reserves also remained under pressure.




Given that this was an election year, the outgoing PML-N government presented a populist budget, considerably slashing income tax slabs which put a further burden on the economy. However, after the regime change, the newly elected government increased taxes on utilities and luxury goods to mitigate the deficit. Side by side, a significant depreciation in the value of local currency was witnessed which led to increasing inflation.




Meanwhile, Pakistan was available to secure investment from Saudi Arabia and United Arab Emirates of USD 3 billion each to maintain foreign exchange reserves. In another major positive development Pakistan also secured USD 3 billion deferred oil payment facility from Saudi Arabia. Cumulatively, the USD 6 billion package from KSA amounts to roughly 50% of Pakistan’s FY19 net financing gap. Most importantly the package gives Pakistan room for negotiation with International Monetary Fund (IMF).

With the beginning of 2019, Pakistan would be entering into the second phase of China Pakistan Economic Corridor (CPEC). This means that the government would focus on trade policies and industry development, moving on from infrastructure. Large multinational companies are already interested in setting up industries in the automobiles, telecommunications, energy and electronics industry, in order to tap the undiscovered potential of the people of Pakistan.

We expect that GDP growth would take a breather in FY19 and slow down to 4%; as we see, (1) high base effect to kick in (especially in manufacturing/agriculture sectors), (2) investor confidence to take some time to recuperate post entry into IMF program and elections, and (3) impetus from government to weaken. A stricter fiscal deficit target and rising interest rate environment would squeeze development outlay.

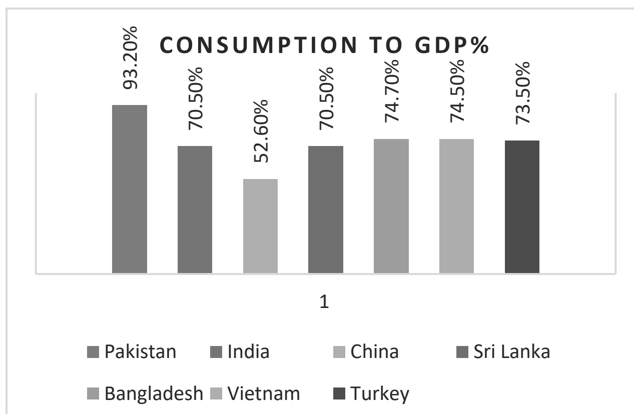
However, we believe that due to supportive macroeconomic supply and demand policies being undertaken by the current government will result in a renewed confidence of the private sector resulting in fiscal discipline. Major international institutions anticipate that global economic growth will increase from previously subdued levels, which will be a welcome development for Pakistan as well.

The near-term outlook for economic growth is challenging but towards stability supported by improved power supply, investment relating to CPEC, strong consumption growth and ongoing recovery in industrial sector.

## Industry Overview

A look at the macroeconomic environment also suggests that Pakistan's consumption story is poised for growth, which makes it a high-potential market for the retail and consumer goods sector:

- Pakistan is one of the fastest growing major economy and sixth largest by population, accounting for approx. 3% of the world's population with a population density of 265 per $Km^2$. It has one of the highest consumption growth amongst the growing economies of the world.
- Per capita income in Pakistan has increased exponentially since the start of the century, rising from 2,750 USD in 2000 to 6,100 USD in 2018 based on Purchasing Power Parity (PPP theory). This has put more disposable cash in the pockets of consumers who are not shy of spending it.

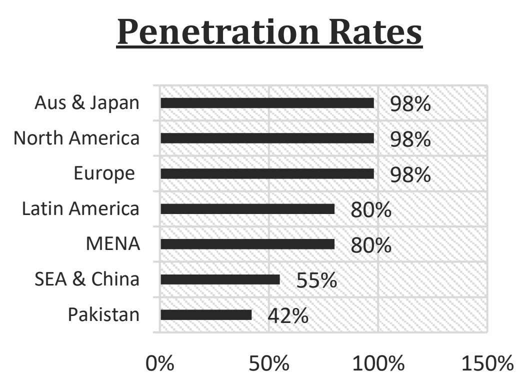



- 52% of the population is under the age of 25 years, with average annual population growth rate of 2.7%. Burgeoning youth with growing middle class and their freewheeling attitude towards rising incomes have turned the nation into the world's fastest growing retail market. Pakistan is also among the most urbanized countries of South Asia. Pakistan is expected to largely shift from majority rural to majority urban within the next two to three decades, urbanizing at a yearly rate of three percent — the fastest pace in South Asia. The United Nations Population Division estimates that, by 2030, nearly half the country's population will live in cities.

- Increase in the female participation in the workforce is also creating a time-starved consumer group which is likely to pay a premium for convenience. Nuclear families are also increasing, with 70% households with a nuclear construct up to 13% over the past two decades – and nuclear families spend 20–30% higher than joint families.

- The rapid rate of urbanization and the growth of a young population that is enjoying rising incomes is creating a large emerging middle class in Pakistan. This segment of the population is expected to grow by 20% over the next decade constituting about 40% of the country's total population.

- Euromonitor International has identified Pakistan as one of the world's top three markets by household kitchen penetration growth and as per its latest report Pakistan has one of the lowest penetration rates with respect to home appliances. There is obviously potential there, more so in rural areas where ownership of household durables is markedly lower than urban areas. Continued flows of remittances and growth in farming incomes are going to be driving forces for electronics sales.




In line with these discussions, Pakistan's home appliances market has been witnessing sustained double-digit growth which is evident from escalation in production by 10% (5-yr CAGR FY13-FY18) for Refrigerator & Deep Freezers. Future volume growth projected @ 10% for the next 2 years and 5% onwards till FY 2025 and has recently reached a size of PKR 275 billion with a growth of 15% in the year 2018, main factors include (i) increasing urbanization levels, (ii) sustained rise in income over the past three years, (iii) improved electrification, (iv) thriving housing market, and (v) change in lifestyle leading to increased adoption of appliances.

## Risks, Uncertainties and Mitigations

The Company is exposed, inter alia, to the following general risks which are mitigated through specific response plans:

## Operational Risks

The operational risks are related to product development, manufacturing, distribution, environment, health and safety and supply chain management. The Company addresses these risks by allocating dedicated resources with requisite skills and expertise. The management determines risk response strategies for such risks which includes avoid, transfer, reduce or accept strategy.

## Financial Risks

Financial risks have been described in detail in the attached financial statements which include market risks, credit risks and liquidity risks. The key risks currently being faced by the Company include increasing cost of doing business due to devaluation of the Pakistani rupee and continued inflation.

## Compliance Risks

The Company understands that non-compliance with laws and regulation may result in imposition of penalties, debarment, black listing, license cancellation etc. Hence, the Company has zero tolerance policy for non-compliance activities and behaviors. In addition, to mitigate such risks, a very comprehensive and effective compliance function is in place in the Company. Further, the Business Conduct Guidelines clearly defines the Company's expectations from all directors, executives and employees of the Company and from those with whom it conducts business. The Company encourages employees and business partners to report compliance violations that they may encounter, with confidence that there will be no adverse consequences for them.

## Adequacy of Internal Financial Controls

The Board of Directors have set up effective internal financial controls across all functions. The independent Internal Audit function of the Company regularly monitors the implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework.

## Environment, Health & Safety (EHS)

The Company ensures that the EHS commitments are understood and prevention drills/measures are adopted at all levels, from senior management to workers so as to reduce work related risks across all operations of the Company. The company actively trains all employees to ensure their safety at both the workplace and beyond. Besides, our manufacturing, distribution and retail operations have developed SOPs that seek to reduce the risk of accidents.

## Corporate Social Responsibility

WSPL takes pride in aligning its business strategy to meet the Company's societal needs. Our CSR policy aims to enhance the quality of environment, communities and above all to promote the welfare of *our* people. We believe in giving something back to the society because we care. For us it's about more than just aligning our activities with our stakeholder's expectations whether it's our clients, suppliers, the community, our employees and society as a whole.

WSPL has been consistently running the following diverse CSR initiatives each fulfilling in achieving our goals towards our CSR vision.

## Literacy Program

In efforts to aid literacy among the marginalized communities, WSPL has initiated Literacy program through informal education system at the elementary level, targeting the underprivileged children of Thatta District, Sindh. The school has been out-sourced to a registered NGO, ECHO body and is being administered and maintain by the said NGO.

## Sewing/Stitching Classes

Globally and locally, Singer sewing machines have been assisting in honing stitching and sewing talent to its customers since decades. Tailoring is a vital source of income for many households in Pakistan. Through regular stitching classes, Waves Singer Pakistan aims to provide earning prospects to low income women to overcome their financial dependence. As a result, thousands of females have not only benefitted but have also achieved successful placements in various apparel companies across Pakistan.

## Investment in Human Capital

At Waves Singer Pakistan, we believe in attracting the best talent in the marketplace and giving them the skills and opportunities they need to become high-achievers.

## Human Assets

The Company treats its people as its most important asset. We are always on the lookout to recruit, train and promote the best human resource talent available. Besides attractive remuneration packages, our corporate culture is designed to boost employee performance. Our succession planning framework proactively guides our recruitment and promotion activities.

## Learning & Organizational Development

Our workforce regularly undergoes trainings in their respective functional areas. The Singer Retail Academy is instrumental in taking the employees through a comprehensive workforce training calendar. We also conduct workshops to make our employees aware of new developments in the field to remain abreast of the changing market landscape.

## Company's Future Outlook/Forward Looking Statements

The Company continues to face challenges of rapid escalation in costs owing to inflation and devaluation of the Pak Rupee. During the current year, the Company cost of production has increased. However, the management was able to mitigate impact of increased cost by partially passing over the cost to the end consumers and further by improving efficiency to reduce cost of production.

As we look to the year ahead with added vigor, we will continue to build on our competencies and review our strategies to ensure that they remain relevant, in line with changing dynamics in the local market place. While the inflation is expected to stabilize, strengthening of US dollar can exert some pressure on our input costs specially when coupled with rising interest rates.

The outlook for our industry remains robust. There has been a renewed focus on infrastructural spending, reflecting in corresponding growth in households and consequently increase in demand of home appliances. Improving electricity availability coupled with rise in urbanization and changing lifestyle are major drivers of industry growth. Demand for white goods has increased at a 5-yr CAGR of 9% and we expect sales momentum to sustain ahead.

## Adherence to the Best Practices of Corporate Governance

The Company is determined to meet and wherever possible, exceed in all legal and ethical requirements and to conduct all business according to the highest professional and ethical standards and practices. The Board defines a path of continuous improvement constantly challenging existing processes. It also requires the Company to embrace change so that the Company is in the right place when new opportunities open up.

## Statement of Compliance

The Company strictly adheres to the principles of Corporate Governance mandated by the Securities and Exchange Commission of Pakistan (SECP) and has implemented the prescribed stipulations. The same has been duly summarized in the enclosed Statement of Compliance with the best practices of the Code of Corporate Governance duly reviewed by the external auditors.

## Directors' Statement

As required by the Code, we, the Directors of the Company, are pleased to state that:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
b) Proper books of account have been maintained by the Company;
c) Appropriate accounting policies have been consistently applied in preparation of financial statements;
d) The accounting estimates are based on reasonable and prudent judgment;
e) International Accounting Standards (IAS) and IFRS, as applicable in Pakistan, have been followed in preparation of financial statements;
f) The system of internal control is sound in design and has been effectively implemented and monitored;
g) There are no significant doubts upon the Company's ability to continue as a going concern; and
h) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

## Meetings and Activities during the Financial Year

During the year, four meetings of the Board of Directors, four meetings of the Audit Committee and two meeting of the HR&R Committee were held.

**The member-wise record of attendance at these meetings is as follows:**

Board of Directors

| Name of the Member | Meetings Held | Meetings Attended |
|---|---|---|
| Mr. Umair Khan | 4 | 4 |
| Mr. Haroon Ahmad Khan | 4 | 4 |
| Mrs. Nighat Haroon Khan | 4 | 4 |
| Mr. Moazzam Ahmad Khan | 4 | 2 |
| Brig. Mukhtar Ahmed (Retd.) | 4 | 4 |
| Mr. Zafar Ud Din Mehmood | 4 | 0 |
| Mr. Yousuf Muhammad Farooq | 4 | 3 |
| Mr. Mohammad Saqib Jillani | 4 | 0 |

Audit Committee

| Name of the Member | Meetings Held | Meetings Attended |
|---|---|---|
| Mr. Zafar Ud Din Mehmood- Chairman | 4 | 0 |
| Mr. Umair Khan- Member | 4 | 4 |
| Mrs. Nighat Haroon Khan- Member | 4 | 4 |

Human Resource and Remuneration Committee

| Name of the Member | Meetings Held | Meetings Attended |
|---|---|---|
| Mr. Umair Khan- Chairman | 2 | 2 |
| Mrs. Nighat Haroon Khan- Member | 2 | 2 |
| Brig. Mukhtar Ahmed (Retd.) - Member | 2 | 2 |

During the year Mr. Mohammad Saqib Jillani resigned from the board of directors, with effect from 19$^{th}$ June, 2018. Mr Zafar Uddin Mehmood was appointed as a Director of your company on 25$^{th}$ June, 2018 to fill the casual vacancy arising from the resignation of Mr. Mohammad Saqib Jillani.

## Evaluation of the Board's Performance and Directors' Training Program

As required under the Code, the directors have developed a mechanism for the annual performance evaluation of the Board. Every member of the Board ensures his participation in the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best practices of corporate governance. The Board also reviews performance of business segments during each quarter with the aim to advance the opportunities of growth in all segments. For details on the Director’s Training Program, please refer to the Statement of Compliance.

## Shareholders Information

The Company is listed on Pakistan Stock Exchange Ltd. The detailed pattern and categories of its shareholding including shares held by directors and executives, if any, are annexed to the Annual Report.

## Investor Relations & Website

Waves Singer Pakistan is committed to providing full information and disclosures to all of its shareholders. We follow the relevant statutory requirements of timely informing and facilitating both the current and potential investors about any price-sensitive or material information about the Company’s business. This is done through the timely hoisting of all relevant information on the Company’s web site (www.wavessinger.com) such as the Company’s financial, operational performance, pattern of shareholding, material disclosures and any other information deemed essential for the investors

## External Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants retire at the conclusion of the upcoming Annual General Meeting and being eligible, offer themselves for reappointment. As suggested by the Audit Committee, the Board recommends this reappointment for FY 2019 to the shareholders.

## Post Balance Sheet Event or Significant Developments

During the Board meeting the Directors recommended a final cash dividend of 12.5 % i.e. PKR 1.25 per share for the year ended 31 December 2018.

No material changes or commitments affecting the financial position of the Company have taken place between the end of the year and the date of this report.

## Acknowledgement

We take this opportunity to thank our valued customers who have continued to place trust in our products and services and provided sustained support in ensuring the progress of the Company. The Company is also immensely proud of and thankful to its employees for their committed and passionate efforts, loyalty and dedication. We also greatly value the support and cooperation received from our suppliers, business partners, financial institutions, regulators and all other stakeholders who are helping and contributing towards the growth of our Company.

We would also like to extend our sincerest gratitude to our shareholders for the confidence and trust they have reposed in us and for their unwavering support.

For and on behalf of the Board:

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**Haroon Ahmad Khan**
Chief Executive Officer

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Waves Singer Pakistan Limited**

**Review report to the Members on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 prepared by the Board of Directors of **Waves Singer Pakistan Limited** ("the Company") for the year ended 31 December 2018 to comply with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

**Paragraph**

| | Reference | Description |
|---|---|---|
| i. | Para 2 | Executive directors are more than the prescribed limit of one third of the Company's board of directors as required by the Regulations. |
| ii. | Para 8 | Formal Policy and transparent procedures for remuneration of directors was not approved during the year in accordance with the requirement of the Act and the Regulations . |

| | | |
|---|---|---|
| iii. | Para 12 | Chairman of the Audit Committee and Human Resource and Remuneration Committee was not an independent director for most part of the year |

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

**Lahore**
**Date: 5th April, 2019**

## WAVES SINGER PAKISTAN LIMITED

### STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

### FOR THE YEAR ENDED 31ST DECEMBER, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 07 as per the following:

    a. Male: 06

    b. Female: 01

2. The composition of board is as follows:

    a) Independent Directors: 03
    b) Other Non-executive Director: 01
    c) Executive Directors: 03

    The Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") states that the executive directors, including the chief executive officer, shall not be more than one-third of its board of directors. However, the number of executive directors in the present Board exceeds the prescribed limit as the Board has not been reconstituted after enforcement of the said Regulations. Therefore, it will be ensured in the upcoming elections that the composition of the Board is in accordance with the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Directors' Training program for the following:
Mr. Haroon Ahmed Khan

10. There was no new appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year. The changes in remuneration including terms and conditions of employment of Chief Financial Officer, Company Secretary and Head of Internal Audit were approved by the Board and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

| | |
|---|---|
| Mr. Zafar Uddin Mehmood | Chairman |
| Mr. Umair Khan | Member |
| Mrs. Nighat Haroon Khan | Member |

b) HR and Remuneration Committee (Name of members and Chairman)

| | |
|---|---|
| Mr. Umair Khan | Chairman |
| Brig. (Retd) Mukhtar Ahmed | Member |
| Mrs. Nighat Haroon Khan | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

    a) Audit Committee: Quarterly

    b) HR and Remuneration Committee: On required basis (twice during the current year)

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and are registered with the Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. The Company is following the requirements and regulations laid down in section 208 of the Companies Act, 2017 except for the definition of "Related Party", compliance of which is dependent on the clarification from Securities and Exchange Commission of Pakistan. The Company has presented the details of all related party transaction as disclosed in the financial statement before the Audit Committee and upon their recommendation to the Board for review and approval.

19. We confirm that all other requirements of the Regulations have been complied with.

**MR. UMAIR KHAN**
Chairman

# INDEPENDENT AUDITOR'S REPORT

**To the members of Waves Singer Pakistan Limited**

**Report on the Audit of the Consolidated Financial Statements**

## ***Opinion***

We have audited the annexed consolidated financial statements of **Waves Singer Pakistan Limited** and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

## ***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 the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Valuation of intangible assets**<br>Refer to note 5.3 and 20 to the consolidated financial statements.<br>During the year ended 31 December 2017, the Group acquired Cool Industries (Private) Limited and Linkwel (Private) Limited. Provisional goodwill arising from this acquisition was recognized amounted to 2,975.12 million, which represented the excess of the consideration paid over the Group's share of the fair value of the identifiable net assets.<br>During the year ended 31 December 2018, the fair values of separately identifiable intangible assets were assessed by the management based on the valuation prepared by an external valuation expert which required the exercise of significant judgement and estimation, hence provisional goodwill was revised and other intangible assets i.e. brand value and customer relationships were identified.<br>The Group annually tests the carrying value of goodwill and intangible assets. The testing is subject to estimates and judgments made by the management of the Group with respect to future sales growth and profitability, cash flow projection and selection of appropriate discount rate.<br>We identified the valuation of separately identifiable intangible assets and goodwill and their impairment testing as a key audit matter because significant degree of management judgement is involved in making the above assessment and in forecasting the future cash flows of the Group which are inherently uncertain. | Our audit procedures, amongst others, included the following:<br>• obtaining an understanding of the process and testing the design and implementation of relevant key internal controls over valuation of intangible assets;<br>• assessing the appropriateness of the Group's accounting policy for recognition of separately identifiable intangible assets and goodwill and compliance of the policy with applicable accounting and reporting standards;<br>• evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology used by the professional valuer to estimate the value of identifiable intangible assets;<br>• obtaining and inspecting the valuation report prepared by the external valuer engaged by the Group and on which the management assessment of the fair value of the separately identifiable intangible assets;<br>• discussing with the Group's management key assumptions used in valuation model and testing the mathematical accuracy of the model;<br>• involving our internal valuation specialists to assist us in assessing the valuation model and significant estimates, assumptions and judgements applied in the valuation of intangible assets and goodwill on the date of acquisition and assessing the recoverable amount at the year end, including discount rate, growth rate, terminal value and attrition rate, with reference to available market information;<br>• comparing the recoverable amount with the goodwill and intangible assets recognized to identify impairment, if any; and<br>• assessing the adequacy of disclosure made in the consolidated financial statements in accordance with the requirements of the applicable accounting standards. |
| 2. | **Sales**<br>Refer to note 5.14 and 26 to the consolidated financial statements.<br>The Group principally generates revenue from manufacturing and assembly of | Our audit procedures, amongst others, included the following:<br>• obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of sales; |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | domestic consumer appliances along-with retailing and trading of the same.<br><br>We identified revenue recognition as a key audit matter because it is one of the key performance indicator of the Group and gives rise to an inherent risk of misstatement to meet expectations or targets. | • assessing the appropriateness of the Group's accounting policy for recording of sales and compliance of the policy with applicable accounting and reporting standards;<br><br>• comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;<br><br>• comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period;<br><br>• inspecting on a sample basis, credit notes issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and<br><br>• scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation. |
| **3.** | **Valuation of Stock in trade**<br><br>Refer notes 5.8 and 22 to the consolidated financial statements.<br><br>As at 31 December 2018, the Group's has gross carrying amount of stock-in trade amounting to Rs. 3,091.70 million.<br><br>We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade. | Our audit procedures, amongst others, included the following:<br><br>• assessing the appropriateness of Group's accounting policy for valuation of stock in trade and compliance of the policy with applicable accounting and reporting standards;<br><br>• obtaining an understanding of internal controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;<br><br>• obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and<br><br>• comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with the accounting policy. |

***Information Other than the Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the consolidated and unconsolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Board of Directors for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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 the consolidated 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 Group'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 Group'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 the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors 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 the board of directors 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 the board of directors, we determine those matters that were of most significance in the audit of the consolidated 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: 5th April, 2019**

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

Waves Singer Pakistan Limited

Consolidated Statement of Financial Position

*As at 31 December 2018*

| EQUITY AND LIABILITIES | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | ---------- (Rupees in '000) ---------- | | |
| | | | *(Restated)* | *(Restated)* |
| ***Share Capital and Reserves*** | | | | |
| Authorised capital 175,000,000 (2017: 145,000,000) ordinary shares of Rs. 10 each | 6 | **1,750,000** | 1,450,000 | 700,000 |
| Issued, subscribed and paid-up capital | 6 | **1,631,340** | 454,056 | 454,056 |
| Shares to be issued pursuant to amalgamation | | **-** | 964,500 | - |
| Share premium reserve | 7 | **4,825,764** | 5,038,548 | - |
| Capital reserve | | **5,000** | 5,000 | 5,000 |
| Revenue reserve - unappropriated profit / (accumulated loss) | | **1,809,626** | 1,586,439 | (150,507) |
| Surplus on revaluation of property, plant and equipment - net of tax | 8 | **117,395** | 118,100 | 1,095,855 |
| | | **8,389,125** | 8,166,643 | 1,404,404 |
| ***Non-current liabilities*** | | | | |
| Long term loans - secured | 9 | **732,271** | 568,276 | 528,125 |
| Liabilities against assets subject to finance lease | 10 | **42,454** | 38,254 | 10,944 |
| Employee retirement benefits | 11 | **61,823** | 54,527 | 51,612 |
| Deferred tax liability - net | 12 | **270,251** | 246,152 | 216,560 |
| Deferred income | 13 | **20,214** | 12,679 | 2,340 |
| | | **1,127,013** | 919,888 | 809,581 |
| ***Current liabilities*** | | | | |
| Trade and other payables | 14 | **1,789,617** | 1,190,937 | 473,471 |
| Mark-up accrued on borrowings | 15 | **97,338** | 73,766 | 40,005 |
| Short term borrowings - secured and unsecured | 16 | **2,995,286** | 2,748,916 | 1,177,396 |
| Unclaimed dividend | | **1,325** | 1,325 | 1,325 |
| Unpaid dividend | | **1,517** | - | - |
| Current portion of long term liabilities | 17 | **311,449** | 101,615 | 27,150 |
| | | **5,196,532** | 4,116,559 | 1,719,347 |
| **Contingencies and commitments** | 18 | | | |
| | | **14,712,670** | 13,203,090 | 3,933,332 |

| ASSETS | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | ---------- (Rupees in '000) ---------- | | |
| | | | *(Restated)* | *(Restated)* |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 19 | **4,754,698** | 4,681,004 | 1,657,732 |
| Intangible assets and goodwill - *revised* | 20 | **2,965,690** | 2,978,462 | 22,345 |
| Investment property | | **-** | - | 317,200 |
| Employee retirement benefits | 11 | **9,960** | - | - |
| Long term deposits | 21 | **23,637** | 27,165 | 18,514 |
| | | **7,753,985** | 7,686,631 | 2,015,791 |
| ***Current assets*** | | | | |
| Stores, spares and loose tools | | **31,035** | 22,918 | 5,112 |
| Stock-in-trade | 22 | **3,091,701** | 2,592,330 | 509,039 |
| Trade debts | 23 | | | |
| - Retail | | **860,125** | 582,961 | 714,943 |
| - Wholesale | | **2,386,358** | 1,573,830 | 348,374 |
| Advances, deposits, prepayments and other receivables | 24 | **149,759** | 106,895 | 32,876 |
| Taxation - net | | **334,460** | 345,878 | 157,100 |
| Cash and bank balances | 25 | **105,247** | 291,647 | 150,097 |
| | | **6,958,685** | 5,516,459 | 1,917,541 |
| | | **14,712,670** | 13,203,090 | 3,933,332 |

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

**Lahore** **Director** **Chief Executive Officer** **Chief Financial Officer**

# Waves Singer Pakistan Limited
## Consolidated Statement of Profit or Loss
*For the year ended 31 December 2018*

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| | | | (Revised) |
| Sales - net of sales return | | **10,268,910** | 4,772,736 |
| Sales tax and trade discount on invoices | | **(1,752,894)** | (1,087,113) |
| Sales - net | *26* | **8,516,016** | 3,685,623 |
| Cost of sales | *27* | **(6,121,811)** | (2,588,339) |
| **Gross profit** | | **2,394,205** | 1,097,284 |
| Marketing, selling and distribution costs | *28* | **(1,161,544)** | (727,966) |
| Administrative expenses | *29* | **(377,918)** | (196,431) |
| Other expenses | *30* | **(108,768)** | (118,760) |
| Other income | *31* | **37,359** | 498,264 |
| | | **(1,610,871)** | (544,893) |
| | | **783,334** | 552,391 |
| Earned carrying charges | | **157,676** | 79,357 |
| Finance costs | *32* | **(430,503)** | (296,235) |
| | | **(272,827)** | (216,878) |
| **Profit before taxation** | | **510,507** | 335,513 |
| Taxation | *33* | **(128,432)** | (23,381) |
| **Profit for the year** | | **382,075** | 312,132 |
| | | **(Rupees)** | |
| | | | *(Restated)* |
| Earnings per share - basic and diluted | *34* | **2.34** | 1.91 |

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

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**Lahore** **Director** **Chief Executive Officer** **Chief Financial Officer**

Waves Singer Pakistan Limited
Consolidated Statement of Comprehensive Income
*For the year ended 31 December 2018*

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Profit for the year | 382,075 | 312,132 |
| ***Other comprehensive income*** | | |
| *Item that will not be reclassified to profit and loss:* | | |
| - Surplus on revaluation of property, plant and equipment | - | 150,688 |
| - Related deferred tax on surplus | - | (44,846) |
| - Deferred tax reversal on investment property | - | - |
| - Actuarial gain / (loss) on employee retirement benefits | 15,197 | (15,749) |
| | 15,197 | 90,093 |
| Total comprehensive income for the year | 397,272 | 402,225 |

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

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| Lahore | Director | Chief Executive Officer | Chief Financial Officer |
|---|---|---|---|

Waves Singer Pakistan Limited
Consolidated Statement of Changes in Equity
*For the year ended 31 December 2018*

| | | Capital Reserves | | | | Revenue Reserve | |
|---|---|---|---|---|---|---|---|
| | Issued, subscribed and paid-up capital | Shares to be issued pursuant to amalgamation | Share premium reserve | Other capital reserve | Surplus on revaluation of land and building | (Accumulated loss) / Unappropriated profit | Total |
| | (Rupees in '000) | | | | | | |
| As at 01 January 2017 previously reported | 454,056 | - | - | 5,000 | - | (150,507) | 308,549 |
| Impact of change in policy as explained in note 5.1 | - | - | - | - | 1,095,855 | - | 1,095,855 |
| As at 01 January 2017 - *restated* | 454,056 | - | - | 5,000 | 1,095,855 | (150,507) | 1,404,404 |
| *Total comprehensive income for the year* | | | | | | | |
| Profit after taxation | - | - | - | - | - | 312,132 | 312,132 |
| *Other comprehensive income for the year* | | | | | | | |
| Remeasurement of defined benefit obligation | - | - | - | - | - | (15,749) | (15,749) |
| Surplus on revaluation of property, plant and equipment arisen | - | - | - | - | 150,688 | - | 150,688 |
| Related deferred tax on surplus arisen | - | - | - | - | (44,846) | - | (44,846) |
| Deferred tax reversal on investment property | - | - | - | - | - | - | - |
| | - | - | - | - | 105,842 | 296,383 | 402,225 |
| *Surplus transferred to accumulated profits* | | | | | | | |
| Transfer against sale of land and building - net of tax | - | - | - | - | (1,072,432) | 1,072,432 | - |
| Transfer of related deferred tax | - | - | - | - | - | 356,966 | 356,966 |
| Incremental depreciation relating to surplus on revaluation - net of tax | - | - | - | - | (11,165) | 11,165 | - |
| | - | - | - | - | (1,083,597) | 1,440,563 | 356,966 |
| *Transactions with owners of the Company recognized directly in equity* | | | | | | | |
| Shares to be issued pursuant to amalgamation | - | 964,500 | 5,038,548 | - | - | - | 6,003,048 |
| **Balance as at 31 December 2017 - *restated*** | **454,056** | **964,500** | **5,038,548** | 5,000 | **118,100** | **1,586,439** | **8,166,643** |
| ***Total comprehensive income for the year*** | | | | | | | |
| Profit after taxation | - | - | - | - | - | 382,075 | 382,075 |
| *Other comprehensive income for the year* | | | | | | | |
| Remeasurement of defined benefit obligation | - | - | - | - | - | 15,197 | 15,197 |
| ***Surplus transferred to accumulated profits*** | | | | | | | |
| Transfer against sale of building - net of tax | - | - | - | - | (967) | 967 | - |
| Incremental depreciation relating to surplus on revaluation - net of tax | - | - | - | - | (2,268) | 2,268 | - |
| Adjustment resulting from change of tax rate | - | - | - | - | 2,530 | - | 2,530 |
| | - | - | - | - | (705) | 400,507 | 399,802 |
| ***Transactions with owners of the Company recognized directly in equity*** | | | | | | | |
| Shares issued under scheme of amalgamation | 964,500 | (964,500) | - | - | - | - | - |
| Shares issued as fully paid bonus shares @ 15% | 212,784 | - | (212,784) | - | - | - | - |
| Final dividend for the year ended 31 December 2018 @ Rs. 1.25 per share | - | - | - | - | - | (177,320) | (177,320) |
| | 1,177,284 | (964,500) | (212,784) | - | - | (177,320) | (177,320) |
| **Balance as at 31 December 2018** | 1,631,340 | - | 4,825,764 | 5,000 | 117,395 | 1,809,626 | 8,389,125 |

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Lahore | Director | Chief Executive Officer | Chief Financial Officer

Waves Singer Pakistan Limited
Consolidated Statement of Cash Flows
*For the year ended 31 December 2018*

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| | | | *(Revised)* |
| ***Cash Flows From Operating Activities*** | | | |
| Profit before taxation | | 510,507 | 335,513 |
| *Adjustments for non-cash items:* | | | |
| - Depreciation on property, plant and equipment | 19.1.4 | 193,829 | 136,814 |
| - Amortisation of intangible asset | 20.3 | 40,185 | 19,005 |
| - Finance costs | | 430,503 | 296,235 |
| - Net loss on insurance claim of fixed assets written off due to fire | | 6,838 | - |
| - Loss of inventory due to fire | | (186,098) | - |
| - (Gain) / loss on sale of property, plant and equipment | | 5,550 | (456,951) |
| - Unrealised gain on investment property at fair value | | - | (30,800) |
| - Liabilities no longer payable written back | | (21,134) | |
| - Amortisation of deferred income | | (6,322) | (2,452) |
| - Provision against stock-in-trade | | - | 1,790 |
| - Provision against trade debts and other receivables | | 10,388 | 88,562 |
| - Provision Workers welfare fund | | 9,118 | - |
| - Provision Workers profit participation fund | | 27,331 | - |
| - Provision for employee retirement benefits | | 13,113 | 13,351 |
| **Profit before working capital changes** | | 1,033,808 | 401,067 |
| ***Effect on cash flow due to working capital changes*** | | | |
| *(Increase) / decrease in current assets* | | | |
| - Stores, spares and loose tools | | (8,117) | 9,033 |
| - Stock-in-trade | | (499,371) | (247,755) |
| - Trade debts | | (1,100,080) | (449,269) |
| - Advances, deposits, prepayments and other receivables | | (42,864) | 91,353 |
| | | (1,650,432) | (596,638) |
| *Increase / (decrease) in current liabilities* | | | |
| Trade and other payables | | 607,647 | (454,206) |
| **Cash used in operations** | | (8,977) | (649,777) |
| Income tax - net | | (90,385) | (35,196) |
| Workers' Profit Participation Fund paid | | (12,248) | - |
| Workers' Welfare Fund paid | | (6,071) | - |
| Employee retirement benefits paid | | (6,543) | (26,185) |
| Long term deposits - net | | 3,528 | (7,224) |
| **Net cash used in operating activities** | | (120,696) | (718,382) |
| ***Cash flow from investing activities*** | | | |
| Capital expenditure | | (521,401) | (188,840) |
| Net proceeds against insurance claim against assets written off due to fire | | 429,037 | - |
| Proceeds from disposal of property, plant and equipment | | 12,600 | 2,048,292 |
| **Net cash flows from investing activities** | | (79,764) | 1,859,452 |
| ***Cash flow from financing activities*** | | | |
| Lease rentals - net | | (13,639) | (10,657) |
| Finance costs paid | | (406,931) | (304,406) |
| Dividend paid | | (175,803) | - |
| Short term finances availed - net | | (414,989) | 207,859 |
| Long term loans - net | | 364,063 | (396,875) |
| **Net cash flows from financing activities** | | (647,299) | (504,079) |
| **Net (decrease) / increase in cash and cash equivalents during the year** | | (847,759) | 636,991 |
| **Cash and cash equivalents at beginning of the year** | | (576,860) | (747,299) |
| **Cash and cash equivalents acquired in a business combination** | | - | (466,552) |
| **Cash and cash equivalents at end of the year** | 35 | (1,424,619) | (576,860) |

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

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**Lahore** **Director** **Chief Executive Officer** **Chief Financial Officer**

Waves Singer Pakistan Limited
Notes to the Consolidated Financial Statements
*For the year ended 31 December 2018*

## 1 Status and nature of business

The Group comprises of:

***Holding Company***

***- Waves Singer Pakistan Limited***

| | 2018 | 2017 |
|---|---|---|
| | (Holding percentage) | |
| ***Subsidiary Companies*** | | |
| - Waves Marketing (Private) Limited | 100 | 100 |
| - Electronics Marketing Company (Private) Limited | 100 | 100 |

Waves Singer Pakistan Limited (the Holding Company) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a public company limited by shares and is quoted on the Pakistan Stock Exchange. The company is principally engaged in the manufacturing and assembly of domestic consumer appliances alongwith retailing and trading of the same and other light engineering products. The registered office of the company is located at 9-K.M, Hanjarwal, Multan Road, Lahore.

Geographical locations of the manufacturing facilities of the Group are located at:

- 9-K.M, Hanjarwal, Multan Road, Lahore.
- Dina Nath, Mouza Rakh Serai Cheenba, Tehsil Pattoki, District Kasur.

***Waves Marketing (Private) Limited - Subsidiary Company***

Waves Marketing (Private) Limited (WMPL) is a private limited company which was incorporated on 10 April 2017 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the company is located at 15/3 A Model Town, Lahore. The principal activity of the company is the sale, distribution and marketing of consumer appliances being a trading concern.

***Electronics Marketing Company (Private) Limited - Subsidiary Company***

Electronics Marketing Company (Private) Limited (EMCPL) is a private limited company which was incorporated on 09 September 2016 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of the the company is to carry out distribution / wholesales / retail business of all kinds of electronic appliances, its components and accessories, etc.

## 2 Summary of significant events and transactions in the current reporting period

**2.1** The Group's consolidated financial position and performance was particularly affected by the following events and transactions during the reporting year:

- Effective 01 July 2017, the Honourable Sindh High Court through its order dated 22 May 2018 approved the Scheme of Arrangement as proposed and granted sanction order for the amalgamation of Cool Industries (Private) Limited (CIPL) and Link Wel (Private) Limited (LWPL) with and into Singer Pakistan Limited (now Waves Singer Pakistan Limited - the Holding Company) and demerger of retail business from the Holding Company and amalgamate the same into the Electronics Marketing Company (Private) Limited (EMCPL). The Board of Directors of the Holding Company, in their meeting held on 27 November 2017, approved and resolved to present the Scheme of Arrangement with and into the Company before the shareholders of the Holding Company for their approval. Approval of the secured creditors was obtained on 29 December 2017, while the

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shareholders of the Holding Company approved the Scheme of Arrangement in their Extraordinary General Meeting (EOGM) held on 29 December 2017. In consideration, the Holding Company will issue 96,450,000 ordinary shares in aggregate in favour of the shareholders of CIPL (93,975,000 shares) and LWPL (2,375,000) on the basis of swap ratio of 1 (one) ordinary share of the CIPL for every 1.79 ordinary shares of the Holding Company and 1 (one) ordinary share of the LWPL for every 0.33 ordinary shares of the Holding Company.

For the purpose of demerger, 24,800,000 ordinary shares of Rs. 10 each of EMCPL shall be allotted and issued by EMCPL to the Holding Company.

The Group expects several benefits after this merger including the synergies of operations, (merging entities being engaged in the similar nature of business), utilization and the benefits of the "Waves" brand (held by CIPL) along with the Singer brand already held by surviving company, enhancement of the marketing and advertising opportunities, increased market penetration, a large equity and asset base of the merged entity and reduction in administration cost, etc.

- As fully explained in note 30, a fire broke out at production facility located in Lahore causing damage to the finished goods under dispatch, production facility (i.e. Plant and machinery) along with its related building area and work-in-process which were adequately insured. Consequently, the Group has written off property, plant and equipment and stock in trade with carrying value of Rs. 249.78 million and Rs. 186.10 million respectively.

  Subsequently, the Group has incurred capital expenditure amounting to Rs. 474.22 million in aggregate (building and plant and machinery) for the replacement and expansion of its current manufacturing facility.

- Change in accounting policy for surplus on revaluation of land and building as detailed in note 5.1 to these consolidated financial statements.

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, the Company has presented additional disclosures in these financial statements and represented

- For detailed discussion about the Group's performance, please refer to the Director's report.

## 3 Basis of preparation

### 3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017; and

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for land and buildings (including the investment property) which are stated at revalued amounts less subsequent depreciation and impairment losses as referred to in note 19, recognition of lease liability and certain employee retirement benefits as referred to in note 10 and 11 at present value respectively.

### 3.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistani rupee which is also the Group's functional and presentation currency and have been rounded off to the nearest thousand.

### 3.4 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Holding Company and its subsidiary companies as at 31 December 2018. These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 31 December 2018 and the audited financial statements of the subsidiaries for the year ended 31 December 2018.

#### 3.4.1 *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Holding Company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the Holding Company have been eliminated against the shareholders' equity in the subsidiary companies. The financial statements of the subsidiaries are prepared for the same reporting year as of the Holding Company, using consistent accounting policies.

Intra - Group balances and transactions, and any unrealised income and expenses arising from intra - group transactions, are eliminated in full.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any goodwill that arises is tested annually for impairment.

*Non-controlling interest*

Non-controlling interest is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Holding Company either directly or indirectly. Non-controlling interest is presented as a separate item in the consolidated financial statements. The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

*Loss of control*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated statement of profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary are reclassified to the consolidated profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee, joint venture or as an available for sale financial asset depending on the level of influence retained.

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## 4 Use of estimates and judgments

The preparation of these consolidated 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 the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

| | | *Note* |
|---|---|---|
| - | Residual value, market values and useful lives of property, plant and equipment | *5.2* |
| - | Useful lives of intangible assets | *5.3* |
| - | Investment property | *5.5* |
| - | Provision for employee retirement benefit plans | *5.6* |
| - | Stock in trade and stores and spares and loose tools at net realisable value / net of impairment losses | *5.7 & 5.8* |
| - | Provision for impairment of trade debts | *5.9* |
| - | Provisions | *5.12* |
| - | Provision for warranty obligation | *5.13* |
| - | Taxation | *5.15* |
| - | Impairment of financial and non-financial assets | *5.17* |

## 5 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as disclosed in note 5.1.

### 5.1 Change in accounting policy

Up to 31 December 2017, surplus on revaluation of land and buildings was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation was credited to the surplus on revaluation account. With effect from 01 January 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus in accordance with the requirements of IAS 16 "Property, plant and equipment". The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of surplus on revaluation of property, plant and equipment - net of tax amounting to Rs. 159.50 million and Rs. 1,095.86 million as at 31 December 2017 and 31 December 2016 respectively to statement of changes in equity.

### 5.2 Property, plant and equipment

***Owned***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for the land which is stated at revalued amount less impairment loss, if any, and buildings which are stated at the revalued amounts less accumulated depreciation and impairment losses, if any. Cost includes expenditure directly attributable to the acquisition of an asset.

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Land and Buildings are revalued by professionally qualified valuer with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value (market value). In case of revalued assets, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated at the revalued amount of the asset.

Depreciation is charged to the consolidated statement of profit or loss applying the straight-line method whereby the depreciable amount of an asset is depreciated over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and up to the month of disposal. Amount equivalent to incremental depreciation charged for the year on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings. The rates of depreciation are stated in note 19 to these consolidated financial statements.

The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Normal repairs and maintenance are charged to the consolidated statement of profit or loss as and when incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. Gains and losses on disposal of assets are taken to the consolidated statement of profit or loss. When revalued assets are sold, the amount included in surplus on revaluation of property, plant and equipment is transferred to consolidated retained earnings.

***Leased***

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, an asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Each minimum lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to consolidated statement of profit or loss over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and non-current depending upon the timing of the payment.

Depreciation is charged on the same basis as used for owned assets.

***Sale and lease back***

Where the sale and lease back transactions result in a finance lease, any excess of sale proceeds over the carrying amount is deferred and amortised over the lease term. However, sale proceeds less than the carrying value is immediately recognised in the consolidated statement of profit or loss.

***Capital work in progress***

It is stated at cost less impairment losses, if any. It includes expenditure incurred and advances made in respect of assets in the course of their construction and installation. These cost are transferred to relevant assets category as and when assets are available for intended use.

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### 5.3 Intangible assets and goodwill

*Goodwill*

Goodwill arising on the acquisition of business represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized. Goodwill is initially recognized at cost which is determined as the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is tested annually for impairment.

*Other Intangible asset*

Other intangible assets, including customer relationship, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets such as brand value that have infinite lives are measured at cost less accumulated impairment losses, if any.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over their estimated useful lives and is generally recognised in consolidated statement of profit or loss. The rates of amortization are stated in note 20 to these consolidated financial statements.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gain or loss from derecognition of intangible assets are recognised in the consolidated statement of profit or loss.

### 5.4 Business combination

As per the requirement of International Financial Reporting Standards 3, business combinations are accounted for by applying the acquisition method (other than those of the businesses / entities under common control unless it is transitory in nature as was the case in Company's case). The cost of acquisition is measured at the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement, if any.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of profit or

### 5.5 Investment property

Property, comprising land or a building or part thereof, held to earn rentals or for capital appreciation or both are classified as investment property. These are not held for use in the production or supply of goods or services or for administrative purposes. The Group's business model i.e. the Group's intentions regarding the use of a property is the primary criterion for classification as an investment property.

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Investment property is initially measured at cost (including the transaction costs). However when an owner occupied property carried at fair value becomes an investment property because its use has changed, the transfer to the investment property is at fair value on the date of transfer and any balance of surplus on the revaluation of the related assets, on the date of such a transfer continues to be maintained in the surplus account on revaluation of property, plant and equipment. Upon disposal, any surplus previously recorded in the revaluation surplus account is directly transferred to retained earnings / accumulated losses and the transfer is not made through the consolidated statement of profit or loss. However any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of profit or loss.

The transfer to investment property is made when, and only when, there is a change in use, evidenced by the end of owner occupation. In case of a dual purpose properties, the same is classified as investment property, only if the portion could be sold or leased out separately under finance lease.

Subsequent to initial recognition, the Group measures the investment property at fair value at each reporting date and any subsequent changes in fair value is recognised in the consolidated statement of profit or loss (i.e. in cases where the owner occupied property carried at fair value becomes an investment property, the fair value gain to be recognised in the consolidated statement of profit or loss would be the difference between the fair value at the time of initial classification as investment property and fair value at the time of subsequent remeasurement). The revaluation of investment properties are carried out by independent professionally qualified valuers on the basis of active market price.

**5.6 Employee retirement and other service benefits**

***Defined benefit plans***

The Group operates a funded defined benefit pension scheme for the eligible executives and managers and a funded gratuity scheme for all of its eligible employees (old Singer Pakistan Limited's employees). The Group also operates an unfunded gratuity scheme for its eligible field staff. Benefits under the scheme are payable to staff on the completion of prescribed qualifying period of service. Provisions / contributions are made in these consolidated financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit Method.

Amount recognised in consolidated statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets, if any. All actuarial gains and losses are recognised in 'Consolidated Other Comprehensive Income' as they occur. Past service cost resulting from the changes to defined benefit plan is immediately recognised in the consolidated statement of profit or loss. Current service costs together with net interest cost are also charged to the consolidated statement of profit or loss.

Calculation of gratuity and pension requires assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

***Defined contribution plan***

The Group operates a recognised provident fund scheme covering all eligible employees. The Group and employees make equal monthly contributions to the fund.

***Staff Compensated absences***

The Group recognises the liability for compensated absences in respect of employees in the period in which they are earned up to the reporting date on the basis of un-availed earned leaves balance at the end of the year.

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5.7 **Stores, spares and loose tools**

These are valued at lower of cost determined on first-in-first-out basis and impairment losses if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date less any impairment losses.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimates, these are based on their future usability. Provision is made for any excess of carrying value over the estimated net realizable value and is recognised in the consolidated statement of

5.8 **Stock-in-trade**

Stock-in-trade is valued at the lower of cost determined on first-in-first-out basis and net realisable value except for stock in transit which is stated at invoice value plus other charges incurred thereon upto the reporting date. Cost in relation to work in process and manufactured finished goods represents direct cost of materials, direct wages and appropriate allocation of manufacturing overheads. Cost of goods purchased for resale comprises of purchase price, import duties, taxes (other than those subsequently recoverable by the entity from tax authorities) and other directly attributable cost wherever applicable.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to be incurred to make the sale.

The management continuously reviews its inventory for existence of any items which may have become obsolete. Provision is made for slow moving inventory based on management's estimation. These are based on historical experience and are continuously reviewed.

5.9 **Trade debts**

These are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost.

Provision for doubtful debts is established where there is objective evidence that the Group will not be able to collect amount due according to the original terms of the receivable is based on management's assessment of anticipated uncollectible amounts based on Group's past experience, historical bad debts statistics and ageing analysis. Debts are written off when considered irrecoverable.

5.10 **Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, and deposits held with banks with 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. Short term running finance facilities availed by the Group are also included as part of cash and cash equivalents for the purpose of consolidated statement of cash flows.

5.11 **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.

### 5.12 Provisions

A provision is recognised in the consolidated statement of financial position when the Group 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.

### 5.13 Warranty obligations

The Group accounts for its warranty obligations based on historical trends when the underlying products or services are sold.

### 5.14 Revenue recognition

- Sales are stated net of sales tax, rebate and sales return and are recognised when persuasive evidence of a sale exists. The key area of judgment in recognising revenue is the timing of recognition, which reflects the point or period when the Company has transferred significant risks and rewards of ownership to third parties. Revenue from sale of goods is measured at fair value of the consideration received or receivable and is recognised as revenue on dispatch of goods to customers.

- Revenue from services rendered is recognised in consolidated statement of profit or loss when the related services are performed.

- Carrying charges representing the difference between the cash sale price and hire purchase price are recognised in the consolidated statement of profit or loss using the effective interest rate method over the period of the sale under the hire purchase arrangement.

- Income on investments and profit and loss sharing bank accounts are recognised on accrual basis using the effective interest rate method.

- Rental income from investment property is recognised as other income on a straight-line basis over the term of lease.

### 5.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

*Current*

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.

The Holding Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. Under this approach, the Holding Company is accounting for the related taxes under standalone taxpayer approach. Under this approach, current and deferred taxes are recognised as if the entity was taxable in its own right.

***Deferred***

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 the 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 consolidated 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.

## 5.16 Borrowings

All interest bearing borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.

Finance cost are accounted for on an accrual basis and are included in accrued finance cost to the extent of the remaining amount unpaid.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

## 5.17 Financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provision of the instrument. Financial assets and liabilities are recognised initially at cost, which is the fair value of the consideration given or received respectively. These are subsequently measured at fair value or amortised cost, as the case may be depending on the particular accounting policy.

Financial assets are derecognised when the contractual right to cash flows from the asset expire, or when substantially all the risks and reward of ownership of the financial asset are transferred. Financial liability is derecognised when its contractual obligations are discharged, cancelled or expired. Gain or loss on derecognition is recognised in consolidated statement of profit or loss.

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset.

### 5.18 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated financial statements only when the Group has a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 5.19 Impairment

***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that the financial asset is impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on the terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through consolidated statement of profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in consolidated statement of profit or loss.

***Non-financial assets***

The carrying amounts of non-financial assets other than deferred tax assets and stock in trade, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the consolidated statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is assessed through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss for goodwill, if any, is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 5.20 Foreign currency transactions and translation

***Transactions and balances***

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit or loss. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences are generally included in the consolidated statement of profit or loss.

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## 5.21 Dividends and appropriations to reserves

Dividend and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved. Transfer between reserves approved subsequent to the reporting date is considered as non-adjusting event and is recognised in the consolidated financial statements in the period in which such transfers are made.

## 5.22 Earnings per share

As required under International Accounting Standard 33 Earnings Per Share, the Group presents the earnings per share (EPS) information based on the consolidated financial statements. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. The Group is not exposed to the dilutive effect on EPS.

## 5.23 Common control transactions

A business combination (or a demerger for that purpose) involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination. Such common control transactions have been excluded from the scope of International Financial Reporting Standards 3 dealing with Business Combinations. Accordingly, as an accounting policy choice, the assets acquired and liabilities assumed / assets and liabilities transferred are recognized under the book value basis (carry-over basis) of accounting.

## 5.24 Grant in aid (deferred income)

Grant in aid represents the amount received from the World Bank under a project to phase out the Ozone Depleting Substances (ODS) by acquiring asset (production facility) which manufactures such products which are free from such substances. This grant is classified as deferred income and is being amortized over the useful life of such asset.

## 5.25 Operating lease assets and assets obtained under Ijarah arrangement

Rentals paid for the assets obtained under the operating lease, if any are recognized as an expense of the period to which these relate to.

Leased assets which are obtained under Ijarah agreement are not recognized in the Group's consolidated statement of financial position and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountant of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Ijarah Payments under the agreement are recognised as an expense in the consolidated statement of profit or loss on a straight line basis over the lease period of Ijarah agreement.

## 5.26 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes the strategic decisions. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as allocated on a reasonable basis. Unallocated item comprise mainly corporate assets, head office expenses and tax assets and liabilities.

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5.27 **Standards, interpretations and amendments to published approved International Financial Reporting Standards**

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 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Group's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Group's financial statements.

- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's financial statements.

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- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes. The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs. The amendment clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on the Group's financial statements.

| | | | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **6** | **Share capital** | *Note* | **(Number of shares)** | | **(Rupees in '000)** | |
| **6.1** | Authorized share capital | *6.1.1* | **175,000,000** | 145,000,000 | **1,750,000** | 1,450,000 |

**6.1.1** During the year, the Holding Company has increased its authorized share capital by 30,000,000 shares. The authorized share capital thus stands enhanced at Rs. 1,750 million, divided into 175,000,000 shares of Rs. 10 each, and accordingly the Memorandum and Articles of Association of the Holding Company have been amended.

**6.2 Issued, subscribed and paid-up capital**

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| | **(Number of shares)** | | **(Rupees in '000)** | |
| ***Fully paid-up ordinary shares of Rs. 10 each*** | | | | |
| Issued for cash | **11,461,568** | 11,461,568 | **114,616** | 114,616 |
| Issued for consideration other than cash | **703,733** | 703,733 | **7,037** | 7,037 |
| Issued as paid bonus shares | **54,518,664** | 33,240,321 | **545,187** | 332,403 |
| Issued under scheme of amalgamation | **96,450,000** | - | **964,500** | - |
| | **163,133,965** | 45,405,622 | **1,631,340** | 454,056 |

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### 6.3 Reconciliation of ordinary shares

| | Note | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|---|
| | | (Number of shares) | | (Rupees in '000) | |
| Balance as at 01 January | | 45,405,622 | 45,405,622 | 454,056 | 454,056 |
| Ordinary shares issued under scheme of arrangement | 6.5 | 96,450,000 | - | 964,500 | - |
| Ordinary shares issued as fully paid bonus shares | 6.6 | 21,278,343 | - | 212,784 | - |
| **Balance as at 31 December** | | 163,133,965 | 45,405,622 | 1,631,340 | 454,056 |

6.4 Ordinary shares of the Holding Company held by associated persons and undertaking at year end are as follows:

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| | (Percentage held) | | (Number of shares) | |
| *Poseidon Synergies (Private) Limited | 6.00% | 18.74% | 9,785,377 | 8,509,024 |
| *Chief Executive Officer and his spouse and minor children* | | | | |
| - Haroon Ahmad Khan (CEO) | 37.95% | 15.42% | 61,916,108 | 7,002,209 |
| - Nighat Haroon Khan (Wife of CEO) | 15.64% | 6.39% | 25,518,500 | 2,900,000 |
| - Dependent children of CEO | 1.66% | 5.17% | 2,702,500 | 2,350,000 |
| | 61.25% | 45.72% | | |

* Owned by Chief Executive Officer and his wife.

6.5 Pursuant to Scheme of Arrangement, approved by Honourable Sindh High Court through its Order dated 22 May 2018, the authorized share capital of Singer Pakistan Limited has been merged and combined with the authorized share capital of each of Cool Industries (Private) Limited and Link Wel (Private) Limited. The Holding Company has issued 96,450,000 shares to the shareholders of Cool Industries (Private) Limited and Link Wel (Private) Limited pursuant to the same scheme.

6.6 During the year, the Holding Company has announced 15% bonus shares in lieu of dividend to its existing shareholders, in proportion of their shareholding.

6.7 The holders of ordinary shares are entitled to receive dividends as declared (if any), and are entitled to one vote per share at meetings of the Holding Company.

6.8 13,509,024 shares having face value of Rs. 10 each are pledged as security with a financial institution.

## 7 Share premium

This represents excess of market value over the face value of shares issued under the scheme of arrangement as explained in note 2.1. This reserve can only be utilized by the Group for the purpose specified in Section 81(2) of the Companies Act, 2017.

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## 8 Surplus on revaluation of property, plant and equipment - net of tax

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Surplus on revaluation of leasehold land and buildings - as on 01 January | | 167,990 | 1,462,460 |
| Surplus on revaluation of land recognised during the year | | - | 134,854 |
| Surplus on revaluation of buildings recognised during the year | | - | 15,834 |
| Surplus on sale of leasehold land transferred to retained earnings | 8.1 | - | (1,416,606) |
| Surplus on sale of buildings on freehold land transferred to retained earnings | | (1,248) | - |
| Surplus on sale of buildings on leasehold land transferred to retained earnings | 8.1 | - | (12,792) |
| Incremental depreciation transferred to equity | | (4,798) | (15,760) |
| | | 161,944 | 167,990 |
| Deferred tax liability - as on 01 January | | (49,890) | (366,605) |
| Deferred tax on revaluation recognised during the year | | - | (44,846) |
| Tax effect on sale of leasehold land transferred to retained earnings on sale | | - | 353,891 |
| Tax effect on sale of buildings on freehold land transferred to retained earnings | | 281 | - |
| Tax effect on sale of buildings on leasehold land transferred to retained earnings | | - | 3,075 |
| Tax effect on transfer of incremental depreciation to retained earnings | | 1,391 | 4,595 |
| Adjustment resulting from change of tax rate | | 2,530 | |
| Deferred tax liability | | (45,688) | (49,890) |
| Balance as at 31 December: land: Rs. 1 million (2017: 1 million) and building: Rs. 115.26 million (2017: Rs. 117.1 million) | 8.2 | 116,256 | 118,100 |

**8.1** During the year ended 31 December 2017, the Group sold its entire factory land and building of Singer Pakistan Limited and accordingly surplus on revaluation of the land and building have been transferred to equity. This includes balance of Rs. 202.75 million and Rs. 2.25 million representing surplus on the revaluation of the portion of land and building respectively earlier classified as investment property.

**8.2** The latest revaluation was carried out on 31 December 2017. Freehold land was revalued on the basis of current market value whereas building on freehold land was revalued on the basis of depreciated market values. The most significant input into this valuation approach is price per kanal for land and price per square foot for buildings and other assets.

## 9 Long term loans - Secured

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Long term loans - Banking Company | 9.1.1 | 568,209 | 649,458 |
| Long term loans - Non-banking Company | 9.1.2 | 445,312 | - |
| Current maturity presented under current liabilities | 17 | (281,250) | (81,182) |
| | | 732,271 | 568,276 |

**9.1** Long term finances utilized under mark-up arrangements from banking and non banking companies are composed of:

| | Bank Name | Facility | 2018 Rupees | 2017 Rupees | Mark-up as per Agreement | Tenure and basis of principal repayment |
|---|---|---|---|---|---|---|
| 9.1.1 | Sindh Bank Limited | Term Finance | 568,209 | 649,458 | 3 Months KIBOR plus 3% per annum, payable quarterly. | Balance payable in 7 semi-annually instalments ending on 16 March 2022. |
| 9.1.2 | Pak Brunei Investment | Term Finance | 445,312 | - | 3 Months KIBOR plus 3% per annum, payable quarterly. | Balance payable in 15 quarterly instalments ending on 30 August 2022. |

**9.1.1** This facility is secured by way of first parri passu charge of Rs 1,267 million on present and future fixed assets of the Group and personal guarantees of the directors of the Group. Further, Sponsors / Directors have pledged 13,509,024 shares of the Group with Sindh Bank Limited as security as referred to in note 6.8. This facility has been obtained to meet long term working capital requirements of the Group.

**9.1.2** This facility is secured by way of first parri passu charge of Rs. 967 million on present and future fixed assets of the Group and personal guarantees of the directors of the Group. This facility has been obtained to meet long term working capital requirements and balance sheet re-profiling of the Group.

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## 10 Liabilities against assets subject to finance lease

The future minimum lease payments and their present values, to which the Group is committed under various lease arrangements are as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Minimum lease payments** | **Finance charge** | **Present value of minimum lease payments** | Minimum lease payments | Finance charge | Present value of minimum lease payments |
| | (Rupees in '000) | | | | | |
| Not later than one year | **28,885** | **5,811** | **23,074** | 20,974 | 3,574 | 17,400 |
| Later than one year and not later than five years | **46,950** | **4,496** | **42,454** | 41,154 | 2,900 | 38,254 |
| | **75,835** | **10,307** | **65,528** | 62,128 | 6,474 | 55,654 |

The above represents finance leases entered into with certain financial institution for plant and machinery and vehicles. Monthly payments of leases carry mark-up rates at KIBOR plus 1.5% to 5% per annum (2017: KIBOR plus 1 % to 5% per annum). KIBOR is one, three and six months average ask side. At the year-end the applicable rates ranged between 8.43% to 14.07% (2017: 7.14% to 11%) per annum.

During the current year, the Group entered into lease arrangements of assets amounting to Rs. 38.5 million. These obligations are payable in monthly instalments of Rs. 0.13 million to Rs. 0.53 million and carry mark-up rate at 6 month KIBOR plus 3% per annum.

The Group intends to acquire the assets at the end of the lease term through adjustment of lease security deposit. Taxes, repair and maintenance and insurance costs are borne by the Group.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **11 Employee retirement benefits** | | | |
| ***Classified under non-current liabilities*** | | | |
| *Employee retirement benefits* | | | |
| - Pension fund | | - | 5,713 |
| - Gratuity fund - permanent employees | *11.2* | **42,480** | 31,723 |
| - Gratuity - field staff | *11.2* | **19,343** | 17,091 |
| | | **61,823** | 54,527 |
| ***Classified under non-current assets*** | | | |
| *Employee retirement benefits - obligation* | | | |
| - Pension fund | *11.2* | **9,960** | - |

**11.1** Pension scheme is available to all permanent whole-time employees in the executive and manager grades including the whole-time working directors but excluding persons working as temporary, trainees or apprentice employees. Minimum years of service for qualifying to pension is 15 years. Employees are entitled to Pension on retirement at 57 years of age. Gratuity to the permanent employees is payable on normal retirement at the age of 57 years, natural death, etc. and is payable only on the minimum completion of 5 years of service with the Group. Gratuity is payable to field staff after at least 5 years of service with the Group.

The details of employee retirement benefit based on actuarial valuations carried out by an independent actuary as at 31 December 2018 under the Projected Unit Credit method are given below.

The principal assumptions used in the actuarial valuation are as follows:

| | | Pension Fund | | Gratuity | | | |
|---|---|---|---|---|---|---|---|
| | | | | Permanent employees (funded) | | Field staff (unfunded) | |
| | | **2018 (%)** | 2017 (%) | **2018 (%)** | 2017 (%) | **2018 (%)** | 2017 (%) |
| 1) | Discount rate per annum | **13.25** | 8.25 | **13.25** | 8.25 | **13.25** | 8.25 |
| 2) | Expected per annum rate of increase in future salaries / commission | **11.25** | 6.25 | **11.25** | 6.25 | **10.25** | 5.25 |
| 3) | Expected rate of increase in pension | **Nil** | Nil | | | | |
| 4) | Mortality rates | **SLIC (2001-05)-1** | SLIC (2001-05) | **SLIC (2001-05)-1** | SLIC (2001-05)-1 | **SLIC (2001-05)-1** | SLIC (2001-05)-1 |

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| | Note | Pension Fund | | Gratuity | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Permanent employees (funded) | | Field staff (unfunded) | | Total | |
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | (Rupees in '000) | | | | | | | |
| **11.2 Amounts recognised in consolidated statement of financial position** | | | | | | | | | |
| Present value of defined benefit obligation | 11.4 | 69,324 | 90,115 | 47,178 | 45,865 | 19,343 | 17,091 | 66,521 | 62,956 |
| Fair value of plan assets | 11.5 | (79,284) | (84,402) | (4,698) | (14,142) | - | - | (4,698) | (14,142) |
| (Assets) / Liability on the reporting date | 11.3 | (9,960) | 5,713 | 42,480 | 31,723 | 19,343 | 17,091 | 61,823 | 48,814 |
| **11.3 Movement in net defined benefit liability recognised at reporting date** | | | | | | | | | |
| Net liability as at 01 January | | 5,713 | 18,486 | 31,723 | 19,780 | 17,091 | 13,346 | 48,814 | 33,126 |
| Cost recognised in the statement of profit or loss for the year | 11.6 | 4,039 | 3,940 | 6,242 | 4,481 | 2,832 | 4,930 | 9,074 | 9,411 |
| Contribution / payments during the year | | - | (25,000) | - | - | (580) | (1,185) | (580) | (1,185) |
| Total amount of remeasurements recognised in the statement of other comprehensive income (OCI) - actuarial loss / (gain) | 11.7 | (19,712) | 8,287 | 4,515 | 7,462 | - | - | 4,515 | 7,462 |
| Net (asset) / liability as at 31 December | | (9,960) | 5,713 | 42,480 | 31,723 | 19,343 | 17,091 | 61,823 | 48,814 |
| **11.4 Movement in present value of defined benefit obligations** | | | | | | | | | |
| Liability for defined benefit obligation at 01 January | | 90,115 | 80,268 | 45,865 | 34,166 | 17,091 | 13,346 | 62,956 | 47,512 |
| Benefits paid | | (7,661) | (7,045) | (9,394) | (1,172) | (581) | (1,185) | (9,975) | (2,357) |
| Current service cost | | 3,586 | 2,484 | 3,727 | 2,958 | 2,832 | 4,930 | 6,559 | 7,888 |
| Interest cost | | 7,433 | 6,377 | 3,824 | 2,720 | - | - | 3,824 | 2,720 |
| *Re-measurements - actuarial loss / (gain) on obligation* | | | | | | | | | |
| - Change in financial assumptions | | (23,496) | (1,602) | 1,301 | 67 | - | - | 1,301 | 67 |
| - Change in experience adjustments | | (653) | 9,633 | 1,855 | 7,126 | - | - | 1,855 | 7,126 |
| Liability for defined benefit obligation at 31 December | | 69,324 | 90,115 | 47,178 | 45,865 | 19,342 | 17,091 | 66,520 | 62,956 |
| **11.4.1 Analysis of present value of defined benefit obligation** | | | | | | | | | |
| *Vested / non-vested* | | | | | | | | | |
| - Vested Benefits | | - | - | 43,770 | 43,876 | - | - | 43,770 | 43,876 |
| - Non Vested Benefits | | - | - | 3,408 | 1,989 | - | - | 3,408 | 1,989 |
| | | - | - | 47,178 | 45,865 | - | - | 47,178 | 45,865 |
| *Benefit obligation by participant status/ cadre* | | | | | | | | | |
| - Active / Management | | 26,123 | 31,838 | - | 42,742 | - | - | - | 42,742 |
| - Retirees / Union | | 43,201 | 58,277 | - | 3,123 | - | - | - | 3,123 |
| | | 69,324 | 90,115 | - | 45,865 | - | - | - | 45,865 |
| *Type of benefits earned to date* | | | | | | | | | |
| - Accumulated benefit obligation | | 58,078 | 79,887 | 26,716 | 31,395 | - | - | 26,716 | 31,395 |
| - Amounts attributed to future salary increase | | 11,246 | 10,228 | 20,462 | 14,470 | - | - | 20,462 | 14,470 |
| | | 69,324 | 90,115 | 47,178 | 45,865 | - | - | 47,178 | 45,865 |

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| | Note | Pension Fund | | Gratuity | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Permanent employees | | Field staff (unfunded) | | Total | |
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | (Rupees in '000) | | | | | | | |
| **11.5 Movements in the fair value of plan assets** | | | | | | | | | |
| Fair value of plan assets - at 01 January | | 84,402 | 61,782 | 14,142 | 14,386 | - | - | 14,142 | 14,386 |
| Contribution during the year | | - | 25,000 | - | - | - | - | - | - |
| Benefits paid | | (7,661) | (7,045) | (9,394) | (1,172) | - | - | (9,394) | (1,172) |
| Expected return on plan assets | | 6,980 | 4,921 | 1,309 | 1,197 | - | - | 1,309 | 1,197 |
| *Re-measurements on assets - actuarial loss* | | | | | | | | | |
| - Change in experience adjustments | | (4,437) | (256) | (1,359) | (269) | - | - | (1,359) | (269) |
| Fair value of plan assets - at 31 December | 11.9 | 79,284 | 84,402 | 4,698 | 14,142 | - | - | 4,698 | 14,142 |
| **11.6 Expense recognised in profit or loss account** | | | | | | | | | |
| Current service cost | | 3,586 | 2,484 | 3,727 | 2,958 | 2,832 | 4,930 | 6,559 | 7,888 |
| Interest cost net of expected return on plan assets | | 453 | 1,456 | 2,515 | 1,523 | - | - | 2,515 | 1,523 |
| Expected return on plan assets | | - | - | - | - | - | - | - | - |
| | | 4,039 | 3,940 | 6,242 | 4,481 | 2,832 | 4,930 | 9,074 | 9,411 |
| The expense is recognised in the following line items in the statement of profit or loss: | | | | | | | | | |
| Cost of sales | | 2,651 | 1,790 | 4,066 | 2,036 | - | - | 4,066 | 2,036 |
| Marketing, selling and distribution costs | | 967 | 1,515 | 1,531 | 1,723 | 2,832 | 4,930 | 4,363 | 6,653 |
| Administrative expenses | | 421 | 635 | 645 | 722 | - | - | 645 | 722 |
| | | 4,039 | 3,940 | 6,242 | 4,481 | 2,832 | 4,930 | 9,074 | 9,411 |
| **11.7 Actuarial loss / (gain) recognised in other comprehensive income during the year** | | | | | | | | | |
| Actuarial (gain) / loss on obligation | | (24,149) | 8,031 | 3,156 | 7,193 | - | - | 3,156 | 7,193 |
| Actuarial loss on plan assets | | 4,437 | 256 | 1,359 | 269 | - | - | 1,359 | 269 |
| Total actuarial loss / (gain) recognised in OCI | | (19,712) | 8,287 | 4,515 | 7,462 | - | - | 4,515 | 7,462 |

Net actuarial loss on pension fund and funded gratuity amounts to Rs. 15.20 million (2017: Rs. 15.75 million) which has been taken to other comprehensive income.

| | Pension Fund | | Gratuity | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Permanent employees | | Field staff (unfunded) | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in '000) | | | | | | | |
| **11.8 Return on plan assets** | | | | | | | | |
| Actual return on plan assets | 2,543 | 4,665 | (50) | 928 | - | - | (50) | 928 |

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## 11.9 Composition of plan assets

| | Pension Fund | | Gratuity | | | |
|---|---|---|---|---|---|---|
| | | | Permanent employees (funded) | | Field staff (unfunded) | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | (Rupees in '000) | | | | | |
| Cash and cash equivalents | **11,754** | 26,251 | **4,698** | 1,605 | - | - |
| Debt instruments - Government Bonds / Securities | | | | | | |
| i) Pakistan Investment Bonds | **24,352** | 5,428 | - | 12,537 | - | - |
| ii) Special Savings Certificates | **23,498** | 33,133 | - | - | - | - |
| iii) Treasury Bills | **19,678** | 19.590 | - | - | - | - |
| iv) Current Liabilities | - | - | - | - | - | - |
| Total fair value of plan assets | **79,282** | 84,402 | **4,698** | 14,142 | - | - |

## 11.10 Historical information

| | 31 December | | | | |
|---|---|---|---|---|---|
| | **2018** | 2017 | 2016 | 2015 | 2014 |
| | (Rupees in '000) | | | | |
| ***Pension Fund*** | | | | | |
| Present value of the defined benefit obligation | **69,324** | 90,115 | 80,268 | 75,101 | 71,256 |
| Fair value of plan assets | **(79,284)** | (84,402) | (61,782) | (64,313) | (68,582) |
| (Surplus) / deficit in the plan | **(9,960)** | 5,713 | 18,486 | 10,788 | 2,674 |
| Financial assumptions arising on plan liabilities | **(23,496)** | (1,602) | 4,257 | 7,284 | 12,243 |
| Experience adjustments arising on plan liabilities | **(653)** | 9,633 | (1,488) | (5,870) | (5,785) |
| Experience adjustments arising on plan assets | **(4,437)** | 256 | 2,102 | 5,192 | (3,962) |
| ***Gratuity - funded*** | | | | | |
| Present value of the defined benefit obligation | **47,178** | 45,865 | 34,166 | 47,564 | 52,466 |
| Fair value of plan assets | **(4,698)** | (14,142) | (14,386) | (25,219) | (44,596) |
| Deficit in the plan | **42,480** | 31,723 | 19,780 | 22,345 | 7,870 |
| Financial assumptions arising on plan liabilities | **1,301** | 67 | (201) | (126) | 2,551 |
| Experience adjustments arising on plan liabilities | **1,855** | 7,126 | (8,441) | (2,887) | (366) |
| Experience adjustments arising on plan assets | **(1,359)** | 269 | 1,022 | 13,336 | (10,656) |
| ***Gratuity - unfunded*** | | | | | |
| Present value of the defined benefit obligation | **19,341** | 17,901 | 13,346 | 14,670 | 9,387 |

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11.11 **Sensitivity analysis on significant actuarial assumptions**

| | | 31 December 2018 | | | |
|---|---|---|---|---|---|
| | | Pension | | Gratuity | |
| *Actuarial liability* | Change in assumption | Increase in assumption | Decrease in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.5% | 66,896 | 71,926 | 45,963 | 48,455 |
| Salary increases | 0.5% | 70,093 | 68,586 | 48,581 | 45,833 |

The weighted average of plan duration for pension is 7.24 years (2017: 9.30 years) while for funded gratuity is 5.28 years (2017: 5.95 years).

11.12 Maturity profile of the defined benefit obligation - undiscounted payments

| | Time in years | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6-10 |
| | (Rupees in '000) | | | | | |
| *Distribution of timing of benefit payments* | | | | | | |
| - Pension | 3,827 | 7,958 | 8,653 | 9,050 | 9,442 | 50,959 |
| - Gratuity-funded | 7,658 | 5,808 | 11,212 | 5,971 | 11,739 | 45,948 |
| | 11,485 | 13,766 | 19,865 | 15,021 | 21,181 | 96,907 |

11.13 Expected charge to statement of profit or loss for post employment funded gratuity and pension plans for the year ending 31 December 2019 are Rs. 1.94 million and Rs. 9.29 million

| | Pension | Gratuity permanent staff | Gratuity field staff |
|---|---|---|---|
| 11.14 Number of employees covered in the scheme | 94 | 163 | 481 |

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## 12 Deferred tax liability - net

Deferred tax asset and liability comprises of taxable and deductible temporary differences in respect of the following:

| | Note | Balance as at 01 January 2017 | Acquisition under the Scheme of Arrangement - net | Recognized in statement of profit or loss | Recognised in equity / OCI * | Balance as at 31 December 2017 | Recognized in statement of profit or loss | Recognised in equity / OCI | Balance as at 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | | | |
| *Taxable temporary difference* | | | | | | | | | |
| - accelerated tax depreciation | | 76,390 | 393,185 | 11,109 | - | 480,684 | (57,386) | - | 423,298 |
| - surplus on revaluation of property, plant and equipment | 8 | 366,605 | - | (4,595) | (312,120) | 49,890 | (1,672) | (2,530) | 45,688 |
| | | 442,995 | 393,185 | 6,514 | (312,120) | 530,574 | (59,058) | (2,530) | 468,986 |
| *Deductible temporary difference* | | | | | | | | | |
| - provision for defined benefit plans | | (3,779) | - | (1,348) | - | (5,127) | (364) | - | (5,491) |
| - other provisions | | (59,946) | - | (28,608) | - | (88,554) | (812) | - | (89,366) |
| - tax losses | 12.1 | (162,710) | - | (28,031) | - | (190,741) | 86,863 | - | (103,878) |
| | | (226,435) | - | (57,987) | - | (284,422) | 85,687 | - | (198,735) |
| **Deferred tax liability - net** | | 216,560 | 393,185 | (51,473) | (312,120) | 246,152 | 26,629 | (2,530) | 270,251 |

**12.1** This includes deferred tax of Rs. 12.32 million (2017: Rs. 31.76 million) recorded on unabsorbed tax depreciation and amortisation.

**12.2** Deferred tax has been recognised at rates enacted at the reporting date at which these are expected to be settled / realized.

**12.3** The management has recorded deferred tax asset based on financial projections indicating the absorption of deferred tax asset over a number of future years against future expected taxable profits. The financial projections involve certain key assumptions such as sales price and composition, raw materials, labour prices and distribution channels etc. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset. Nonetheless, the management is confident of the achievement of its targeted results.

* This includes Rs. 356.97 million directly charged to equity.

| 13 | Deferred income | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | ***Details of the movement in the balance*** | | | |
| | Balance as at 01 January | | | |
| | Gross balance of deferred income | | **32,580** | 18,627 |
| | Accumulated amortization | | **(16,868)** | (14,416) |
| | Unamortized balance of deferred income as on 01 January | | **15,712** | 4,211 |
| | ***Transactions during the year*** | | | |
| | Sale and lease back arrangement | *13.1* | **17,949** | - |
| | Grant for the asset recognized on business combination | *13.2* | - | 13,953 |
| | *Amortization for the year* | | | |
| | - on sale and lease back arrangement | *13.1* | **(5,236)** | (1,871) |
| | - on grant | *13.2* | **(1,086)** | (581) |
| | | | **(6,322)** | (2,452) |
| | Unamortized balance of deferred income | | **27,339** | 15,712 |
| | *Current portion of deferred income* | | | |
| | - on sale and lease back arrangement | *13.1* | **(4,955)** | (1,871) |
| | - on grant | *13.2* | **(2,170)** | (1,162) |
| | | | **(7,125)** | (3,033) |
| | Balance as at 31 December | | **20,214** | 12,679 |
| | ***Reconciliation:*** | | | |
| | Gross balance of deferred income | | **50,529** | 32,580 |
| | Accumulated amortization | | **(23,190)** | (16,868) |
| | Unamortized balance of deferred income | | **27,339** | 15,712 |
| | **Details of the closing balance** | | | |
| | Unamortized balance of the excess of sale proceeds over the carrying value of assets | *13.1* | **16,137** | 2,340 |
| | Unamortized balance of grant | *13.2* | **11,202** | 13,372 |
| | | | **27,339** | 15,712 |

**13.1** The Group has entered in sale and lease back arrangements of specific items of plant and machinery resulting in a deferred income (representing excess of sale proceeds over the carrying amount of respective assets) of Rs. 17.95 million recognized during the year. The deferred income will be amortized and recognized in the statement of profit or loss over the lease term.

**13.2** Grant in aid represents the amount received from the World Bank under a project to phase out the Ozone Depleting Substances (ODS) by acquiring asset (production facility) which manufactures such products which are free from such substances. This grant is classified as deferred income and is being amortized over the useful life of such asset. Amortization for the year is based on 8.33% of the balance in accordance with the depreciation charged on plant and machinery for which the grant was received.

## 14 Trade and other payables

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Trade creditors | | **739,901** | 526,675 |
| Bills payable | | **519,182** | 229,843 |
| Accrued liabilities | | **223,586** | 199,586 |
| Advance from dealers | | **11,371** | 51,429 |
| Security deposits from dealers | *14.1* | **12,815** | 44,846 |
| Retention from employees | *14.2* | **88,623** | 70,649 |
| Provisions in respect of warranty obligations | | **12,922** | 7,767 |
| Sales tax and excise duty - net | | **-** | 8,510 |
| Workers' profits participation fund | *14.3* | **27,331** | 12,248 |
| Workers' welfare fund | | **9,118** | 6,071 |
| Advance from employees against vehicle | | **10,835** | 2,098 |
| Income tax deducted at source | *14.4* | **55,774** | 15,709 |
| Payable to the provident fund | *36* | **8,434** | 14,397 |
| Others | *14.5* | **69,725** | 1,109 |
| | | **1,789,617** | 1,190,937 |

**14.1** The Group is in the process of transferring this amount to a separate bank account to comply with the requirements of Companies Act, 2017.

**14.2** This represents security deposits of employees held by the Group and carries interest at 5% per annum. Arrangements are being made to deposit the balance in special bank account as required under section 2017 of the Companies Act, 2017.

### 14.3 Workers' profits participation fund

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Balance as at 01 January | | **12,248** | 6,682 |
| Add: Allocation for the year | *30* | **27,331** | 9,947 |
| Interest on WPPF accrued during the year | | **498** | 437 |
| Acquisition through business combination | | **-** | 2,301 |
| | | **40,077** | 19,367 |
| Less: Payment made during the year | | **(12,746)** | (7,119) |
| Balance as at 31 December | | **27,331** | 12,248 |

**14.4** Amount of Rs. 27.38 million has been paid subsequent to year end.

**14.5** Included in other liabilities are provisions aggregating to Rs. 61.74 million (2017: Rs 61.74 million) in respect of probable loss from pending litigation of the Holding Company against Income Tax, Sales Tax and Custom Authorities (the authorities). The above provisions have been made as per the management's best estimate against various demands raised by the authorities that are being contested by the Holding Company at various forums as explained in note 18.

## 15 Mark-up accrued on borrowings

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| *Mark-up based borrowings from banking companies* | | |
| - Long term loans - secured | **19,655** | 12,445 |
| - Short term borrowings - secured | **62,837** | 36,068 |
| - Liabilities against assets subject to finance lease | **-** | 447 |
| *Mark-up based borrowings from non-banking companies* | | |
| - Long term loan from financial institution | **5,101** | - |
| - Short term borrowing from financial institution | **-** | 17,653 |
| - Loan from a private group | **-** | 975 |
| *Islamic mode of borrowings* | | |
| - Short term borrowings - secured | **9,745** | 6,178 |
| | **97,338** | 73,766 |

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| 16 | Short term borrowings | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | **From banking companies - secured** | | | |
| | Running finance under mark-up arrangements | *16.1* | 1,529,866 | 868,507 |
| | Finance against trust receipt | *16.3* | 1,032,528 | 837,277 |
| | Short term finances under Murahaba arrangement | *16.4* | 397,892 | 306,101 |
| | | | 2,960,286 | 2,011,885 |
| | **From non banking companies** | | | |
| | Short term finances from associated undertaking - *unsecured* | *16.6* | 35,000 | - |
| | Short term finances from a financial institution - *secured* | *16.7* | - | 725,000 |
| | Loan from a Private Group - *unsecured* | *16.8* | - | 12,031 |
| | | | 35,000 | 737,031 |
| | | | 2,995,286 | 2,748,916 |

The above financing facilities relates to the Holding Company.

**16.1 Particulars of borrowings**

| | 2018 | 2017 |
|---|---|---|
| Interest / mark-up based financing | 2,597,394 | 2,442,815 |
| Islamic mode of financing | 397,892 | 306,101 |
| | 2,995,286 | 2,748,916 |

**16.2 Short term running finance**

This represents utilized amount of short term running finance facilities under mark-up arrangements availed from various commercial banks aggregating to Rs. 1,536 million (2017: Rs. 1,362 million). These facilities are secured by way of equitable mortgage charge on owned shops, freehold land and building on freehold land of the Group, charge over all current assets and fixed assets of the Group and personal guarantees of the directors of the Group and carry mark-up ranging from 8.91% to 11.88% (2017: 7.65% to 9.15%) per annum, payable quarterly in arrears. These facilities are expiring on various dates (Latest by March 2019 and maximum by September 2019).

**16.3 Payment Against Trust Receipt**

This represents Payment Against Trust Receipt (FATR) available from commercial banks aggregating to Rs. 1,854 million (2017: 1,165 million). These facilities are secured against charge over all current assets and fixed assets of the Group and personal guarantees of the directors of the Group and carry mark-up rate ranging between 8.66% to 12.94% (2017: 8.65% to 10.16%). These borrowings are repayable between 26 February 2019 to 29 June 2019.

**16.4 Islamic mode of borrowings**

This represents utilized amount of Murabaha / Istisna borrowings available from banks aggregating to Rs. 417 million (2017: Rs. 352 million). These facilities are secured against charge over all current assets and fixed assets of the Group and personal guarantees of the directors of the Group and carry mark-up rates ranging from 7.66% to 12.41% per annum (2017: 7.29% to 10.16%). These borrowings are repayable between 13 January 2019 to 28 November 2019.

16.5 **Unavailed credit facilities**

The facilities for opening of letter of credits and guarantees as at 31 December 2018 amounted to Rs. 1,916 million of which remaining unutilized amount was Rs. 1,101 million.

16.6 **Short term borrowings from associated undertaking**

This represents an interest free loan obtained from Poseidon Synergies (Private) Limited, an associated undertaking, for working capital requirement and is repayable on demand.

16.7 **Short term borrowings from a financial institution**

This represents short term finance facility from a Development Financial Institution up to a limit of Rs. 725 million (2017: Rs. 725 million). This carries interest at 6 months KIBOR plus 350 basis points per annum, carrying mark-up rates ranging from 9.66% to 10.54%. The amount was repayable by 30 August 2018. The outstanding balance of Rs. 475 million as on 30 August 2018 was converted into a long term finance facility as referred to in note 9.1.

16.8 **Loan from a Private Group**

During the year ended 31 December 2017, the Group received Rs. 80 million from a Private Group. The principal amount of Rs. 68 million was paid off by the Group during the same year as per the agreed repayment schedule and remaining amount was paid during the current year. The borrowing carried fixed profit at 26.15% per annum payable on quarterly basis for each principal repayment.

| | Note | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in '000)** | |
| **17 Current portion of long term liabilities** | | | |
| Long term loans - *secured* | *9* | **281,250** | 81,182 |
| Liabilities against assets subject to finance lease | *10* | **23,074** | 17,400 |
| Deferred income | *13* | **7,125** | 3,033 |
| | | **311,449** | 101,615 |

18 **Contingencies and commitments**

18.1 **Contingencies - Holding Company**

**18.1.1** The Holding Company has filed a Constitutional petition before the Honorable Sindh High Court at Karachi, challenging the vires of Rule 58T of the Sales Tax Special Procedure Rules relating to 2% extra sales tax on certain home appliances. This is based on the view that the said vires are not applicable on the Holding Company. The case is pending before the Honorable Sindh High Court. An interim order was received in favour of the Holding Company. The Holding Company is confident that no liability is expected to occur. Amount involved is Rs. 84.80 million as of 31 December 2018 against which no provision has been made as the Holding Company, based on the legal advisor's advice, is confident of a favorable decision.

During the financial year 2014, the Holding Company received a show cause notice from the Federal Board of Revenue (FBR) in respect of short payment of 2% extra sales tax under the Sales Tax Procedures Rules, 2007 as amended by SRO. 896(I)/2013 dated 04 October 2013 and deduction of input tax more than the limit defined under section 8 read with chapter IV of Sales Tax Rules, 2006. The tax authority in the said notice raised a demand of Rs. 19.91 million and Rs. 11.15 million respectively for the period from 01 January 2014 to 30 September 2014. The Holding Company after consultation with its tax advisors has replied and submitted explanation with the tax authorities along with revised workings for the apportionment of input tax which in the case of the Holding Company for the above period was Rs. 0.52 million (regarding the 2% extra sales tax matter, please refer the above paragraph). Since then, no further action has been initiated by the tax authorities.

The Holding Company had earlier received a sales tax recovery order from the sales tax authorities amounting to Rs. 195.63 million, for the financial year ended 31 December 2010 against which the Holding Company had filed an appeal with the Commissioner Inland Revenue - Appeals (CIR-A). CIR-A had deleted one item while the remaining matters were set aside. Moreover, the management, based on consultation with its tax advisor, is of the view that matter would be decided in favour of the Holding Company. However, CIR has filed an appeal against Holding Company on the matters of SRO 647/2007 regarding input tax adjustments against 90% output tax and payment of sales tax on instalment sales at the time of receipt of instalment instead at the time when instalment sales are actually being made for which no hearing has yet taken place. Amount involved is Rs. 171.71 million. However, as mentioned above no potential liability is expected to occur.

**18.1.2** Income tax assessments of the Holding Company have been finalized up to and including the tax year 2007. The Holding Company had applied for Income tax refund for the tax years from 2006 to 2011. Income tax refund orders were earlier determined for the tax years 2009, 2010 and 2011. Income tax refund was released for the tax year 2009. However, the Additional Commissioner Inland Revenue (ACIR) amended the deemed assessed orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years from 2009 to 2012 and raised additional income tax demand of Rs. 19.98 million. However, the Holding Company had filed an application for the rectification of orders after which the net tax additional demand was reduced to Rs. 2.02 million (after the adjustment of the refund of related years) under section 221 of the Income Tax Ordinance, 2001. Appeals have been filed to Commissioner Inland Revenue - Appeals (CIR-A) against these orders.

Holding Company has received appellate orders for the tax years from 2009 to 2012, dated 29 June 2015, where the CIR-A has set aside certain issues for reassessment, deleted certain items and maintained certain disallowances. The financial impact of the items set aside for reassessment and continued disallowances amount to Rs. 43.72 million. Appeal has been filed with Appellate Tribunal Inland Revenue (ATIR) against these issues. The Holding Company based on the merits of matters is of the view that ultimate decisions are expected in its favour. However, adequate provision is held in the consolidated financial statements in respect of the above balance.

**18.1.3** The Finance Act, 2017 introduced a tax under section 5A of the Income Tax ordinance, 2001 on every pubic company other than a scheduled bank or Modarba, that derives profit for the tax year and does not distribute at least 40% of the after tax profit within six months of the end of said tax year through cash or bonus issue. Under the earlier section tax was not mandatorily leviable in case the Company's reserves were not in excess of the paid up capital (which was the case with the Company as it had accumulated losses). Provision for the above referred tax amounting to Rs. 9.35 million has not been paid as the Holding Company's management is of the view that the amendment was made after the closure of Holding Company's financial year ended 31 December 2016 and for certain other legal reasons. The Holding Company has filed a Constitutional petition before the Honorable Sindh High Court at Karachi challenging the vires of Section 5A of the Income Tax Ordinance, 2001 and a stay order has been granted against any coercive action against the Holding Company under the newly inserted Section 5A.

***Former - Cool Industries (Private) Limited (CIPL)***

**18.1.4** The Deputy Commissioner Inland Revenue (DCIR), via order dated 30 April 2014, under section 161(1) and 205(3) of the Income Tax Ordinance, 2001 for the tax year 2014 raised a tax demand of Rs. 0.83 million for non deduction of advance income tax for the period from 01 November 2013 to 30 April 2014 under section 236(G) and 236(H) of the aforesaid Ordinance. CIPL filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) which was decided in against the Holding Company. The Holding Company filed an appeal against the order of CIR-A in Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. However, adequate provision is held in the consolidated financial statements in respect of the above balance.

**18.1.5** During the financial year 2015, the Additional Commissioner Inland Revenue (ACIR), vide order dated 30 April 2015, under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2010, raised an amended demand of Rs. 7.85 million after disallowing certain expenses amounting to Rs. 29.15 million. CIPL filed an appeal for the rectification of order before Commissioner Inland Revenue - Appeals (CIR-A) who vide its order dated 30 December 2015 deleted certain items amounting to Rs. 19.94 million. ACIR has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A which is pending adjudication. However, adequate provision is held in the consolidated financial statements in respect of the above balance.

**18.1.6** During the financial year 2014, the Holding Company received a notice by Commissioner Inland Revenue - Zone I for selection of audit under section 214C for the tax year 2012. The Holding Company filed an appeal against the said notice before honorable Lahore High Court which was decided against the Holding Company and audit proceedings were initiated. The Deputy Commissioner Inland Revenue issued an amended assessment order under section 122(1) and 122(5) through which certain additions were made and demand order was raised amounting to Rs. 48.10 million. Being aggrieved, the Holding Company has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the above order which is pending adjudication.

**18.1.7** During the year, the Holding Company received a show cause notice issued by Deputy Commissioner Inland Revenue under section 161 for the tax year 2017 on non deduction of withholding tax amounting to Rs. 6.03 million on payments against purchase of plant and machinery, packing material and other miscellaneous payments. The Holding Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) where the case was remanded back to the Department. Being aggrieved, the Holding Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

**18.1.8** The Taxation Officer, after conducting audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance) for the tax year 2014, passed an amended assessment order under section 122 of the Ordinance raising tax demands of Rs. 25.29 million during the year alleging that the Holding Company suppressed its sales and adjusted inadmissible expenses. The Holding Company is in process of filing appeal before Commissioner Inland Revenue - Appeals (CIR-A).

*Former - Link Wel (Private) Limited (LWPL)*

**18.1.9** During the financial year 2016, the Deputy Commissioner Inland Revenue raised an order under section 161/205 of the Income Tax Ordinance, 2001 for non-deduction of tax amounting Rs. 6.45 million and Rs. 3.76 million for tax years 2009 and 2010 respectively. CIPL filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) which was decided against the Holding Company. The Holding Company filed an appeal against the order of CIR-A in Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication. However, adequate provision is held in the consolidated financial statements in respect of the above balance.

**18.1.10** During the financial year 2017, the Additional Commissioner Inland Revenue (ACIR) amended the deemed assessed return vide its order dated 19 June 2017 under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2011. The ACIR disallowed certain expenses amounting to Rs. 9.58 million and raised the additional income tax demand of Rs. 1.02 million. LWPL filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) which is pending for adjudication. However, adequate provision is held in the consolidated financial statements in respect of the above

**18.1.11** During the financial year 2014, the Assistant Commissioner Inland Revenue imposed penalty vide order dated 27 April 2014 under section 182(1) of the Income Tax Ordinance, 2001 amounting Rs. 0.91 million for the tax year 2013 for the late filling of income tax return under section 114 of the Income Tax Ordinance, 2001. LWPL filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the above order. The CIR-A decided the matter against LWPL vide order dated 25 March 2014. LWPL filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A which is pending adjudication. However, adequate provision is held in the consolidated financial statements in respect of the above balance.

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**18.1.12** During the financial year 2017, Deputy Commissioner Inland Revenue (DCIR) issued an amended assessment order under section 161/205 of the Income Tax Ordinance, 2001 and certain additions were made due to non-deduction of withholding tax amounting Rs 122.54 million for tax year 2015. The Holding Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the order where the Holding Company was granted stay of tax demand. The CIR-A passed an order in which demand against purchases and discounts have been deleted and amended demand of Rs. 33.85 million has been raised. LWPL filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order which is pending adjudication. However, adequate provision is held in the consolidated financial statements in respect of the above balance.

**18.1.13** During the year, the Deputy Commissioner Inland Revenue (DCIR) issued an amended assessment order under section 122(1) of the Income Tax Ordinance, 2001 raising a tax demand of Rs. 30.41 million for the tax year 2015. Being aggrieved, the Holding Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the order. The CIR-A, via order dated 27 July 2018, directed DCIR to apply minimum tax under section 113 at the rate of 0.2% instead of 1% and remanded back the case to DCIR. LWPL filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order which is pending adjudication.

**18.1.14** During the year, the Holding Company received three show cause notices issued by Additional Collector Customs for payment of Rs 7.33 million and Rs. 6.18 million against Goods Declaration No. LAPR-EB-20087-25-05-2018 and Goods Declaration No. LAPR-EB-22231-27-06-2018 respectively alleging short payment due to misclassification of imported glass for refrigerator doors outer part. The Holding Company is in process of making suitable response against the said notices.

**18.1.15** During the year, the Holding Company received a show cause notice issued by Collector of Customs for payment of Rs. 9.42 million alleging that the Holding Company cleared consignment of Polymethylene Isocynate by misinterpreting SRO 659/2007 dated 30 June 2007. The Holding Company is in process of making suitable response against the said notice.

Based on the opinion of the legal and tax advisors handling the above litigations, the management believes that the Holding Company has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision (in addition to already held in respect of certain cases of former CIPL and former LWPL as explained above) has been made in these consolidated financial statements.

**18.2 Commitments - Holding Company**

**18.2.1** Commitments, for the import of stock in trade, outstanding at year end were for Rs. 247.88 million (2017: Rs. 516.75 million).

**18.2.2** Commitments, for capital expenditure, against irrevocable letters of credit outstanding at year end were for Rs. 14.33 million (2017: Rs. Nil).

**18.2.3** Commitments in respect of Ijarah rentals payable in future period as at 31 December 2018 amounted to Rs. 0.76 million (2017: Rs. 2.38 million) for vehicles and plant and machinery.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Not later than one year | 764 | 1,447 |
| Later than one year and not later than five years | - | 931 |
| | 764 | 2,378 |

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## 19 Property, plant and equipment

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Operating fixed assets | 19.1 | 4,721,191 | 4,594,641 |
| Capital work-in-progress | 19.2 | 33,507 | 86,363 |
| | | 4,754,698 | 4,681,004 |

### 19.1 Operating fixed assets

| | Note | 31 December 2018 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Land | | Buildings | | Leasehold improvements | Plant and machinery | | Furniture and equipment | | Vehicles | | Computers | | Total |
| | | Lease hold | Freehold | On leasehold land | On freehold land | | Owned | Leased | Owned | Leased | Owned | Leased | Owned | Leased | |
| | | (Rupees in '000) | | | | | | | | | | | | | |
| **At 1 January 2018** | | | | | | | | | | | | | | | |
| Cost / revaluation | | - | 2,365,500 | 173,501 | 439,000 | 437,616 | 1,243,161 | 73,251 | 87,720 | 1,360 | 94,472 | 27,398 | 53,158 | 3,917 | 5,000,054 |
| Accumulated depreciation | | - | - | - | - | (159,456) | (122,183) | (12,506) | (40,076) | (929) | (11,865) | (10,285) | (45,812) | (2,301) | (405,413) |
| Net book value | | - | 2,365,500 | 173,501 | 439,000 | 278,160 | 1,120,978 | 60,745 | 47,644 | 431 | 82,607 | 17,113 | 7,346 | 1,616 | 4,594,641 |
| **Transactions during the year ended 31 December 2018** | | | | | | | | | | | | | | | |
| Additions | | - | - | - | 33,239 | 23,076 | 436,254 | - | 15,497 | - | 34,116 | 17,906 | 10,268 | - | 570,356 |
| **Transfers** | | | | | | | | | | | | | | | |
| Cost** | | - | - | - | - | - | (26,854) | 23,556 | - | - | 19,556 | (19,556) | - | - | (3,298) |
| Depreciation** | | - | - | - | - | - | 21,248 | - | - | - | (9,778) | 9,778 | - | - | 21,248 |
| | | - | - | - | - | - | (5,606) | 23,556 | - | - | 9,778 | (9,778) | - | - | 17,950 |
| **Disposals** | 19.3 | | | | | | | | | | | | | | |
| Cost | | - | - | - | (61,555) | - | (227,816) | (440) | (13,909) | - | (9,260) | - | (1,802) | - | (314,782) |
| Depreciation | | - | - | - | 1,539 | - | 39,520 | 225 | 1,647 | - | 2,122 | - | 1,802 | - | 46,855 |
| | | - | - | - | (60,016) | - | (188,296) | (215) | (12,262) | - | (7,138) | - | - | - | (267,927) |
| **Depreciation charge for the year** | | - | - | (5,205) | (12,264) | (30,873) | (103,085) | (6,646) | (8,327) | (136) | (19,065) | (3,055) | (4,761) | (411) | (193,829) |
| **Closing net book value** | | - | 2,365,500 | 168,296 | 399,959 | 270,363 | 1,260,245 | 77,440 | 42,552 | 295 | 100,298 | 22,186 | 12,853 | 1,205 | 4,721,191 |
| **As at 31 December 2018** | | | | | | | | | | | | | | | |
| Cost / revaluation | | - | 2,365,500 | 173,501 | 410,684 | 460,692 | 1,424,745 | 96,367 | 89,308 | 1,360 | 138,884 | 25,748 | 61,624 | 3,917 | 5,252,330 |
| Accumulated depreciation | | - | - | (5,205) | (10,725) | (190,329) | (164,500) | (18,927) | (46,756) | (1,065) | (38,586) | (3,562) | (48,771) | (2,712) | #REF! |
| Net book value | | - | 2,365,500 | 168,296 | 399,959 | 270,363 | 1,260,245 | 77,440 | 42,552 | 295 | 100,298 | 22,186 | 12,853 | 1,205 | #REF! |
| **Depreciation rate (% per annum)** | | 1.52 | Nil | 3 | 3 | 10 | 8.33 | 8.33 | 10-20 | 10 | 20 | 20 | 20 | 20 | |

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Operating fixed assets

| | 31 December 2017 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | | Buildings | | Leasehold improvements | Plant and machinery | | Furniture and equipment | | Vehicles | | Computers | | Total |
| | Lease hold | Freehold | On leasehold land | On freehold land | | Owned | Leased | Owned | Leased | Owned | Leased | Owned | Leased | |
| | (Rupees in '000) | | | | | | | | | | | | | |
| **At 01 January 2017** | | | | | | | | | | | | | | |
| Cost / revaluation | 1,092,700 | - | 194,502 | - | 327,042 | 102,462 | 33,969 | 46,109 | 1,360 | 14,321 | 19,896 | 49,728 | 1,863 | 1,883,952 |
| Accumulated depreciation | (1,359) | - | (486) | - | (122,010) | (75,780) | (7,147) | (38,166) | (793) | (3,895) | (8,782) | (38,087) | (1,863) | (298,368) |
| Net book value | 1,091,341 | - | 194,016 | - | 205,032 | 26,682 | 26,822 | 7,943 | 567 | 10,426 | 11,114 | 11,641 | - | 1,585,584 |
| **Transactions during the year ended 31 December 2017** | | | | | | | | | | | | | | |
| - Additions | - | - | 1,209 | - | 110,574 | 157,481 | - | 6,033 | - | 21,303 | 7,940 | 5,484 | - | 310,024 |
| - Acquisition through business combination | - | 2,364,500 | - | 438,500 | - | 1,022,500 | - | 40,000 | - | 63,000 | - | - | - | 3,928,500 |
| - Revaluation | 133,854 | 1,000 | 8,756 | 7,078 | - | - | - | - | - | - | - | - | - | 150,688 |
| - Transfer to investment property | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 133,854 | 2,365,500 | 9,965 | 445,578 | 110,574 | 1,179,981 | - | 46,033 | - | 84,303 | 7,940 | 5,484 | - | 4,389,212 |
| **Transfers (elimination)** | | | | | | | | | | | | | | |
| Cost* | (9,554) | - | (5,964) | (6,578) | - | - | - | - | - | - | - | - | - | (22,096) |
| Depreciation* | 9,554 | - | 5,964 | 6,578 | - | - | - | - | - | - | - | - | - | 22,096 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Transfers** | | | | | | | | | | | | | | |
| Cost** | - | - | - | - | - | (39,282) | 39,282 | - | - | 438 | (438) | (2,054) | 2,054 | - |
| Depreciation** | - | - | - | - | - | 950 | (950) | - | - | (7) | 7 | 27 | (27) | - |
| | - | - | - | - | - | (38,332) | 38,332 | - | - | 431 | (431) | (2,027) | 2,027 | - |
| **Disposals** | | | | | | | | | | | | | | |
| Cost | (1,217,000) | - | (25,002) | - | - | - | - | (4,422) | - | (4,590) | - | - | - | (1,251,014) |
| Depreciation | 3,027 | - | 125 | - | - | - | - | 4,363 | - | 158 | - | - | - | 7,673 |
| | (1,213,973) | | (24,877) | - | - | - | - | (59) | - | (4,432) | - | - | - | (1,243,341) |
| Depreciation charge for the year | (11,222) | - | (5,603) | (6,578) | (37,446) | (47,353) | (4,409) | (6,273) | (136) | (8,121) | (1,510) | (7,752) | (411) | (136,814) |
| Closing net book value | - | 2,365,500 | 173,501 | 439,000 | 278,160 | 1,120,978 | 60,745 | 47,644 | 431 | 82,607 | 17,113 | 7,346 | 1,616 | 4,594,641 |
| **As at 31 December 2017** | | | | | | | | | | | | | | |
| Cost / revaluation | - | 2,365,500 | 173,501 | 439,000 | 437,616 | 1,243,161 | 73,251 | 87,720 | 1,360 | 94,472 | 27,398 | 53,158 | 3,917 | 5,000,054 |
| Accumulated depreciation | - | - | - | - | (159,456) | (122,183) | (12,506) | (40,076) | (929) | (11,865) | (10,285) | (45,812) | (2,301) | (405,413) |
| Net book value | - | 2,365,500 | 173,501 | 439,000 | 278,160 | 1,120,978 | 60,745 | 47,644 | 431 | 82,607 | 17,113 | 7,346 | 1,616 | 4,594,641 |
| Depreciation rate (% per annum) | 1.52 | Nil | 3 | 3 | 10 | 8.33 | 8.33 | 10-20 | 10 | 20 | 20 | 20 | 20 | |

* Represents the elimination of accumulated depreciation against the carrying value due to a revaluation carried out as of 30 June 2017 (in respect of the land and building disposed off during the year ended 31 December 2017) and 31 December 2017 (the latter in case of the land and building acquired under the Business Combination).

** Represents adjustment for sale and lease back arrangements and transferred to owned assets on the maturity of lease.

**19.1.1** Had there been no revaluation of the freehold land and buildings thereon, the net book value as of 31 December 2018 would have been as follows:

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Land | **2,364,500** | 2,364,500 |
| Buildings | **507,357** | 445,511 |
| | **2,871,857** | 2,810,011 |

**19.1.2** The latest revaluation was carried on 31 December 2017 by Asif Associates (Private) Limited. As per the revaluation report, forced sale value of freehold land, buildings on leasehold land and buildings on free hold land was Rs. 2,128.10 million, Rs. 156.20 million and Rs. 287.70 million respectively.

**19.1.3** Particulars of immovable property (i.e. land and building) in the name of Holding Company are as follows:

| Location | Usage of immovable property | Total area (Kanals) | Covered area (Square Feet) |
|---|---|---|---|
| 9-K.M, Hanjarwal, Multan Road, Lahore. | Head Office & manufacturing facility | 61.90 | 340,134 |
| Dina Nath, Mouza Rakh Serai Cheenba, Tehsil Pattoki, District Kasur. | Manufacturing facility | 8.45 | 18,069 |

**19.1.4** Depreciation for the year has been allocated as follows:

| | *Note* | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cost of sales | *27.1* | **108,080** | 70,283 |
| Marketing, selling and distribution costs | *28* | **47,217** | 50,681 |
| Administrative expenses | *29* | **38,532** | 15,850 |
| | | **193,829** | 136,814 |

**19.1.5** During the year, fire at production facility damaged certain items of property, plant and equipment with carrying value of Rs. 249.78 million. The Company has received claim against such loss from its insurance provider in accordance with relevant insurance policies as referred to in note 30.1

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| **19.2 Capital work-in-progress** | | |
| Balance as at 01 January | **86,363** | 72,148 |
| Additions during the year | **128,853** | 72,762 |
| Acquisition through business combination | **-** | 86,561 |
| Transfers to operating fixed assets | **(181,709)** | (145,108) |
| Balance as at 31 December | **33,507** | 86,363 |
| Breakup of capital work in progress is as follows: | | |
| - Building | **3,770** | - |
| - Plant and machinery | **18,400** | 85,364 |
| - Electric installation | **1,155** | - |
| - Advance against purchase of land / vehicle | **10,182** | 999 |
| | **33,507** | 86,363 |

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19.3 **Disposal of operating fixed assets**

| Particulars of assets | Particulars of purchaser | Relationship with the Group | Cost / Revalued amount | Net book value | Net sale proceeds | Gain / (loss) on disposal | Mode of disposal |
|---|---|---|---|---|---|---|---|
| | | | (Rupees in '000) | | | | |
| **Building** | Jubilee Insurance | Insurance provider | 61,555 | 60,016 | | | |
| **Plant and machinery** | Jubilee Insurance | Insurance provider | 190,845 | 177,597 | 242,939 | (6,838) | Insurance claim |
| **Furniture and equipment** | Jubilee Insurance | Insurance provider | 13,513 | 12,164 | | | |
| | | | 265,913 | 249,777 | 242,939 | (6,838) | |
| **Plant and machinery** | | | | | | | |
| Phosphate Tank | Zohaib | Third party sale | 1,020 | 874 | 152 | (722) | Negotiation |
| Water Rising Tank | Zohaib | - do - | 428 | 315 | 152 | (163) | - do - |
| SS Tank | Zohaib | - do - | 1,156 | 1,003 | 152 | (851) | - do - |
| Paint Shop Oven | Zohaib | - do - | 1,481 | 1,310 | 187 | (1,123) | - do - |
| Heat Exchange System For Oven | Zohaib | - do - | 2,609 | 2,375 | 250 | (2,125) | - do - |
| Power Tester | Zohaib | - do - | 219 | 75 | 6 | (69) | - do - |
| Hydrolic Press Assyline | Zohaib | - do - | 2,124 | 363 | 55 | (308) | - do - |
| Television Machinery | Zohaib | - do - | 15,466 | 3,387 | 397 | (2,991) | - do - |
| Green Gas Plant | Zohaib | - do - | 1,772 | - | 46 | 46 | - do - |
| Notching Machine | Zohaib | - do - | 10,696 | 998 | 275 | (723) | - do - |
| Water Tank | Zohaib | - do - | 440 | 215 | 11 | (204) | - do - |
| **Furniture and equipment** | | | | | | | |
| Glass Partition | Zohaib | - do - | 396 | 97 | 66 | (31) | - do - |
| **Vehicles** | | | | | | | |
| Jaguar Car | Salman Mahboob | Third party sale | 2,000 | 1,467 | 3,800 | 2,333 | Negotiation |
| Toyota Corolla | Yasin Amin Sundal | - do - | 1,000 | 783 | 1,300 | 517 | - do - |
| Honda City | Yasin Amin Sundal | - do - | 1,000 | 783 | 976 | 193 | - do - |
| Toyota Corolla GLi | Yasin Amin Sundal | - do - | 800 | 627 | 873 | 246 | - do - |
| Suzuki Cultus | Yasin Amin Sundal | - do - | 350 | 274 | 407 | 133 | - do - |
| Suzuki Mehran | Yasin Amin Sundal | - do - | 350 | 274 | 267 | (7) | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 350 | 274 | 313 | 39 | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 350 | 274 | 321 | 47 | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 350 | 274 | 308 | 34 | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 250 | 196 | 236 | 40 | - do - |
| Honda CG 125 | Muhammad Iftikhar | - do - | 40 | 30 | 40 | 10 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 20 | 15 | 19 | 4 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 20 | 15 | 19 | 4 | - do - |
| Yamaha | Muhammad Zaman | - do - | 18 | 14 | 19 | 5 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 15 | 11 | 14 | 3 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 15 | 11 | 14 | 3 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 10 | 8 | 9 | 1 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 10 | 8 | 9 | 1 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 10 | 8 | 9 | 1 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 8 | 6 | 7 | 1 | - do - |
| Pak Hero 70 | Muhammad Nasir | - do - | 5 | 4 | 7 | 3 | - do - |
| Star DS 70 | Muhammad Nasir | - do - | 5 | 4 | 7 | 3 | - do - |
| Star DS 70 | Muhammad Nasir | - do - | 5 | 4 | 7 | 3 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Sohrab 70 | Muhammad Nasir | - do - | 3 | 2 | 7 | 5 | - do - |
| Yamaha 70 | Muhammad Zaman | - do - | 3 | 2 | 3 | 1 | - do - |
| Sohrab 70 | Arshad Ali | - do - | 3 | 2 | 51 | 49 | - do - |
| Suzuki Cultus | Massoor Ahmed | - do - | 712 | 356 | 400 | 44 | - do - |
| Suzuki Swift DLX | EFU General Insurance | Insurance provider | 1,463 | 1,341 | 1,300 | (41) | - do - |
| **Computer** | | | | | | | |
| Dekstops, laptops and printers | Rahat Computers | Third party sale | 1,802 | - | 25 | 25 | Negotiation |
| | **2018** | | 314,782 | 267,927 | 255,540 | (12,388) | |
| | 2017 | | 9,012 | 4,491 | 5,120 | 629 | |

## 20 Intangible assets and goodwill

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| | | | (Revised) |
| Software | | 36,678 | 18,716 |
| Goodwill | | 1,070,206 | 1,070,206 |
| Brand value | | 1,582,147 | 1,582,147 |
| Customer relationships (subsidiary company) | | 276,659 | 307,393 |
| | 20.1 | 2,965,690 | 2,978,462 |

### 20.1 Reconciliation of carrying amounts

| Description | Note | Software | Goodwill | Brand value | Customer relationships (subsidiary company) | Total |
|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | |
| | | | (Revised) | (Revised) | (Revised) | |
| *Cost* | | | | | | |
| Balance at 01 January 2017 | | 49,761 | - | - | - | 49,761 |
| Acquisition through business combination - provisional | 20.2 | - | 2,975,122 | - | - | 2,975,122 |
| Balance at 31 December 2017 | | 49,761 | 2,975,122 | - | - | 3,024,883 |
| Allocation of intangible assets | 20.2 | - | (1,904,916) | 1,582,147 | 322,769 | - |
| Transfer to investment in subsidiary | | - | - | - | - | - |
| Balance as at 31 December 2017 | | 49,761 | 1,070,206 | 1,582,147 | 322,769 | 3,024,883 |
| Additions during the year | | 28,426 | - | - | - | 28,426 |
| **Balance at 31 December 2018** | | 78,187 | 1,070,206 | 1,582,147 | 322,769 | 3,053,309 |
| *Accumulated amortisation and impairment losses* | | | | | | |
| Balance at 01 January 2017 | | (27,416) | - | - | - | (27,416) |
| Amortisation for the year | | (3,629) | - | - | (15,376) | (19,005) |
| Balance at 31 December 2017 | | (31,045) | - | - | (15,376) | (46,421) |
| Amortisation for the year | | (10,464) | - | - | (30,734) | (41,198) |
| **Balance at 31 December 2018** | | (41,509) | - | - | (46,110) | (87,619) |
| **Carrying amounts:** | | | | | | |
| At 31 December 2017 | | 18,716 | 1,070,206 | 1,582,147 | 307,393 | 2,978,462 |
| **At 31 December 2018** | | 36,678 | 1,070,206 | 1,582,147 | 276,659 | 2,965,690 |
| **Rates of amortization** | | 5-10 years | | | 10.5 years | |

### 20.2 Goodwill and other intangible assets acquired in business combination

Effective 01 July 2017, Singer Pakistan Limited, now Waves Singer Pakistan Limited (The Holding Company), completed a 'Scheme of Arrangement' as approved by the Honourable Sindh High Court through its Order dated 22 May 2018 for the amalgamation of Cool Industries (Private) Limited [CIPL] and Link Wel (Private) Limited [LWPL] with and into the Company and demerger of retail business from the Company and amalgamate the same into the subsidiary. This represents excess of the amount paid over the fair value of the net assets of CIPL and LWPL on its acquisition as of the start of business on 01 July 2017. International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's statement of financial position and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the determination of the fair values of the assets and liabilities and to determine the value of any intangible assets separately identified. The fair valuation exercise of the recorded tangible assets and liabilities was completed at the time of acquisition resulting in recognition of provisional goodwill amounting to Rs. 2,975.12 million as the determination of separately identifiable intangible assets was in progress at as 31 December 2017.

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During the period, the Holding Company engaged an independent valuer for determination of separately identifiable intangible assets. Based on the valuation report, provisional goodwill has been allocated to 'Goodwill' amounting to Rs.1,070.21 million, 'Brand value' amounting to Rs. 1,582.15 million and 'Customers relations' (Subsidiary company) amounting to Rs. 322.77 million inline with the requirements of International Accounting Standard 38, (IAS-38) 'Intangible Assets'. As at 30 June 2017, the Company, inline with the requirements of IFRS 3 relating to change in recognition of assets and liabilities within measurement period, has retrospectively adjusted the change in provisional amount recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Accordingly, comparative information has been revised due to recognition of additional intangible assets as tabulated in note 20.1 above.

Following key assumpiion has been used for valuation of 'Brand value' and 'Customer relations', whereas 'Goodwill has been taken as differential amount:

**Brand value:**

For 'Brand value, 'Royalty rate method' has been used with royalty rate of 2.5%, compound annual growth rate for revenue of 22% from financial year 2017 to 2022, terminal growth rate for revenue of 3% from financial year 2023 to 2037, discount rate of 17.66% with an infinite useful life.

**Customer relationships (Subsidiary company):**

For 'Customer relationships, 'Multi period excess earning method' has been used with iteration rate of 2.5%, compound annual growth rate for revenue of 22% from financial year 2017 to 2022, terminal growth rate for revenue of 3% from financial year 2023 to 2027, discount rate of 17.66% with useful life of 10.5 years.

**Impairment testing**

The recoverable amount of goodwill including intangible assets (brand value and customer relationships) acquired through a business combination has been tested for impairment as at 31 December 2018, by allocating the amount of goodwill and intangible assets to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount was calculated on the basis of five years business plan approved by the Board of Directors which includes a comprehensive analysis of existing operational deployments of the Group along with strategic business plans and business growth. The value in use calculations are based on cash flow projections derived from aforesaid business plan, which have been extrapolated beyond five years, by using a steady 3.00% growth rate. The cash flows are discounted using a discount rate of 14.99% (goodwill) and 18.45% (intangibles) for use in calculation of value in use which is sensitive to discount rate and local inflation rates. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill and other intangible assets.

| | | **2018** | 2017 |
|---|---|---|---|
| **20.3** Amortisation for the year has been allocated as follows: | *Note* | **(Rupees in '000)** | (Revised) |
| Marketing, selling and distribution costs | *28* | **38,276** | 18,642 |
| Administrative expenses | *29* | **1,909** | 363 |
| | | **40,185** | 19,005 |

## 21 Long term deposits

| | **2018** | 2017 |
|---|---|---|
| *Deposits* | | |
| -shops and warehouses | - | 16,166 |
| - leases | **2,752** | 9,572 |
| - other long term deposits | **20,885** | 1,427 |
| | **23,637** | 27,165 |

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| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **22** | **Stock-in-trade** | | | |
| | *Raw and packing materials* | | | |
| | - in stores (in hand) | | **637,537** | 494,510 |
| | - in third party premises | | **-** | 7,677 |
| | - in bonded warehouse | *22.1* | **341,054** | 477,664 |
| | - in transit | | **639,419** | 229,841 |
| | | | **1,618,010** | 1,209,692 |
| | Work in process | | **164,841** | 161,946 |
| | *Finished goods* | | | |
| | - own manufactured | | **1,076,713** | 1,058,505 |
| | - purchased for resale | | **262,005** | 192,055 |
| | | | **1,338,718** | 1,250,560 |
| | Provision for slow moving and damaged stock | *22.2* | **(29,868)** | (29,868) |
| | | | **3,091,701** | 2,592,330 |

**22.1** Stock amounting to Rs. 65.63 million (2017: Rs. 426.42) million was cleared subsequent to the year end.

**22.2 Movement in provision for slow moving and damaged stock**

| | 2018 | 2017 |
|---|---|---|
| Balance as at 01 January | **29,868** | 28,078 |
| Provision for the year | **-** | 1,790 |
| Balance as at 31 December | **29,868** | 29,868 |

**22.3** During the year, fire at production facility damaged certain items of stock in trade with carrying value of Rs. 186.10 million. The Group has received claim against such loss from its insurance provider in accordance with relevant insurance policies as referred to in note 30.1.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **23** | **Trade debts** | | | |
| **23.1** | **Retail network - unsecured** | | | |
| | ***Considered good*** | | | |
| | *Hire purchase* | | | |
| | - Retail | | **789,756** | 522,630 |
| | - Institutional (employees of the corporate entities) | | **124,007** | 133,647 |
| | | | **913,763** | 656,277 |
| | Unearned carrying charges | | **(53,638)** | (73,316) |
| | | | **860,125** | 582,961 |
| | ***Considered doubtful*** | | **240,544** | 240,544 |
| | | | **1,100,669** | 823,505 |
| | Provision for doubtful debts | | **(240,544)** | (240,544) |
| | | | **860,125** | 582,961 |
| **23.2** | **Wholesale (dealers) - unsecured** | | | |
| | Considered good | | **2,386,358** | 1,573,830 |
| | Considered doubtful | | **33,821** | 23,433 |
| | | | **2,420,179** | 1,597,263 |
| | Provision for doubtful debts | | **(33,821)** | (23,433) |
| | | *23.3* | **2,386,358** | 1,573,830 |
| **23.3** | **Movement in provision for doubtful debts** | | | |
| | Balance as at 01 January | | **263,977** | 177,580 |
| | Provision for the year | | **10,388** | 86,397 |
| | Balance as at 31 December | | **274,365** | 263,977 |

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| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **24 Advances, deposits, prepayments and other receivables** | | | |
| *Advances - considered good* | | | |
| - Employees and executives | *24.1* | 6,527 | 7,700 |
| - Suppliers | | 5,054 | 32,609 |
| - Expense to store | | 5,977 | - |
| - Against letter of credit | | 4,107 | 5,565 |
| | | 21,665 | 45,874 |
| *Deposits* | | | |
| - Shops and leases | | 24,312 | 6,476 |
| - Customs | | 5,761 | 23,197 |
| - Utilities | | - | 18,749 |
| - Others | | 621 | 900 |
| | | 30,694 | 49,322 |
| Prepayments | | 9,711 | 7,378 |
| *Other receivables* | | | |
| - Claims | *24.2* | 12,201 | 15,893 |
| - Sales tax refundable | | 87,060 | - |
| | | 99,261 | 15,893 |
| Provision for doubtful other receivables | *24.3* | (11,572) | (11,572) |
| | *24.4* | 149,759 | 106,895 |

**24.1** At 31 December 2018, the advances due from executives amounted to Rs. 0.12 million (2017:

**24.2** This represents claims receivable from insurance companies, suppliers and product claims amounting

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| **24.3 Movement in provision for doubtful other receivables** | | |
| Balance as at 01 January | 11,572 | 9,407 |
| Provision for the year | - | 2,165 |
| Balance as at 31 December | 11,572 | 11,572 |

**24.4** All the above balances are interest free and unsecured.

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| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **25 Cash and bank balances** | | | |
| *Balances with banks* | | | |
| - in current accounts | 25.1 | 47,808 | 198,080 |
| - in profit and loss sharing account | 25.2 | 40,349 | 407 |
| | | 88,157 | 198,487 |
| Cash in hand | 25.3 | 17,090 | 93,160 |
| | | 105,247 | 291,647 |

25.1 These include bank account of Rs. 0.31 million (2017: Rs. 1.93) maintained under Shariah compliant

25.2 Rate of return on saving account ranges from 3.5% to 5% (2017: 3%) per annum.

25.3 This includes cash in transit of Rs. 9.25 million (2017: Rs. 84.69 million) representing the balance

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **26 Sales - net** | | | |
| *Sales* | | | |
| - local | | 10,284,933 | 4,790,762 |
| - export | | 14,186 | 2,419 |
| Sales return | | (30,209) | (20,445) |
| | | 10,268,910 | 4,772,736 |
| Sales tax | | (972,008) | (480,559) |
| Trade discount | | (780,886) | (606,554) |
| | | (1,752,894) | (1,087,113) |
| | | 8,516,016 | 3,685,623 |

| | Note | 2018 | 2017 |
|---|---|---|---|
| **27 Cost of sales** | | | |
| *Opening stock - finished goods* | | | |
| - own manufactured | | 1,058,505 | 285,313 |
| - purchased for resale | | 192,055 | 52,324 |
| | | 1,250,560 | 337,637 |
| Purchases | | 1,425,517 | 486,553 |
| Acquisition through business combination | | - | 540,379 |
| Cost of goods manufactured | 27.1 | 4,784,505 | 2,474,827 |
| | | 7,460,582 | 3,839,396 |
| *Closing stock - finished goods* | | | |
| - own manufactured | | (1,076,713) | (1,058,505) |
| - purchased for resale | | (262,004) | (192,055) |
| | | (1,338,717) | (1,250,560) |
| Less: Export Rebate | | (54) | (497) |
| | | 6,121,811 | 2,588,339 |

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| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **27.1** | **Cost of goods manufactured** | | | |
| | Raw and packing materials and stores consumed | | **4,110,226** | 2,110,890 |
| | Salaries, wages and other benefits | *27.1.1* | **383,298** | 229,161 |
| | Depreciation on property, plant and equipment | *19.1.4* | **108,080** | 70,283 |
| | Fuel and power | | **67,215** | 40,327 |
| | Insurance expense | | **18,433** | 9,733 |
| | Repairs and maintenance | | **32,117** | 10,104 |
| | Printing and stationery | | **16,183** | 4,769 |
| | Provision against slow moving and damaged stock | *22.2* | **-** | 1,790 |
| | Travelling and conveyance | | **3,498** | 1,793 |
| | Rent, rates and taxes | | **46,736** | 679 |
| | Communication | | **886** | 657 |
| | Entertainment | | **728** | - |
| | | | **4,787,400** | 2,480,186 |
| | Work-in-process | | | |
| | Opening stock | | **161,946** | 36,023 |
| | Acquisition through business combination | | **-** | 120,564 |
| | Closing stock | | **(164,841)** | (161,946) |
| | | | **(2,895)** | (5,359) |
| | Cost of goods manufactured | | **4,784,505** | 2,474,827 |

**27.1.1** These include provision of Rs. 2.84 million (2017: Rs. 0.76 million), Rs. 1.84 million (2017: Rs. 0.50 million) and Rs. 9.51 million (2017: Rs. 2.57 million) in respect of gratuity, pension and provident funds respectively.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| **28** | **Marketing, selling and distribution costs** | | (Rupees in '000) | |
| | | | | *(Revised)* |
| | Salaries and benefits | *28.1* | **91,398** | 189,828 |
| | Salaries and benefits - sales staff | *28.1* | **355,672** | 145,806 |
| | Rent, rates and taxes | | **156,396** | 113,935 |
| | Publicity and sales promotion | | **191,442** | 86,526 |
| | Depreciation on property, plant and equipment | *19.1.4* | **47,217** | 50,681 |
| | Warranty obligations | *28.1* | **67,949** | 19,975 |
| | Freight charges | | **116,299** | 39,720 |
| | Utilities | | **30,128** | 19,269 |
| | Printing and stationery | | **10,949** | 9,832 |
| | Travelling and conveyance | | **37,374** | 18,562 |
| | Amortization of intangible assets | *20.3* | **38,276** | 18,642 |
| | Communication | | **9,824** | 8,906 |
| | Repair and maintenance | | **1,145** | 2,002 |
| | Training and sundries | | **2,994** | 2,821 |
| | Insurance expense | | **2,547** | 1,461 |
| | Others | | **1,934** | - |
| | | | **1,161,544** | 727,966 |

**28.1** These include provision of Rs. 5.23 million (2017: Rs. 2.90 million), Rs. 1.55 million (2017: Rs. 1.42 million) and Rs. 4.47 million (2017: Rs. 5.82 million) in respect of gratuity, pension and provident funds respectively.

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| 29 | Administrative expenses | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Salaries and benefits | *29.1* | **214,385** | 118,101 |
| | Legal and professional charges | | **46,827** | 25,856 |
| | Auditors' remuneration | *29.2* | **4,590** | 3,956 |
| | Depreciation on property, plant and equipment | *19.1.4* | **38,532** | 15,850 |
| | Communication | | **10,464** | 6,681 |
| | Travelling and conveyance | | **14,012** | 5,211 |
| | Repair and maintenance | | **5,987** | 6,199 |
| | Utilities | | **8,819** | 4,553 |
| | Printing and stationery | | **8,076** | 2,987 |
| | Rent, rates and taxes | | **7,441** | 1,880 |
| | Insurance expense | | **9,711** | 2,843 |
| | Entertainment expense | | **3,147** | 1,227 |
| | Fees and subscription | | **906** | 668 |
| | Amortization of intangible assets | *20.3* | **1,909** | 363 |
| | Charity and donations | *29.3* | **470** | 56 |
| | Others | | **2,642** | - |
| | | | **377,918** | 196,431 |

**29.1** These include provision of Rs. 2.40 million (2017: Rs. 0.56 million), Rs. 1.55 million (2017: Rs. 0.36 million) and Rs. 4.28 million (2017: Rs. 1.93 million) in respect of gratuity, pension and provident funds respectively.

| 29.2 | Auditors' remuneration | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| | Audit fee | **2,500** | 2,090 |
| | Audit fee for the financial statements of subsidiary companies | **800** | 500 |
| | Audit fee for the six months period ended 30 June 2017 | - | 206 |
| | Fee for the review of interim financial information | **385** | 135 |
| | Fee for the review of code of corporate governance and other certifications/ reports under agreed upon procedures | **320** | 440 |
| | Out of pocket expenses | **585** | 585 |
| | | **4,590** | 3,956 |

**29.3** None of the donations were made to an entity in which any director or his / her spouse had an interest.

| 30 | Other expenses | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Provision for doubtful debts and others assets - net | *23.3 & 24.3* | **10,388** | 88,562 |
| | Workers' profits participation fund (WPPF) | *14.3* | **27,331** | 9,947 |
| | Exchange loss - net | | **44,459** | 13,632 |
| | Research and development expenditure | | **3,637** | 1,591 |
| | Ijarah rentals | | **1,447** | 1,447 |
| | Workers' welfare fund | | **9,118** | 3,581 |
| | *Loss on property, plant and equipment and equipment* | | - | |
| | - due to fire | *30.1* | **6,838** | - |
| | - due to disposal | | **5,550** | - |
| | | | **108,768** | 118,760 |

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30.1 On 11 May 2018, a fire broke out at production facility located in Lahore [former 'Cool Industries (Private) Limited']. The fire started at the dispatch area and caused damage to the finished goods under dispatch, production facility (i.e. Plant and machinery) along with its related building area and work-in-process which were adequately insured. Although, the production of refrigerators and deep freezers was halted for a month, however, sufficient finished goods inventory of these products was available at off-site warehouses for uninterrupted supplies to the market. The production facilities of air-conditioners, microwave ovens and washing machines remained un-affected and continued un-interruptedly.

The Holding Company filed insurance claim in respect of damaged assets and a surveyor was appointed by the insurance company, who completed his survey and assessed the insurance claim at Rs. 432.06 million including salvage value of Rs. 12.06 million scrap retained by the Company. As at 31 December 2018, the Holding has received complete insurance claim including salvage recovery of Rs. 12.06 million. Detail of insurance claim is as follows:

| | *Note* | (Rupees in '000) |
|---|---|---|
| **Carrying value of assets written off due to fire** | | |
| *Property, plant and equipment* | | |
| Building | | 60,016 |
| Plant and machinery | | 177,597 |
| Furniture and equipment | | 12,164 |
| | *19.3* | 249,777 |
| *Stock in trade* | | |
| Finished goods | | 12,804 |
| Raw material | | 94,535 |
| Work in process | | 78,759 |
| | | 186,098 |
| Repair and maintenance adjustment | | 3,029 |
| Carrying value of assets written off due to fire | | 438,904 |
| Insurance claim received | | 420,000 |
| Scrap value | | 12,066 |
| **Net loss on insurance claim of assets written off due to fire** | | 6,838 |

| 31 **Other income** | *Note* | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| *Income from financial assets* | | | |
| Profit on a profit and loss sharing bank balance | | 46 | 9 |
| *Income from non-financial instruments* | | | |
| Gain on disposal of property, plant and equipment and investment property - net | | - | 456,951 |
| Unrealized gain on fair value measurement of investment property | | - | 30,800 |
| Rental income | | - | 3,150 |
| Service income and others | | 6,379 | 3,818 |
| Liabilities no longer payable written back | | 21,134 | - |
| Scrap sales | | 3,408 | 1,084 |
| Amortization of deferred income | *13* | 6,322 | 2,452 |
| Others | | 70 | - |
| | | 37,313 | 498,255 |
| | | 37,359 | 498,264 |

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| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| **32** | **Finance costs** | | (Rupees in '000) | |
| | *Islamic mode of financing* | | | |
| | - Short term financing | | 25,420 | 25,127 |
| | *Interest / mark-up on interest / mark-up based loans* | | | |
| | - Long term finance | | 83,865 | 43,498 |
| | - Short term finance | | 273,932 | 200,348 |
| | - Finance lease | | 6,825 | 4,469 |
| | Interest on employee retention money | | 4,260 | 3,410 |
| | Interest on workers' profits participation fund | | 498 | 437 |
| | Mark up accrued on balance payable to the provident fund | | - | 351 |
| | Bank charges | | 35,703 | 18,595 |
| | | | 430,503 | 296,235 |

**33 Taxation**

Details of the tax charge for the year is as follows:

| | Note | 2018 | 2017 |
|---|---|---|---|
| Current year | *33.1* | 107,452 | 54,541 |
| Prior year | | (5,649) | 20,313 |
| Deferred | *12* | 26,629 | (51,473) |
| | | 128,432 | 23,381 |

33.1 Represents the tax charge under the final tax regime and normal tax regime based on consolidated taxable income as the Holding Company has opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001.

| **33.2 Tax charge reconciliation** | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Numerical reconcilliation between tax expense and accounting profit: | | |
| Profit before tax | 510,507 | 350,889 |
| Tax at the applicable tax rate of 29% (2017: 30%) | 148,047 | 105,267 |
| *Tax effect of permanent differences:* | | |
| - In respect of differential under normal tax and final tax regime | 1,040 | 1,236 |
| - Other permanent differences | (136) | (100,812) |
| Tax credit | (41,742) | - |
| Change in tax rate | (56,519) | - |
| Prior year tax charge | 60,662 | 20,313 |
| Super tax | 11,493 | - |
| Others | 5,587 | (2,623) |
| | 128,432 | 23,381 |

33.3 In prior years, the Holding Company (for the reason of carry forward tax losses) has not recorded provision for minimum tax under the Income Tax Ordinance, 2001 (Ordinance) amounting to Rs. 38.88 million, Rs. 15.10 million and Rs. 16.86 million in respect of year ended 31 December 2017, 31 December 2015 and 31 December 2014 respectively as the management expects to adjust the same against its future tax liability under the normal tax regime within the time limit as specified for adjustments of minimum tax in the Ordinance. Similarly for the year ended 31 December 2016, provision for Alternate Corporate Tax (ACT) (being higher than the minimum tax) amounting to Rs. 23.07 has also not been recorded on the same basis.

33.4 As per management's assessment, the provision for tax made in the consolidated financial statements is sufficient. A comparison of last three years' of income tax provisions with tax assessment is presented below:

| Tax Years | Tax provision as per financial statements | Tax as per assessment / return |
|---|---|---|
| | (Rupees in '000) | |
| 2016 | 2,629 | 18,063 |
| 2017 | 2,383 | 24,770 |
| 2018 | 54,541 | 48,892 |

**34 Earnings per share - basic and diluted**

The calculation of earnings per share (basic and diluted) is based on earnings attributable to the owners of ordinary shares of the Group.

No figure for diluted earnings per share has been presented as the Group has not issued any instruments carrying options which would have an impact on earnings per share when excercised.

Group's earnings per share has been calculated as follows:

| | | 2018 | 2017 *(Restated)* |
|---|---|---|---|
| Profit for the year - (Revised) | *(Rupees in 000)* | 382,075 | 312,132 |
| Weighted average number of ordinary shares | *Shares* | 163,134 | 163,134 |
| Earnings per share - basic and diluted | *Rupees* | 2.34 | 1.91 |

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## 35 Cash and cash equivalents

### 35.1 Cash and cash equivalents as at 31 December

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Cash and bank balances | 105,247 | 291,647 |
| Short term running finances under mark-up arrangements from Banks - secured | (1,529,866) | (868,507) |
| | (1,424,619) | (576,860) |

### 35.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Liabilities | | | | | Equity | | | | |
| | Short term borrowings | Long term finances | Liabilities against assets subject to finance lease | Mark-up accrued on borrowings | Unpaid dividend | Share capital | Shares to be issued pursuant to amalgamation | Share premium reserve | Capital reserve | Total |
| | Rupees in '000 | | | | | | | | | |
| **Balance as at 01 January 2018** | 2,748,916 | 649,458 | 55,654 | 73,766 | - | 454,056 | 964,500 | 5,038,548 | 5,000 | 9,989,898 |
| *Cash flows* | | | | | | | | | | |
| Short term borrowings repaid net of receipts | (414,989) | - | - | - | - | - | - | - | - | (414,989) |
| Shares issued under scheme of amalgamation | - | - | - | - | - | 964,500 | (964,500) | - | - | - |
| Shares issued as fully paid bonus shares @ 15% | - | - | - | - | - | 212,784 | - | (212,784) | - | - |
| Dividend paid | - | - | - | - | (175,803) | - | - | - | - | (175,803) |
| Long term loans repaid net of receipts | - | 364,063 | - | - | - | - | - | - | - | 364,063 |
| Finance cost paid | - | - | - | - | - | - | - | - | - | - |
| Repayment of lease rentals | - | - | (13,639) | (406,931) | - | - | - | - | - | (420,570) |
| | (414,989) | 364,063 | (13,639) | (406,931) | (175,803) | 1,177,284 | (964,500) | (212,784) | - | (647,299) |
| *Non-cash changes* | | | | | | | | | | |
| Changes in running finance | 661,359 | - | - | - | - | - | - | - | - | 661,359 |
| Dividend approved | - | - | 23,513 | - | 177,320 | - | - | - | - | 200,833 |
| Assets acquired on finance lease | - | - | - | - | - | - | - | - | - | - |
| Finance cost | - | - | - | 430,503 | - | - | - | - | - | 430,503 |
| | 661,359 | - | 23,513 | 430,503 | 177,320 | - | - | - | - | 1,292,695 |
| **Balance as at 31 December 2018** | 2,995,286 | 1,013,521 | 65,528 | 97,338 | 1,517 | 1,631,340 | - | 4,825,764 | 5,000 | 10,635,294 |

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| | 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Liabilities | | | | | Equity | | | | |
| | Short term borrowings | Long term finances | Liabilities against assets subject to finance lease | Accrued finance cost | Unpaid dividend | Share capital | Shares to be issued pursuant to amalgamation | Share premium reserve | Capital reserve | Total |
| | Rupees in '000 | | | | | | | | | |
| Balance as at 01 January 2017 | 1,177,396 | 546,875 | 17,473 | 40,005 | - | 454,056 | - | - | 5,000 | 2,240,805 |
| ***Cash flows*** | | | | | | | | | | |
| Short term borrowings repaid net of receipts | 207,859 | - | - | - | - | - | - | - | - | 207,859 |
| Acquisition through business combination | - | - | - | - | - | - | 964,500 | 5,038,548 | - | 6,003,048 |
| Repayment of long term loans | - | (396,875) | - | - | - | - | - | - | - | (396,875) |
| Finance cost paid | - | - | - | (304,406) | - | - | - | - | - | (304,406) |
| Repayment of lease rentals | - | - | (10,657) | - | - | - | - | - | - | (10,657) |
| | 207,859 | (396,875) | (10,657) | (304,406) | - | - | 964,500 | 5,038,548 | - | 5,498,969 |
| ***Non-cash changes*** | | | | | | | | | | |
| Changes in running finance | 719,806 | - | - | - | - | - | - | - | - | 719,806 |
| Assets acquired on lease | - | - | 48,838 | - | - | - | - | - | - | 48,838 |
| Finance cost | - | - | - | 296,235 | - | - | - | - | - | 296,235 |
| Acquisition through business combination | 643,855 | 499,458 | - | 41,932 | - | - | - | - | - | 1,185,245 |
| | 1,363,661 | 499,458 | 48,838 | 338,167 | - | - | - | - | - | 2,250,124 |
| Balance as at 31 December 2017 | 2,748,916 | 649,458 | 55,654 | 73,766 | - | 454,056 | 964,500 | 5,038,548 | 5,000 | 9,989,898 |

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## 36 Provident fund related disclosure

### 36.1 Waves Singer Pakistan Limited (formerly Singer Pakistan Limited)

36.1.1 The Holding Company operates approved contributory provident fund for all the employees eligible under the scheme. Details of the net assets and investments out of this fund based on the unaudited financial statements are as follows:

| | Note | (Unaudited) 31 December 2018 | (Unaudited) 31 December 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Size of the fund - net assets (investments at fair value) (a) | | 39,993 | 49,833 |
| Cost of the investment made | | 24,933 | 48,494 |
| Fair value of the investment made (b) | *36.1.2* | 37,928 | 49,564 |
| | | (Percentage) | |
| Percentage of the investment made (of the size of funds) (b/a) | | 94.8% | 99.5% |

Above details are of Singer Pakistan Limited.

36.1.2 Break up of fair value of investments is:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | (Rs. in '000) | % | (Rs. in '000) | % |
| Bank balances | 13,739 | 36% | 3,246 | 7% |
| Pakistan Investment Bonds | 24,189 | 64% | 35,425 | 71% |
| Treasury Bills | - | 0% | 10,893 | 22% |
| | 37,928 | 100% | 49,564 | 100% |

The management, based on the un-audited financial statements of the fund, is of the view that the investments out of provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated there under.

### 36.2 Former Cool Industries (Private) Limited

36.2.1 Above Company operated approved contributory provident fund for all the employees eligible under the scheme. Details of the net assets and investments out of this fund based on the unaudited financial statements are as follows:

| | Note | (Audited) 30 June 2018 | (Audited) 30 June 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Size of the fund - net assets (investments at fair value) (a) | | 203,171 | 176,209 |
| Cost of the investment made | | 76,416 | 73,990 |
| Fair value of the investment made (b) | *36.2.2* | 105,944 | 102,826 |
| | | (Percentage) | |
| Percentage of the investment made (of the size of funds) (b/a) | | 52.15% | 65.40% |

36.2.2 Break up of the fair value of investments are as follows:

| | 30 June 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | (Rs. in '000) | % | (Rs. in '000) | % |
| Bank balances | 10,352 | 10% | 8,317 | 8% |
| Term Deposit Receipt - with a bank | 29,800 | 28% | 29,000 | 28% |
| Mutual Funds | 56,792 | 54% | 56,509 | 55% |
| Defense Saving Certificates | 9,000 | 8% | 9,000 | 9% |
| | 105,944 | 100% | 102,826 | 100% |

The management, based on the un-audited financial statements of the fund, is of the view that the investments out of provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated there under.

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## 37 Remuneration of Chief Executive, Directors And Executives

The aggregate amounts charged in the consolidated financial statements in respect of remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Group are as follows:

| | Chief Executive | | Directors | | Ececutives | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in '000) | | | | | | | |
| Managerial remuneration | 14,327 | 13,505 | 7,745 | 8,606 | 90,646 | 62,727 | 112,718 | 84,838 |
| Contribution to provident fund | 1,373 | 1,879 | 591 | 619 | 6,152 | 3,712 | 8,116 | 6,210 |
| Reimbursable Expenditure | - | 101 | 188 | 205 | 2,404 | 409 | 2,592 | 715 |
| Housing | 6,873 | 2,815 | 3,880 | 1,156 | 33,433 | 12,959 | 44,186 | 16,930 |
| Leave fare assistance and others | - | - | 126 | 116 | 2,096 | 1,954 | 2,222 | 2,070 |
| | 22,573 | 18,300 | 12,530 | 10,702 | 134,731 | 81,761 | 169,834 | 110,763 |
| Number of persons | 1 | 1 | 2 | 3 | 53 | 47 | 56 | 51 |

**37.1** In addition to the above, the Director and certain Executives are provided with free use of the Group maintained vehicles, club facility and certain items of furniture and fixtures in accordance with their entitlement. The Group also makes contributions based on actuarial calculations to gratuity and pension funds.

**37.2** In addition, aggregate amount charged in the consolidated financial statements for payments on account of the meeting fee to two (2017: five) non-executive directors was Rs. 0.36 million (2017: Rs. 0.68 million).

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## 38 Transactions with related parties

Related parties comprise of associated undertakings, directors, entities with common directorship, post employment plans and key management personnel. Amounts due from and to related parties are shown under trade and other payables note 14, trade debts note 23 advances, deposits, prepayments and other receivables note 24 and remuneration of directors and key management personnel note 37. Other significant transactions with related parties are as follows:

| Name of the Company | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **i. Associated Undertakings** | | | | |
| Poseidon Synergies (Private) Limited | Shareholding and common directorship | Loan received during the year | **40,000** | - |
| | | Repayment of loan during the year | **5,000** | - |
| Employee's Provident Fund | Post employee contribution plan | Contribution for the year | **29,235** | 16,004 |
| | | Loan received during the year | - | 14,000 |
| | | Repayment of loan during the year | - | 14,000 |
| Employee's Gratuity Fund | Post employee benefit plan | Contribution for the year | **9,074** | 9,411 |
| | | Loan received during the year | - | 1,000 |
| | | Repayment of loan during the year | - | (1,000) |
| Employee's Pension Fund | Post employee benefit plan | Contribution for the year | **4,039** | 3,940 |
| Directors | Employees | Fee for meetings | **819** | - |
| | | Loan received during the year | - | 96,000 |
| | | Repayment of loan during the year | - | 96,000 |

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## 39 Plant capacity and actual production

| | 2018 | | 2017 | |
|---|---|---|---|---|
| *Particulars* | Capacity (Units) | Actual production (Units) | Capacity (Units) | Actual production (Units) |
| Refrigerators | 125,000 | 114,377 | 115,000 | 68,639 |
| Deep Freezer | 115,000 | 84,664 | 90,000 | 32,870 |
| Microwave ovens | 60,000 | 12,670 | 60,000 | 1,711 |
| Air conditioners | 60,000 | 5,558 | 60,000 | 9,012 |
| Washing Machines | 40,000 | 5,762 | - | - |
| Gas appliances (water heater and cooking range excluding microwave ovens) | 25,000 | 9,717 | 25,000 | 6,723 |
| Televisions | 22,500 | - | 22,500 | - |
| Water dispenser | 20,000 | 800 | 6,000 | 1,300 |

Capacity reflects units expected to be produced on the basis of normal production hours (one shift of 8 hours). The under utilization of capacity is mainly attributed to the fact that production was affected during the months from April 2019 to June 2019 due to fire as fully explained in note 30.1. Other than refrigerators and deep freezers, the production / capacity utilization is according to market demand.

## 40 Number of employees

| | Factory employees | | Total employees | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Number of persons) | | (Number of persons) | |
| Total number of employees as at 31 December | 1,431 | 1,450 | 3,045 | 2,585 |
| Average number of employees | 1,387 | 1,306 | 3,136 | 2,672 |

## 41 Operating segments

As per IFRS 8, "Operating Segments", Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board of Directors (BOD) through the Chief Executive Officer of the Group has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Group has determined the operating segments based on the reports reviewed by the BOD and Chief Executive Officer, which are used to make strategic decisions.

The Chief Executive Officer is responsible for the Group's entire product portfolio and considers the business to have two operating segments. The Group's asset allocation decisions are based on an integrated investment strategy. The Group's performance is evaluated on the basis of two operating segments. The internal reporting provided to the Chief Executive Officer for the Group's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. Contributions to the employee retirement benefits and accrual of liability and expense are made in accordance with the terms of employee retirement benefit schemes and actuarial advice (note 11), as applicable. Contributions to the provident fund are made in accordance with the service rules.

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Segment profit profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The Group's operating segments consists of business related to Singer Brand and Waves Brand.

| | 2018 | | |
|---|---|---|---|
| | Singer | Waves | Total |
| | (Rupees in '000) | | |
| Revenue | 2,049,541 | 6,466,474 | 8,516,015 |
| Segment profit before tax | 43,908 | 466,599 | 510,507 |
| Interest income | - | 46 | 46 |
| Interest expense | 90,203 | 304,597 | 394,800 |
| Loss on disposal of property plant and equipment and investment property | 9,233 | 3,155 | 12,388 |
| Depreciation and amortization | 63,931 | 170,082 | 234,013 |
| Segment assets | 4,627,375 | 10,086,164 | 14,713,539 |
| Segment liabilities | 1,062,398 | 5,262,015 | 6,324,413 |

| | 2017 | | |
|---|---|---|---|
| | Singer | Waves | Total |
| | (Rupees in '000) | | |
| Revenue | 1,731,095 | 3,041,641 | 4,772,736 |
| Segment profit before tax | 348,875 | 2,014 | 350,889 |
| Interest income | 79,357 | - | 79,357 |
| Interest expense | 159,565 | 136,670 | 296,235 |
| Gain on disposal of property plant and equipment and investment property | 456,384 | 567 | 456,951 |
| Depreciation and amortization | 81,048 | 59,395 | 140,443 |
| Segment assets | 2,954,508 | 10,263,958 | 13,218,466 |
| Segment liabilities | 1,291,507 | 3,744,940 | 5,036,447 |

41.1 Revenue from refrigerators and deep freezers represent 47% and 36% (2017: refrigerators and deep freezers represented 29% and 33% respectively) of the total revenue of the Group.

41.2 Sales represents local sales of Rs. 8,502.85 million (2017: Rs. 3,683.20 million) and export sales of Rs. 14.17 million (2017: Rs. 2.42 million).

41.3 All non-current assets of the Group at 31 December 2018 are located in Pakistan.

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## 42 Financial instruments

The Group's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Group's risk management framework. The Board has developed a risk policy that sets out fundamentals of risk management framework. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

### 42.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

### 42.1.1 Exposure to credit risk

Credit risk of the Group arises principally from trade debts, advances, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure.

The Group's customers mainly comprise of individuals, corporate entities and the dealers.The management has established a credit policy under which each new customer is analysed individually for credit worthiness. including whether they are an individual or legal entity, geographic location, aging profile, and existence of previous financial difficulties before the Group's standard payment and delivery terms and conditions are offered. The Group's evaluation includes consideration of financial position of customers and obtains references, wherever required.

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:

| | Carrying amount | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in '000)** | |
| Security deposits | **48,570** | 53,290 |
| Trade debts | **3,246,483** | 2,156,791 |
| Other receivables | **629** | 4,321 |
| Balances with banks | **88,157** | 198,487 |
| | **3,383,839** | 2,412,889 |

### 42.1.2 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Group's performance for developments affecting a particular industry. Maximum exposure to credit risk by type of counterparty is as follows:

| | Net receivable (net of provisions) | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in '000)** | |
| *Trade debts* | | |
| - Retail | **860,125** | 582,961 |
| - Wholesale | **2,386,358** | 1,573,830 |
| *Security Deposits* | | |
| - individuals | **45,536** | 24,632 |
| - leasing | **3,034** | 9,909 |
| - utilities | **-** | 18,749 |
| Insurance company (claims) | **12,201** | 15,893 |
| Banks | **88,157** | 198,487 |
| | **3,395,411** | 2,424,461 |

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42.1.3 **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, 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.

*42.1.3(a)* **Counterparties with external credit ratings**

These include banking companies and financial institutions, which are counterparties to cash deposits and security deposits. The bank balances (including security deposits) are held with banks and financial institutions counterparties, which are rated as follows:

| Banks | Rating Agency | Short term | Long term | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | | (Rupees in '000) | |
| Al Baraka Bank (Pakistan) Limited | PACRA | A1 | A | 52 | 149 |
| Allied Bank Limited | PACRA | A1+ | AAA | 5,625 | 2,498 |
| Askari Bank Limited | PACRA | A1+ | AA+ | 2,969 | 2,677 |
| Bank Alfalah Limited | PACRA | A1+ | AA+ | 3,611 | 3,256 |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ | 22 | 22 |
| Bank of Khyber | PACRA | A1 | A | 214 | - |
| Bank of Punjab | PACRA | A1+ | AA | 1,815 | 364 |
| Dubai Islamic Bank Limited | R-VIS | A-1 | A+ | 165 | 33,959 |
| Faysal Bank Limited | JCR-VIS | A1+ | AA | 1,328 | 2,672 |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA | 49,452 | 120,322 |
| Habib Metropolitan Bank | PACRA | A1+ | AA+ | 288 | 235 |
| J.S. Bank Limited | PACRA | A1+ | AA- | 4 | - |
| MCB Bank Limited | PACRA | A1+ | AAA | 9,981 | 4,047 |
| Meezan Bank | JCR-VIS | A1+ | AA+ | 294 | - |
| National Bank Of Pakistan | PACRA | A1+ | AAA | 1,921 | 9,589 |
| Silk Bank Limited | JCR-VIS | A1+ | AA | 393 | - |
| Soneri Bank Limited | PACRA | A1+ | AA- | 1,046 | 748 |
| Standard Chartered Bank | PACRA | A1+ | AAA | 1,211 | 8,526 |
| United Bank Limited | JCR-VIS | A1+ | AAA | 7,766 | 9,423 |
| | | | | 88,157 | 198,487 |
| ***Security Deposits*** | | | | | |
| Bank of Punjab | PACRA | A1+ | AA | 282 | 357 |
| First Habib Modaraba | PACRA | A1+ | AA+ | - | 444 |
| Orix Leasing (Pakistan) Limited | PACRA | A1+ | AA+ | - | 3,707 |
| Sindh Leasing Company Limited | JCR-VIS | A+ | A-1 | 2,752 | 5,401 |
| | | | | 3,034 | 9,909 |
| | | | | 91,191 | 208,396 |

*42.1.3(b)* ***Counterparties without external credit ratings***

These include customers which are counter parties to trade debts. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer / dealers. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. The analysis of age of trade debts at the reporting date is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Gross | Impairment loss | Gross | Impairment loss |
| | (Rupees in '000) | | (Rupees in '000) | |
| Not yet due | 1,003,868 | - | 532,522 | - |
| Past due 1 - 60 days | 653,498 | - | 797,735 | - |
| Past due 61 days - 1 year | 1,192,686 | - | 740,512 | - |
| Past due 1 - 2 years | 396,431 | - | 86,022 | - |
| Past due by more than 2 year | 274,365 | 274,365 | 263,977 | 263,977 |
| Total | 3,520,848 | 274,365 | 2,420,768 | 263,977 |

At 31 December 2018, provision relates to numerous individual customers, dealers and corporate entities and it has been determined by the management in accordance with the approved policy based on the ageing of the customer balances and historical bad debt statistics. Based on the past experience, consideration of financial position, past track records and subsequent recoveries, the management believes that the unprovided amounts are recoverable. None of the other financial assets of the Group are past due.

None of the financial assets of the Group are secured or impaired except as those mentioned in these consolidated financial statements.

## 42.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation. The Group'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. The Group maintains committed lines of credit as disclosed in note 16 to ensure flexibility in funding. In addition, the Group has unavailed facilities of running finances to meet the deficit, if required to meet the short term liquidity commitment.

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

| | | 31 December 2018 | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | Contractual cash flows | One year or less | One to two years | Two to five years |
| *Financial liabilities* | *Note* | (Rupees in '000) | | | | |
| Long term loans - secured | *9* | 1,013,521 | 1,242,862 | 372,408 | 362,470 | 507,984 |
| Liabilities against assets subject to finance lease | *10* | 65,528 | 75,835 | 28,885 | 19,285 | 27,665 |
| Employee retirement benefit | *11* | 61,823 | 61,823 | - | - | 61,823 |
| Trade and other payables | *14* | 1,577,876 | 1,577,876 | 1,577,876 | - | - |
| Mark-up accrued on borrowings | *15* | 97,338 | 97,338 | 97,338 | - | - |
| Short term borrowings - secured and unsecured | *16* | 2,995,286 | 3,067,868 | 3,067,868 | - | - |
| | | 5,811,372 | 6,123,602 | 5,144,375 | 381,755 | 597,472 |

| | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | Contractual cash flows | One year or less | One to two years | Two to five years |
| *Financial liabilities* | | (Rupees in '000) | | | | |
| Long term loans - secured | *9* | 649,458 | 795,088 | 150,978 | 206,330 | 437,780 |
| Liabilities against assets subject to finance lease | *10* | 55,654 | 62,128 | 20,974 | 19,285 | 21,869 |
| Employee retirement benefit | *11* | 54,527 | 54,527 | - | - | 54,527 |
| Trade and other payables | *14* | 1,035,629 | 1,035,629 | 1,035,629 | - | - |
| Mark-up accrued on borrowings | *15* | 73,766 | 73,766 | 73,766 | - | - |
| Short term borrowings - secured and unsecured | *16* | 2,748,916 | 3,030,358 | 3,030,358 | - | - |
| | | 4,617,950 | 5,051,496 | 4,311,705 | 225,615 | 514,176 |

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## 42.3 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 Group's income or the value of its holdings of financial instruments. The Group is exposed to currency risk and interest rate risk.

### 42.3.1 Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the Group. The functional currency of the Group is Pak Rupee. The currencies in which these transactions are primarily denominated are Euros and US dollars.

#### *42.3.1(a) Exposure to currency risk*

The Company is mainly exposed to currency risk on import of raw materials and merchandise denominated in US dollars. The Company's exposure to foreign currency risk at the reporting date is as follows:

| | | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|---|
| | | | | **(Rupees in '000)** | |
| Trade and other payables - trade creditors | **(USD in '000)** | **2,180** | 780 | **303,207** | 86,128 |
| Trade and other payables - trade creditors | **(Euro in '000)** | **14** | 23 | **2,227** | 3,042 |
| ***Off balance sheet items*** | | | | | |
| Outstanding letters of credit | **(USD in '000)** | **1,782** | - | **247,882** | - |

Following significant exchange rates have been applied:

| | **Average rate** | | **Reporting date Spot rate** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| USD to PKR | **121.62** | 105.43 | **139.10** | 110.42 |
| EUR to PKR | **143.35** | 124.68 | **159.10** | 132.25 |

**Sensitivity analysis**

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower by the amount shown below, as a result of net foreign exchange gain on translation of foreign currency bills payables. Following significant exchange rates have been applied:

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in '000)** | |
| Effect on statement of profit or loss | **30,547** | 8,917 |

The weakening of the PKR by 10% against US Dollar would have had an equal but opposite impact on the profit for the year.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Group.

### 42.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

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*42.3.2(a) Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through statement of profit or loss. Therefore a change in interest rate at the reporting date would not affect statement of profit or loss.

*42.3.2(b) Mismatch of interest rate sensitive financial assets and financial liabilities*

| | 2018 | | |
|---|---|---|---|
| | **Carrying amount** | **Interest bearing / variable rate financial instruments** | **Non-interest bearing / fixed rate financial instruments** |
| | (Rupees in '000) | | |
| ***Financial assets*** | | | |
| Security deposits | 48,570 | - | 48,570 |
| Trade debts | 3,246,483 | - | 3,246,483 |
| Other receivables | 629 | - | 629 |
| Cash and bank balances | 105,247 | - | 105,247 |
| | 3,400,929 | - | 3,400,929 |
| ***Financial liabilities*** | | | |
| Long term loans - secured | (1,013,521) | (1,013,521) | - |
| Liabilities against assets subject to finance lease | (65,528) | (65,528) | - |
| Employee retirement benefit | (61,823) | - | (61,823) |
| Trade and other payables | (1,577,876) | (88,623) | (1,489,253) |
| Mark-up accrued on borrowings | (97,338) | - | (97,338) |
| Short term borrowings - secured and unsecured | (2,995,286) | (2,995,286) | - |
| | (5,811,372) | (4,162,958) | (1,648,414) |
| | (2,410,443) | (4,162,958) | 1,752,515 |

| | 2017 | | |
|---|---|---|---|
| | Carrying amount | Interest bearing / variable rate financial instruments | Non-interest bearing financial instruments |
| ***Financial assets*** | (Rupees in '000) | | |
| Security deposits | 53,290 | - | 53,290 |
| Trade debts | 2,156,791 | - | 2,156,791 |
| Other receivables | 4,321 | - | 4,321 |
| Cash and bank balance | 291,647 | - | 291,647 |
| | 2,506,049 | - | 2,506,049 |
| ***Financial liabilities*** | | | |
| Long term loans - secured | (649,458) | (649,458) | - |
| Liabilities against assets subject to finance lease | (55,654) | (55,654) | - |
| Employee retirement benefit | (54,527) | - | (54,527) |
| Trade and other payables | (1,035,629) | (70,649) | (964,980) |
| Mark-up accrued on borrowings | (73,766) | - | (73,766) |
| Short term borrowings - secured and unsecured | (2,748,916) | (2,748,916) | - |
| | (4,617,950) | (3,524,677) | (1,093,273) |
| | (2,111,901) | (3,524,677) | 1,412,776 |

*42.3.2(c)* Effective interest / mark-up rates for the financial assets and financial liabilities are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **Percentage** | |
| ***Financial liabilities*** | | |
| Long term loans - secured | **9.16% to 13.40%** | 9.15% |
| Liabilities against assets subject to finance lease | **8.43% to 14.07%** | 7.14% to 11% |
| Short term borrowings - secured and unsecured | **7.66% to 12.94%** | 7.29% to 10.16% |

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by Rs. 40.55 million (2017: Rs. 34.54 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

**42.3.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). At reporting date the Group did not have financial instruments exposed to other price risk.

## 42.4 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 Group 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 Group 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 Group 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).

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-balance sheet financial and non-financial instruments**

| | 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | | | Fair value | | |
| | Loans and receivables | Other financial assets | Total | Level 1 | Level 2 | Level 3 |
| ***Financial assets not measured at fair value*** | (Rupees in '000) | | | | | |
| Security deposits | 48,570 | - | 48,570 | - | - | - |
| Trade debts | 3,246,483 | - | 3,246,483 | - | - | - |
| Other receivables | 629 | - | 629 | - | - | - |
| Cash and Bank balances | 88,157 | 17,090 | 105,247 | - | - | - |
| | 3,383,839 | 17,090 | 3,400,929 | - | - | - |

| | Carrying Amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | Loans and receivables | Financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| ***Financial liabilities not measured at fair value*** | (Rupees in '000) | | | | | |
| Long term loans - secured | - | 1,013,521 | 1,013,521 | - | - | - |
| Liabilities against assets subject to finance lease | - | 65,528 | 65,528 | - | - | - |
| Employee retirement benefit | - | 61,823 | 61,823 | - | - | - |
| Trade and other payables | - | 1,577,876 | 1,577,876 | - | - | - |
| Mark-up accrued on borrowings | - | 97,338 | 97,338 | - | - | - |
| Short term borrowings - secured and unsecured | - | 2,995,286 | 2,995,286 | - | - | - |
| | - | 5,811,372 | 5,811,372 | - | - | - |

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On-balance sheet financial and non-financial instruments

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | | | Fair value | | |
| | Loans and receivables | Other financial assets | Total | Level 1 | Level 2 | Level 3 |
| *Financial assets not measured at fair value* | (Rupees in '000) | | | | | |
| Security deposits | 53,290 | - | 53,290 | - | - | - |
| Trade debts | 2,156,791 | - | 2,156,791 | - | - | - |
| Other receivables | 4,321 | - | 4,321 | - | - | - |
| Cash and bank balances | 198,487 | 93,160 | 291,647 | - | - | - |
| | 2,412,889 | 93,160 | 2,506,049 | - | - | - |

| | Carrying Amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | Loans and receivables | Financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| *Financial liabilities not measured at fair value* | (Rupees in '000) | | | | | |
| Long term loans - secured | - | 649,458 | 649,458 | - | - | - |
| Liabilities against assets subject to finance lease | - | 55,654 | 55,654 | - | - | - |
| Employee retirement benefit | - | 54,527 | 54,527 | - | - | - |
| Trade and other payables | - | 1,035,629 | 1,035,629 | - | - | - |
| Mark-up accrued on short term running | - | 73,766 | 73,766 | - | - | - |
| Short term borrowing | - | 2,748,916 | 2,748,916 | - | - | - |
| | - | 4,617,950 | 4,617,950 | - | - | - |

The Group 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.

***Non-financial assets measured at fair value***

Land and buildings

| | | |
|---|---|---|
| *Revalued Property, plant and equipment* | Date of valuation | 31 December 2017 |

***Valuation approach and inputs used***

The valuation model is based on price per square metre. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.

The fair value are subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.

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## 42.5 Capital risk management

The Group's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

The Group manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio calculated as total debt (current and non-current borrowings) to debt plus equity.

| The debt to equity ratios were as follows: | **2018** | 2017 |
|---|---|---|
| | **(Rupees in '000)** | |
| Total debt | **4,008,807** | 3,398,374 |
| Total equity and debt | **12,397,932** | 11,565,017 |
| Debt to equity ratio | **32%** | 29% |

The Group is not subject to externally imposed capital requirements.

## 43 Events after the reporting date

The Board of Directors in their meeting held on ______________________ have proposed a final cash dividend for the year ended 31 December 2018 of Rs. _________ per share (2017: Rs. 1.25 per share), amounting to Rs. ____________ million (2017: Rs. 177.32 million) for approval of the members at the Annual General Meeting to be held on ______________________. These consolidated financial statements do not reflect this dividend.

## 44 Corresponding figures

Corresponding figures have been re-arranged and re-classified, where necessary, for the purpose of comparison and better presentation as per reporting framework. However, no significant reclassification has been made.

## 45 Date of authorization of issue

These consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on __________________.

| | | | |
|---|---|---|---|
| **Lahore** | **Director** | **Chief Executive** | **Chief Financial Officer** |

# -INDEPENDENT AUDITOR'S REPORT

**To the members of Waves Singer Pakistan Limited**

**Report on the Audit of the Unconsolidated Financial Statements**

***Opinion***

We have audited the annexed unconsolidated financial statements of **Waves Singer Pakistan Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2018, 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 year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

***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 the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| **1.** | **Valuation of intangible assets**<br><br>Refer to note 5.3 and 20 to the unconsolidated financial statements.<br><br>During the year ended 31 December 2017, the Company acquired Cool Industries (Private) Limited and Linkwel (Private) Limited. Provisional goodwill arising from this acquisition was recognized amounted to 2,975.12 million, which represented the excess of the consideration paid over the Company's share of the fair value of the identifiable net assets.<br><br>During the year ended 31 December 2018, the fair values of separately identifiable intangible assets were assessed by the management based on the valuation prepared by an external valuation expert which required the exercise of significant judgement and estimation, hence provisional goodwill was revised and other intangible assets i.e. brand value and customer relationships were identified.<br><br>The Company annually tests the carrying value of goodwill and intangible assets. The testing is subject to estimates and judgments made by the management of the Company with respect to future sales growth and profitability, cash flow projection and selection of appropriate discount rate.<br><br>We identified the valuation of separately identifiable intangible assets and goodwill and their impairment testing as a key audit matter because significant degree of management judgement is involved in making the above assessment and in forecasting the future cash flows of the Company which are inherently uncertain. | Our audit procedures, amongst others, included the following:<br><br>• obtaining an understanding of the process and testing the design and implementation of relevant key internal controls over valuation of intangible assets;<br><br>• assessing the appropriateness of the Company's accounting policy for recognition of separately identifiable intangible assets and goodwill and compliance of the policy with applicable accounting and reporting standards;<br><br>• evaluated the professional valuer's competence, capabilities and objectivity and assessed the appropriation of methodology used by the professional valuer to estimate the value of identifiable intangible assets;<br><br>• obtaining and inspecting the valuation report prepared by the external valuer engaged by the Company and on which the management assessment of the fair value of the separately identifiable intangible assets;<br><br>• discussing with the Company's management key assumptions used in valuation model and testing the mathematical accuracy of the model;<br><br>• involving our internal valuation specialists to assist us in assessing the valuation model and significant estimates, assumptions and judgements applied in the valuation of intangible assets and goodwill on the date of acquisition and assessing the recoverable amount at the year end, including discount rate, growth rate, terminal value and attrition rate, with reference to available market information;<br><br>• comparing the recoverable amount with the goodwill and intangible assets recognized to identify impairment, if any; and<br><br>• assessing the adequacy of disclosure made in the unconsolidated financial statements in accordance with the requirements of the applicable accounting standards. |
| **2.** | **Sales**<br><br>Refer to note 5.15 and 28 to the unconsolidated financial statements.<br><br>The Company principally generates revenue from manufacturing and assembly of domestic consumer appliances along-with retailing and trading of the same. | Our audit procedures, amongst others, included the following:<br><br>• obtaining an understanding of the process relating to recording of sales and testing the design, implementation and operating effectiveness of relevant key internal controls over recording of sales; |

| Sr. No. | Key audit matters | How the matter was addressed in our audit |
|---|---|---|
| | We identified revenue recognition as a key audit matter because it is one of the key performance indicator of the Company and gives rise to an inherent risk of misstatement to meet expectations or targets. | • assessing the appropriateness of the Company's accounting policy for recording of sales and compliance of the policy with applicable accounting and reporting standards;<br>• comparing a sample of sale transactions recorded during the year with sales orders, sales invoices, delivery challans and other relevant underlying documents;<br>• comparing a sample of sale transactions recorded near the year end with the sales orders, sales invoices, delivery challans and other relevant underlying documentation to assess if the sale was recorded in the appropriate accounting period;<br>• inspecting on a sample basis, credit notes issued near to and subsequent to year end to evaluate whether the adjustments to sales had been accurately recorded in the appropriate accounting period; and<br>• scanning for any manual journal entries relating to sales recorded during and near the year end which were considered to be material or met other specific risk based criteria for inspecting underlying documentation. |
| **3.** | **Valuation of Stock in trade**<br>Refer notes 5.8 and 24 to the unconsolidated financial statements.<br>As at 31 December 2018, the Company's gross carrying amount of stock-in trade amounts to amounts to Rs. 2,996.65 million against which net realizable value adjustment of Rs. 5.34 million has been recorded.<br>We identified valuation of stock in trade as a key audit matter as it involves significant management judgment in determining the carrying value of stock in trade. | Our audit procedures, amongst others, included the following:<br>• assessing the appropriateness of Company's accounting policy for valuation of stock in trade and compliance of the policy with applicable accounting and reporting standards;<br>• obtaining an understanding of internal controls over valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;<br>• obtaining an understanding and assessing reasonableness of the management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales and their basis; and<br>• comparing the NRV, on a sample basis, to the cost of stock in trade to assess whether any adjustments are required to the value of stock in trade in accordance with the accounting policy. |

### ***Information Other than the Financial Statements and Auditor's Report Thereon***

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the unconsolidated and consolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.

Board of directors are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 ISAs 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 unconsolidated financial statements.

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 the unconsolidated 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 the unconsolidated 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 the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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 the board of directors 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 the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated 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.

***Report on Other Legal and Regulatory Requirements***

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVlII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

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

**Lahore**

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

**Date: 5th April, 2019**

Waves Singer Pakistan Limited

Unconsolidated Statement of Financial Position

*As at 31 December 2018*

| EQUITY AND LIABILITIES | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | (Rupees in '000) | (Restated) | (Restated) |
| ***Share Capital and Reserves*** | | | | |
| Authorised capital 175,000,000 (2017: 145,000,000) ordinary shares of Rs. 10 each | 6 | **1,750,000** | 1,450,000 | 700,000 |
| Issued, subscribed and paid-up capital | 6 | **1,631,340** | 454,056 | 454,056 |
| Shares to be issued pursuant to amalgamation | | **-** | 964,500 | - |
| Share premium reserve | 7 | **4,825,764** | 5,038,548 | - |
| Capital reserve | | **5,000** | 5,000 | 5,000 |
| Revenue reserve - unappropriated profit / (accumulated loss) | | **1,754,670** | 1,463,020 | (150,252) |
| Surplus on revaluation of property, plant and equipment - net of tax | 8 | **158,525** | 159,500 | 1,095,855 |
| | | **8,375,299** | 8,084,624 | 1,404,659 |
| ***Non-current liabilities*** | | | | |
| Long term loans - secured | 9 | **732,271** | 568,276 | 528,125 |
| Liabilities against assets subject to finance lease | 10 | **42,454** | 38,254 | 10,944 |
| Employee retirement benefits - obligation | 11 | **42,480** | 37,436 | 51,612 |
| Deferred tax liability - net | 12 | **75,628** | 138,697 | 216,560 |
| Deferred income | 13 | **20,215** | 12,679 | 2,340 |
| | | **913,048** | 795,342 | 809,581 |
| ***Current liabilities*** | | | | |
| Trade and other payables | 14 | **1,683,939** | 1,165,325 | 473,371 |
| Mark-up accrued on borrowings | 15 | **97,338** | 73,766 | 40,005 |
| Short term borrowings - secured and unsecured | 16 | **2,995,286** | 2,748,916 | 1,177,396 |
| Unclaimed dividend | | **1,325** | 1,325 | 1,325 |
| Unpaid dividend | | **1,517** | - | - |
| Current portion of long term liabilities | 17 | **311,449** | 101,615 | 27,150 |
| | | **5,090,854** | 4,090,947 | 1,719,247 |
| **Contingencies and commitments** | 18 | | | |
| | | **14,379,201** | 12,970,913 | 3,933,487 |

| ASSETS | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | (Rupees in '000) | (Restated) | (Restated) |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 19 | **4,316,040** | 4,229,343 | 1,657,732 |
| Intangible assets and goodwill | 20 | **2,689,031** | 2,671,069 | 22,345 |
| Investment property | 21 | **178,300** | 173,501 | 317,200 |
| Investment in subsidiaries | 22 | **573,769** | 573,769 | 2,000 |
| Employee retirement benefits - obligation | 11 | **9,960** | - | - |
| Long term deposits | 23 | **4,179** | 10,999 | 18,514 |
| | | **7,771,279** | 7,658,681 | 2,017,791 |
| ***Current assets*** | | | | |
| Stores, spares and loose tools | | **31,035** | 22,918 | 5,112 |
| Stock-in-trade | 24 | **2,991,310** | 2,559,539 | 509,039 |
| Trade debts | 25 | | | |
| - Retail | | **-** | - | 714,943 |
| - Wholesale | | **1,982,771** | 1,270,931 | 348,374 |
| Advances, deposits, prepayments and other receivables | 26 | **1,062,145** | 758,430 | 33,036 |
| Taxation - net | | **450,001** | 457,241 | 157,100 |
| Cash and bank balances | 27 | **90,660** | 243,173 | 148,092 |
| | | **6,607,922** | 5,312,232 | 1,915,696 |
| | | **14,379,201** | 12,970,913 | 3,933,487 |

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

**Lahore** | **Director** | **Chief Executive Officer** | **Chief Financial Officer**

# Waves Singer Pakistan Limited

## Unconsolidated Statement of Profit or Loss

*For the year ended 31 December 2018*

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Sales - net of sales return | | **8,835,894** | 4,224,648 |
| Sales tax and trade discount on invoices | | **(2,846,284)** | (1,218,131) |
| Sales - net | *28* | **5,989,610** | 3,006,517 |
| Cost of sales | *29* | **(5,423,108)** | (2,621,131) |
| **Gross profit** | | **566,502** | 385,386 |
| Marketing, selling and distribution costs | *30* | **(185,083)** | (297,462) |
| Administrative expenses | *31* | **(125,613)** | (128,512) |
| Other expenses | *32* | **(108,768)** | (45,209) |
| Other income | *33* | **666,013** | 505,360 |
| | | **246,549** | 34,177 |
| | | **813,051** | 419,563 |
| Earned carrying charges | | **-** | 51,989 |
| Finance costs | *34* | **(423,474)** | (296,096) |
| | | **(423,474)** | (244,107) |
| **Profit before taxation** | | **389,577** | 175,456 |
| Taxation | *35* | **63,092** | 13,002 |
| **Profit for the year** | | **452,669** | 188,458 |
| | | | *(Restated)* |
| Earnings per share - basic and diluted *(Rupees)* | *36* | **2.77** | 1.64 |

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Khurrim

| | | | |
|---|---|---|---|
| **Lahore** | **Director** | **Chief Executive Officer** | **Chief Financial Officer** |

# Waves Singer Pakistan Limited
## Unconsolidated Statement of Comprehensive Income
*For the year ended 31 December 2018*

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Profit for the year | **452,669** | 188,458 |
| ***Other comprehensive income*** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| - Surplus on revaluation of property, plant and equipment | - | 144,262 |
| - Related deferred tax on surplus | - | (42,919) |
| - Deferred tax reversal on investment property | - | 45,899 |
| - Actuarial gain / (loss) on employee retirement benefits | **15,197** | (15,749) |
| - Related tax effect | - | - |
| | **15,197** | 131,493 |
| Total comprehensive income for the year | **467,866** | 319,951 |

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Lahore | Director | Chief Executive Officer | Chief Financial Officer

Waves Singer Pakistan Limited

Unconsolidated Statement of Changes in Equity

*For the year ended 31 December 2018*

| | Issued, subscribed and paid-up capital | Capital Reserves | | | | Revenue Reserve | |
|---|---|---|---|---|---|---|---|
| | | Shares to be issued pursuant to amalgamation | Share premium reserve | Other capital reserve | Surplus on revaluation of land and building | (Accumulated losses) / Unappropriated profits | Total |
| | (Rupees in '000) | | | | | | |
| As at 01 January 2017 previously reported | 454,056 | - | - | 5,000 | - | (150,252) | 308,804 |
| Impact of change in policy as explained in note 5.1 | - | - | - | - | 1,095,855 | - | 1,095,855 |
| **As at 01 January 2017 - *restated*** | **454,056** | - | - | **5,000** | **1,095,855** | **(150,252)** | **1,404,659** |
| *Total comprehensive income for the year* | | | | | | | |
| Profit after taxation | - | - | - | - | - | 188,458 | 188,458 |
| *Other comprehensive income for the year* | | | | | | | |
| Remeasurement of defined benefit obligation | - | - | - | - | - | (15,749) | (15,749) |
| Surplus on revaluation of property, plant and equipment arisen | - | - | - | - | 144,262 | - | 144,262 |
| Related deferred tax on surplus arisen | - | - | - | - | (42,919) | - | (42,919) |
| Deferred tax reversal on investment property | - | - | - | - | 45,899 | - | 45,899 |
| | - | - | - | - | 147,242 | 172,709 | 319,951 |
| *Surplus transferred to accumulated profits* | | | | | | | |
| Transfer against sale of land and building - net of tax | - | - | - | - | (1,072,432) | 1,072,432 | - |
| Transfer of related deferred tax | - | - | - | - | - | 356,966 | 356,966 |
| Incremental depreciation relating to surplus on revaluation - net of tax | - | - | - | - | (11,165) | 11,165 | - |
| | - | - | - | - | (1,083,597) | 1,440,563 | 356,966 |
| *Transactions with owners of the Company* | | | | | | | |
| Shares to be issued pursuant to amalgamation | - | 964,500 | 5,038,548 | - | - | - | 6,003,048 |
| **Balance as at 31 December 2017 - *restated*** | **454,056** | **964,500** | **5,038,548** | **5,000** | **159,500** | **1,463,020** | **8,084,624** |
| *Total comprehensive income for the year* | | | | | | | |
| Profit after taxation | - | - | - | - | - | 452,669 | 452,669 |
| *Other comprehensive income for the year* | | | | | | | |
| Remeasurement of defined benefit obligation | - | - | - | - | - | 15,197 | 15,197 |
| *Surplus transferred to accumulated profits* | | | | | | | |
| Transfer against sale of land and building - net of tax | - | - | - | - | (967) | 967 | - |
| Incremental depreciation relating to surplus on revaluation - net of tax | - | - | - | - | (137) | 137 | - |
| Effect of change in tax rate on account of surplus on property, plant and equipment | - | - | - | - | 129 | - | 129 |
| | - | - | - | - | (975) | 468,970 | 467,995 |
| *Transactions with owners of the Company* | | | | | | | |
| Shares issued under scheme of amalgamation | 964,500 | (964,500) | - | - | - | - | - |
| Shares issued as fully paid bonus shares @ 15% | 212,784 | - | (212,784) | - | - | - | - |
| Final dividend for the year ended 31 December 2017 @ Rs. 1.25 per share | - | - | - | - | - | (177,320) | (177,320) |
| | 1,177,284 | (964,500) | (212,784) | - | - | (177,320) | (177,320) |
| **Balance as at 31 December 2018** | **1,631,340** | - | **4,825,764** | **5,000** | **158,525** | **1,754,670** | **8,375,299** |

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

Lahore

Director

Chief Executive Officer

Chief Financial Officer

Waves Singer Pakistan Limited
Unconsolidated Statement of Cash Flows
*For the year ended 31 December 2018*

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | **389,577** | 175,456 |
| *Adjustments for non-cash items:* | | | |
| Depreciation on property, plant and equipment | 19.1.4 | **157,750** | 115,859 |
| Amortisation of intangible asset | 20.3 | **9,445** | 3,629 |
| Finance costs | 34 | **423,972** | 296,096 |
| Net loss on insurance claim of fixed assets written off due to fire | | **6,838** | - |
| Loss of inventory due to fire | | **(186,098)** | - |
| Loss on sale of property, plant and equipment | | **5,550** | (456,951) |
| Unrealised gain on investment property at fair value | | **(4,799)** | (34,676) |
| Workers' Profit Participation Fund | | **27,331** | 12,248 |
| Interest on Workers' Profit Participation Fund | | **498** | 437 |
| Amortisation of deferred income | | **(6,321)** | (2,452) |
| Liabilities no longer payable written back | | **(21,134)** | - |
| Provision against stock-in-trade | | **-** | 1,790 |
| Provision against trade debts and other receivables | | **10,388** | 15,011 |
| Provision for employee retirement benefits | | **10,281** | 12,649 |
| Dividend income from subsidiary company | | **(540,000)** | - |
| **Profit before working capital changes** | | **283,278** | 139,096 |
| ***Effect on cash flows due to working capital changes*** | | | |
| *(Increase) / decrease in current assets* | | | |
| Stores, spares and loose tools | | **(8,117)** | 9,033 |
| Stock-in-trade | | **(431,771)** | (214,963) |
| Trade debts | | **(722,228)** | (214,332) |
| Advances, deposits, prepayments and other receivables | | **(303,715)** | 63,615 |
| Increase / (decrease) in trade and other payables | | **524,664** | (477,030) |
| | | **(941,167)** | (833,677) |
| **Cash used in operations** | | **(657,889)** | (694,581) |
| Income tax - net | | **7,392** | (34,542) |
| Workers' Profit Participation Fund paid | | **(12,746)** | (7,119) |
| Employee retirement benefits paid | | **-** | (25,846) |
| Long term deposits - net | | **6,820** | (4,218) |
| **Net cash used in operating activities** | | **(656,423)** | (766,306) |
| ***Cash flows from investing activities*** | | | |
| Capital expenditure | | **(498,319)** | (186,525) |
| Net proceeds against insurance claim against assets written off due to fire | | **429,037** | - |
| Proceeds from disposal of property, plant and equipment | | **12,601** | 2,048,292 |
| Dividend received from subsidiary company | | **540,000** | - |
| **Net cash flows from investing activities** | | **483,319** | 1,861,767 |
| ***Cash flows from financing activities*** | | | |
| Lease rentals paid - net | | **(13,639)** | (10,657) |
| Finance costs paid | | **(400,400)** | (305,266) |
| Dividend paid | | **(175,803)** | - |
| Short term finances availed - net | | **(414,989)** | 207,859 |
| Long term loans - net | | **364,063** | (396,875) |
| **Net cash flows from financing activities** | | **(640,768)** | (504,939) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(813,872)** | 590,522 |
| **Cash and cash equivalents at beginning of the year** | | **(625,334)** | (749,304) |
| **Cash and cash equivalents acquired in a business combination** | | **-** | (466,552) |
| **Cash and cash equivalents at end of the year** | 37 | **(1,439,206)** | (625,334) |

The annexed notes 1 to 48 form an integral part of these unconsolidated financial statements.

KPMG

**Lahore** **Director** **Chief Executive Officer** **Chief Financial Officer**

**1 Status and nature of business**

Waves Singer Pakistan Limited ("the Company") is incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a public company limited by shares and is quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacturing and assembly of domestic consumer appliances along with retailing and trading of the same and other light engineering products. The registered office of the Company is located at 9-K.M, Hanjarwal, Multan Road, Lahore.

Geographical locations of the manufacturing facilities of the Company are located at:
- 9-K.M, Hanjarwal, Multan Road, Lahore.
- Dina Nath, Mouza Rakh Serai Cheenba, Tehsil Pattoki, District Kasur.

**2 Summary of significant events and transactions in the current reporting period**

**2.1** The Company's financial position and performance was particularly affected by the following events and transactions during the reporting year:

- Effective 01 July 2017, the Honourable Sindh High Court through its order dated 22 May 2018 approved the Scheme of Arrangement as proposed and granted sanction order for the amalgamation of Cool Industries (Private) Limited (CIPL) and Link Wel (Private) Limited (LWPL) with and into Singer Pakistan Limited (now Waves Singer Pakistan Limited) and demerger of retail business from the Company and amalgamate the same into the Electronics Marketing Company (Private) Limited (a wholly owned subsidiary company). The Board of Directors of the Company, in their meeting held on 27 November 2017, approved and resolved to present the Scheme of Arrangement with and into the Company before the shareholders of the Company for their approval. Approval of the secured creditors was obtained on 29 December 2017, while the shareholders of the Company approved the Scheme of Arrangement in their Extraordinary General Meeting (EOGM) held on 29 December 2017. In consideration, the Company issued 96,450,000 ordinary shares of the Company in aggregate in favour of the shareholders of CIPL (93,975,000 shares) and LWPL (2,375,000) of the Company on the basis of swap ratio of 1 (one) ordinary share of the CIPL for every 1.79 ordinary shares of the Company and 1 (one) ordinary share of the LWPL for every 0.33 ordinary shares of the Company.

  The Company expects several benefits after this merger including the synergies of operations, (merging entities being engaged in the similar nature of business), utilization and the benefits of the "Waves" brand (held by CIPL) along with the Singer brand already held by surviving company, enhancement of the marketing and advertising opportunities, increased market penetration, a large equity and asset base of the merged entity and reduction in administration cost, etc.

  For the purpose of demerger, 24,800,000 ordinary shares of Rs. 10 each of EMCPL have been allotted and issued by EMCPL to the Company.

- As fully explained in note 32.1, a fire broke out at production facility located in Lahore causing damage to the finished goods under dispatch, production facility (i.e. Plant and machinery) along with its related building area and work-in-process which were adequately insured. Consequently, the Company has written off property, plant and equipment and stock in trade with carrying value of Rs. 249.78 million and Rs. 186.10 million respectively.

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Subsequently, the Company has incurred capital expenditure amounting to Rs. 498.32 million in aggregate (building and plant and machinery) for the replacement and expansion of its current manufacturing facility.

- Change in accounting policy for surplus on revaluation of land and buildings as detailed in note 5.1 to these unconsolidated financial statements.

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, the Company has presented additional disclosures in these financial statements and represented certain comparative figures.

- For detailed discussion about the Company's performance, please refer to the Director's report.

## 3 Basis of preparation

### 3.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared and presented separately.

The Company has the following long term investments:

| | **2018** | 2017 |
|---|---|---|
| | **(Direct holding percentage)** | |
| **Name of subsidiary companies** | | |
| - Waves Marketing (Private) Limited | **100** | 100 |
| - Electronics Marketing Company (Private) Limited | **100** | 100 |

### 3.2 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017; and

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 3.3 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for land and buildings (including the investment property) which are stated at revalued amounts less subsequent depreciation and impairment losses as referred to in note 19, recognition of lease liability and employee retirement benefits as referred to in note 10 and 11 at present value respectively.

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### 3.4 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistani Rupee which is also the Company's functional and presentation currency and have been rounded off to the nearest thousand.

## 4 Use of estimates and judgments

The preparation of these unconsolidated 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 the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

| | | Note |
|---|---|---|
| - | Residual value, market values and useful lives of property, plant and equipment | 5.2 |
| - | Useful lives of intangible assets | 5.3 |
| - | Investment property | 5.5 |
| - | Provision for employee retirement benefit plans | 5.6 |
| - | Stock in trade and stores and spares and loose tools at net realisable value / net of impairment losses | 5.7 & 5.8 |
| - | Provision for impairment of trade debts | 5.9 |
| - | Valuation of investment in subsidiary company | 5.10 |
| - | Provisions | 5.13 |
| - | Provision for warranty obligation | 5.14 |
| - | Taxation | 5.16 |
| - | Impairment of financial and non-financial assets | 5.18 |

## 5 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements, except as disclosed in note 5.1.

### 5.1 Change in accounting policy

Up to 31 December 2017, surplus on revaluation of land and building was being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation was credited to the surplus on revaluation account. With effect from 01 January 2018, Companies Act, 2017 has become applicable and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Accordingly the management has changed the accounting policy to bring accounting of revaluation surplus in accordance with the requirements of IAS 16 "Property, plant and equipment". The effect of this change in accounting policy, which is applied with retrospective effect, has resulted in transfer of surplus on revaluation of property, plant and equipment - net of tax amounting to Rs. 159.50 million and Rs. 1,095.86 million as at 31 December 2017 and 31 December 2016 respectively to statement of changes in equity.

## 5.2 Property, plant and equipment

***Owned***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for the land which is stated at revalued amount less impairment loss, if any, and buildings which are stated at the revalued amounts less accumulated depreciation and impairment losses, if any. Cost includes expenditure directly attributable to the acquisition of an asset.

Land and Buildings are revalued by professionally qualified valuer with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value (market value). In case of revalued assets, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated at the revalued amount of the asset.

Depreciation is charged to the statement of profit or loss applying the straight-line method whereby the depreciable amount of an asset is depreciated over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and up to the month of disposal. Amount equivalent to incremental depreciation charged for the year on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings. The rates of depreciation are stated in note 19.1 to these unconsolidated financial statements.

The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant. Normal repairs and maintenance are charged to the statement of profit or loss as and when incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. Gains and losses on disposal of assets are taken to the statement of profit or loss. When revalued assets are sold, the amount included in surplus on revaluation of property, plant and equipment is transferred to retained earnings.

***Leased***

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, an asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Each minimum lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to statement of profit or loss over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and non-current depending upon the timing of the payment.

Depreciation is charged on the same basis as used for owned assets.

***Sale and lease back***

Where the sale and lease back transactions result in a finance lease, any excess of sale proceeds over the carrying amount is deferred and amortised over the lease term. However, sale proceeds less than the carrying value is immediately recognised in the statement of profit or loss.

*Capital work in progress*

It is stated at cost less impairment losses, if any. It includes expenditure incurred and advances made in respect of assets in the course of their construction and installation. These cost are transferred to relevant assets category as and when assets are available for intended use.

**5.3 Intangible assets and goodwill**

*Goodwill*

Goodwill arising on the acquisition of business represents future economic benefits arising from assets that are not capable of being individually identified and separately recognized. Goodwill is initially recognized at cost which is determined as the excess of the cost of business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is annually tested for impairment.

*Other Intangible asset*

Other intangible assets, including customer relationship, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets such as brand value that have infinite lives are measured at cost less accumulated impairment losses, if any.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over their estimated useful lives and is generally recognised in profit or loss. The rates of amortization are stated in note 20.1 to these unconsolidated financial statements.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gain or loss from derecognition of intangible assets is recognised in the statement of profit or loss.

**5.4 Business combination**

As per the requirement of International Financial Reporting Standards 3, business combinations are accounted for by applying the acquisition method (other than those of the businesses / entities under common control unless it is transitory in nature). The cost of acquisition is measured at the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement, if any.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

### 5.5 Investment property

Property, comprising land or a building or part thereof, held to earn rentals or for capital appreciation or both are classified as investment property. These are not held for use in the production or supply of goods or services or for administrative purposes. The Company's business model i.e. the Company's intentions regarding the use of property is the primary criterion for classification as an investment property.

Investment property is initially measured at cost (including the transaction costs). However when an owner occupied property carried at fair value becomes an investment property because its use has changed, the transfer to the investment property is at fair value on the date of transfer and any balance of surplus on the revaluation of the related assets, on the date of such a transfer continues to be maintained in the surplus account on revaluation of property, plant and equipment. Upon disposal, any surplus previously recorded in the revaluation surplus account is directly transferred to retained earnings / accumulated losses and the transfer is not made through the statement of profit or loss. However any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the unconsolidated statement of profit or loss.

The transfer to investment property is made when, and only when, there is a change in use, evidenced by the end of owner occupation. In case of dual purpose properties, the same is classified as investment property, only if the portion could be sold or leased out separately under finance lease.

Subsequent to initial recognition, the Company measures the investment property at fair value at each reporting date and any subsequent change in fair value is recognised in the statement of profit or loss (i.e. in case where the owner occupied property carried at fair value becomes an investment property, the fair value gain to be recognised in the statement of profit or loss would be the difference between the fair value at the time of initial classification as investment property and fair value at the time of subsequent remeasurement). The revaluation of investment properties are carried out by independent professionally qualified valuers on the basis of active market price.

### 5.6 Employee retirement and other service benefits

***Defined benefit plans***

The Company operates a funded defined benefit pension scheme for the eligible executives and managers and a funded gratuity scheme for all of its eligible employees (old Singer Pakistan Limited's employees) other than field staff. Provisions / contributions are made in the unconsolidated financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit Method.

Amount recognised in statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of the plan assets, if any. All actuarial gains and losses are recognised in 'Other Comprehensive Income' as they occur. Past service cost resulting from the changes to defined benefit plan is immediately recognised in the statement of profit or loss. Current service cost together with net interest cost are also charged to the statement of profit or loss.

Calculation of gratuity and pension require assumptions to be made of future outcomes which mainly includes increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

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***Defined contribution plan***

The Company operates a recognised provident fund scheme covering all eligible employees. The Company and employees make equal monthly contributions to the fund.

***Staff Compensated absences***

The Company recognises the liability for compensated absences in respect of employees in the period in which they are earned up to the reporting date on the basis of un-availed earned leaves balance at the end of the year.

**5.7 Stores, spares and loose tools**

These are valued at lower of cost determined on first-in-first-out basis and impairment losses if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the reporting date less any impairment losses.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimates. These are based on their future usability. Provision is made for any excess of carrying value over the estimated net realizable value and is recognised in the unconsolidated statement of profit or loss.

**5.8 Stock-in-trade**

Stock-in-trade is valued at the lower of cost determined on first-in-first-out basis and net realisable value except for stock in transit which is stated at invoice value plus other charges incurred thereon up to the reporting date. Cost in relation to work in process and manufactured finished goods represent direct cost of materials, direct wages and appropriate allocation of manufacturing overheads. Cost of goods purchased for resale comprises of purchase price, import duties, taxes (other than those subsequently recoverable by the entity from tax authorities) and other directly attributable cost wherever applicable.

Cost comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated cost necessary to be incurred to make the sale.

The management continuously reviews its inventory for existence of any items which may have become obsolete. Provision is made for slow moving inventory based on management's estimation. These are based on historical experience and are continuously reviewed.

**5.9 Trade debts**

These are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost.

Provision for doubtful debts is established where there is objective evidence that the Company will not be able to collect amount due according to the original terms of the receivable is based on management's assessment of anticipated uncollectible amounts based on Company's past experience, historical bad debts statistics and ageing analysis. Debts are written off when considered irrecoverable.

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## 5.10 Investment in Subsidiaries

Investments in subsidiaries are measured at cost less impairment, if any, in the Company's separate financial statements. At subsequent reporting date, the recoverable amounts of investments are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as an expense in the statement of profit or loss. Investments in subsidiaries that have suffered an impairment are reviewed for possible reversal of impairment at each reporting date. Where impairment losses are subsequently reversed, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. Impairment losses recognised in the statement of profit or loss on investments in subsidiaries are reversed through the statement of profit or loss.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27, 'Separate Financial Statements'.

## 5.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, and deposits held with banks with 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. Short term running finance facilities availed by the Company are also included as part of cash and cash equivalents for the purpose of cash flow statement.

## 5.12 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.

## 5.13 Provisions

A provision is recognised 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.

## 5.14 Warranty obligations

The Company accounts for its warranty obligations based on historical trends when the underlying products or services are sold.

## 5.15 Revenue recognition

- Sales are stated net of sales tax, rebate and sales return and are recognised when persuasive evidence of a sale exists. The key area of judgment in recognising revenue is the timing of recognition, which reflects the point or period when the Company has transferred significant risks and rewards of ownership to third parties. Revenue from sale of goods is measured at fair value of the consideration received or receivable and is recognised as revenue on dispatch of goods to customers.

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- Revenue from services rendered is recognised in statement of profit or loss when the related services are performed.

- Carrying charges representing the difference between the cash sale price and hire purchase price are recognised in the statement of profit or loss using the effective interest rate method over the period of the sale under the hire purchase arrangement.

- Income on investments and profit and loss sharing bank accounts are recognised on accrual basis using the effective interest rate method.

- Rental income from investment property is recognised as other income on a straight-line basis over the term of lease.

## 5.16 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised 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*

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.

The Company has opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. Under this approach, the Company is accounting for the related taxes under standalone taxpayer approach. Under this approach, current and deferred taxes are recognised as if the entity was taxable in its own right.

*Deferred*

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 the 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.

### 5.17 Borrowings

All interest bearing borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional / contractual right to defer settlement of the liability for at least twelve months after the reporting date.

Finance cost are accounted for on an accrual basis and are included in accrued finance cost to the extent of the remaining amount unpaid.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

### 5.18 Financial instruments

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provision of the instrument. Financial assets and liabilities are recognised initially at cost, which is the fair value of the consideration given or received respectively. These are subsequently measured at fair value or amortised cost, as the case may be depending on the particular accounting policy.

Financial assets are derecognised when the contractual right to cash flows from the asset expire, or when substantially all the risks and reward of ownership of the financial asset are transferred. Financial liability is derecognised when its contractual obligations are discharged, cancelled or expired. Gain or loss on derecognition is recognised in unconsolidated statement of profit or loss.

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset.

### 5.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the unconsolidated financial statements only when the Company has a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 5.20 Impairment

***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that the financial asset is impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on the terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through unconsolidated profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in unconsolidated statement of profit or loss.

***Non-financial assets***

The carrying amounts of non-financial assets other than deferred tax assets and stock in trade, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is assessed through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss for goodwill, if any, is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**5.21 Foreign currency transactions and translation**

***Transactions and balances***

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the reporting date. Exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit or loss. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences are generally included in the statement of profit or loss.

**5.22 Dividends and appropriations to reserves**

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved. Transfer between reserves approved subsequent to the reporting date is considered as non-adjusting event and is recognised in the financial statements in the period in which such transfers are made.

**5.23 Earnings per share**

As required under International Accounting Standard 33 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.

### 5.24 Common control transactions

A business combination (or a demerger for that purpose) involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination. Such common control transactions have been excluded from the scope of International Financial Reporting Standards 3 dealing with Business Combinations. Accordingly, as an accounting policy choice, the assets acquired and liabilities assumed / assets and liabilities transferred are recognized under the book value basis (carry-over basis) of accounting.

### 5.25 Grant in aid (deferred income)

Grant in aid represents the amount received from the World Bank under a project to phase out the Ozone Depleting Substances (ODS) by acquiring asset (production facility) which manufactures such products which are free from such substances. This grant is classified as deferred income and is being amortized over the useful life of such asset.

### 5.26 Operating lease assets and assets obtained under Ijarah arrangement

Rentals paid for the assets obtained under the operating lease, if any are recognized as an expense of the period to which these relate to.

Leased assets which are obtained under Ijarah agreement are not recognized in the Company's statement of financial position and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Ijarah Payments under the agreement are recognised as an expense in the statement of profit or loss on a straight line basis over the lease period of Ijarah agreement.

### 5.27 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes the strategic decisions. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as allocated on reasonable basis. Unallocated items comprise mainly of corporate assets, head office expenses and tax assets and

### 5.28 Allocation of expenses

Certain expenses are allocated by the Company to its subsidiaries in accordance to a basis approved by the Board of Directors of the Company and the subsidiaries.

### 5.29 Standards, interpretations and amendments to published approved International Financial Reporting Standards

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 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analysing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing it's right to use the underlying asset and a lease liability representing it's obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analysing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes. The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs. The amendment clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 01 January 2019 and are not likely to have an impact on Company's financial statements.

| | Note | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|---|
| | | **(Number of shares)** | | **(Rupees in '000)** | |
| **6 Share capital** | | | | | |
| **6.1 Authorized share capital** | *6.1.1* | **175,000,000** | 145,000,000 | **1,750,000** | 1,450,000 |

**6.1.1** During the year, the Company has increased its authorized share capital by 30,000,000 shares. The authorized share capital thus stands enhanced at Rs. 1,750 million, divided into 175,000,000 shares of Rs. 10 each, and accordingly the Memorandum and Articles of Association of the Company have been amended.

**6.2 Issued, subscribed and paid-up capital**

| | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| | **(Number of shares)** | | **(Rupees in '000)** | |
| ***Fully paid-up ordinary shares of Rs. 10 each*** | | | | |
| Issued for cash | **11,461,568** | 11,461,568 | **114,616** | 114,616 |
| Issued for consideration other than cash | **703,733** | 703,733 | **7,037** | 7,037 |
| Issued as paid bonus shares | **54,518,664** | 33,240,321 | **545,187** | 332,403 |
| Issued under scheme of amalgamation | **96,450,000** | - | **964,500** | - |
| | **163,133,965** | 45,405,622 | **1,631,340** | 454,056 |

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### 6.3 Reconciliation of ordinary shares

| | Note | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|---|
| | | (Number of shares) | | (Rupees in '000) | |
| Balance as at 01 January | | **45,405,622** | 45,405,622 | **454,056** | 454,056 |
| Ordinary shares issued under scheme of arrangement | 6.5 | **96,450,000** | - | **964,500** | - |
| Ordinary shares issued as fully paid bonus shares | 6.6 | **21,278,343** | - | **212,784** | - |
| **Balance as at 31 December** | | **163,133,965** | 45,405,622 | **1,631,340** | 454,056 |

**6.4** Ordinary shares of the Company held by associated persons and undertaking at year end are as follows:

| | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|
| | (Percentage held) | | (Number of shares) | |
| *Poseidon Synergies (Private) Limited | **6.00%** | 18.74% | **9,785,377** | 8,509,024 |
| *Chief Executive Officer and his spouse and minor children* | | | | |
| - Haroon Ahmad Khan (CEO) | **37.95%** | 15.42% | **61,916,108** | 7,002,209 |
| - Nighat Haroon Khan (Wife of CEO) | **15.64%** | 6.39% | **25,518,500** | 2,900,000 |
| - Dependent children of CEO | **1.66%** | 5.17% | **2,702,500** | 2,350,000 |
| | **61.25%** | 45.72% | | |

* Owned by Chief Executive Officer and his wife.

**6.5** Pursuant to Scheme of Arrangement, approved by Honourable Sindh High Court through its Order dated 22 May 2018, the authorized share capital of Singer Pakistan Limited has been merged and combined with the authorized share capital of each of Cool Industries (Private) Limited and Link Wel (Private) Limited. The Company has issued 96,450,000 shares to the shareholders of Cool Industries (Private) Limited and Link Wel (Private) Limited pursuant to the same scheme.

**6.6** During the year, Company has announced 15% bonus shares in lieu of dividend to its existing shareholders, in proportion of their shareholding.

**6.7** The holders of ordinary shares are entitled to receive dividends as declared (if any), and are entitled to one vote per share at meetings of the Company.

**6.8** 13,509,024 shares having face value of Rs. 10 each are pledged as security with a financial institution.

## 7 Share premium

This represents excess of market value over the face value of shares issued under the scheme of arrangement as explained in note 2.1. This reserve can only be utilized by the Company for the purpose specified in Section 81(2) of the Companies Act, 2017.

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| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **8** | **Surplus on revaluation of property, plant and equipment - net of tax** | | | |
| | Surplus on revaluation of leasehold land and buildings - as on 01 January | | **161,564** | 1,462,460 |
| | Surplus on revaluation of land recognised during the year | | **-** | 134,854 |
| | Surplus on revaluation of buildings recognised during the year | | **-** | 9,408 |
| | Surplus on sale of leasehold land transferred to retained earnings | *8.1* | **-** | (1,416,606) |
| | Surplus on sale of buildings on leasehold land transferred to retained earnings | *8.1* | **-** | (12,792) |
| | Surplus on sale of buildings on freehold land transferred to retained earnings | | **(1,248)** | - |
| | Incremental depreciation transferred to equity | | **(193)** | (15,760) |
| | | | **160,123** | 161,564 |
| | Deferred tax liability - as on 01 January | | **(2,064)** | (366,605) |
| | Deferred tax on revaluation recognised during the year | | **-** | (42,919) |
| | Tax effect on sale of leasehold land transferred to retained earnings on sale | | **-** | 353,891 |
| | Tax effect on sale of buildings on leasehold land transferred to retained earnings | | **-** | 3,075 |
| | Tax effect on sale of buildings on freehold land transferred to retained earnings | | **281** | - |
| | Deferred tax reversal on investment property | | **-** | 45,899 |
| | Tax effect on transfer of incremental depreciation to retained earnings | | **56** | 4,595 |
| | Adjustment resulting from change of tax rate | | **129** | - |
| | Deferred tax liability | | **(1,598)** | (2,064) |
| | Balance as at 31 December: land: Rs. 1 million (2017: 1 million) and building: Rs. 157.52 million (2017: Rs. 158.50 million) | *8.2* | **158,525** | 159,500 |

**8.1** During the year ended 31 December 2017, the Company sold its entire factory land and building of Singer Pakistan Limited and accordingly surplus on revaluation of the land and building have been transferred to equity. This includes balance of Rs. 202.753 million and Rs. 2.245 million representing surplus on the revaluation of the portion of land and building respectively earlier classified as investment property.

**8.2** This includes balance of Rs. 153.49 million representing surplus on revaluation of buildings classified as investment property during the year ended 31 December 2017. The balance was as of 30 June 2017 / start of business on 01 July 2017, the date when the buildings were classified as investment property.

**8.3** The latest revaluation was carried out on 31 December 2017. Freehold land was revalued on the basis of current market value whereas building on freehold land was revalued on the basis of depreciated market values. The most significant input into this valuation approach is price per kanal for land and price per square foot for buildings and other assets.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **9** | **Long term loans - Secured** | | | |
| | Long term loans - Banking Company | *9.1* | **568,209** | 649,458 |
| | Long term loans - Non-banking Company | *9.1* | **445,312** | - |
| | Current maturity presented under current liabilities | *17* | **(281,250)** | (81,182) |
| | | | **732,271** | 568,276 |

**9.1** Long term finances utilized under mark-up arrangements from banking and non banking companies are composed of:

| Note | Bank Name | Facility | 2018 Rupees | 2017 Rupees | Mark-up as per Agreement | Tenure and basis of principal repayment |
|---|---|---|---|---|---|---|
| 9.1.1 | Sindh Bank Limited | Term Finance | **568,209** | 649,458 | 3 Months KIBOR plus 3% per annum, payable quarterly. | Balance payable in 7 semi-annually instalments ending on 16 March 2022. |
| 9.1.2 | Pak Brunei Investment Company | Term Finance | **445,312** | - | 3 Months KIBOR plus 3% per annum, payable quarterly. | Balance payable in 15 quarterly instalments ending on 30 August 2022. |

**9.1.1** This facility is secured by way of first parri passu charge of Rs 1,267 million on present and future fixed assets of the Company and personal guarantees of the directors of the Company. This facility has been obtained to meet long term working capital requirements of the Company.

**9.1.2** This facility is secured by way of first parri passu charge of Rs. 967 million on present and future fixed assets of the Company and personal guarantees of the directors of the Company. This facility has been obtained to meet long term working capital requirements and balance sheet re-profiling of the Company.

## 10 Liabilities against assets subject to finance lease

The future minimum lease payments and their present values to which the Company is committed under various lease arrangements are as follows:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Minimum lease payments | Finance charge | Present value of minimum lease payments | Minimum lease payments | Finance charge | Present value of minimum lease payments |
| | (Rupees in '000) | | | | | |
| Not later than one year | 28,885 | 5,811 | 23,074 | 20,974 | 3,574 | 17,400 |
| Later than one year and not later than five years | 46,950 | 4,496 | 42,454 | 41,154 | 2,900 | 38,254 |
| | 75,835 | 10,307 | 65,528 | 62,128 | 6,474 | 55,654 |

The above represents finance leases entered into with certain financial institution for plant and machinery and vehicles. Monthly payments of leases carry mark-up rates at KIBOR plus 1.5% to 5% per annum (2017: KIBOR plus 1 % to 5% per annum). KIBOR is one, three and six months average ask side. At the year-end the applicable rates ranged between 8.43% to 14.07% (2017: 7.14% to 11%) per annum.

During the current year, the Company entered into lease arrangements of assets amounting to Rs. 38.5 million. These obligations are payable in monthly instalments of Rs. 0.13 million to Rs. 0.53 million and carry mark-up rate at 6 month KIBOR plus 3% per annum.

The company intends to acquire the assets at the end of the lease term through adjustment of lease security deposit. Taxes, repair and maintenance and insurance costs are borne by the Company.

## 11 Employee retirement benefits

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| ***Classified under non-current liabilities*** | | | |
| *Employee retirement benefits - obligation* | | | |
| - Pension fund | 11.2 | - | 5,713 |
| - Gratuity fund - permanent employees | 11.2 | 42,480 | 31,723 |
| | | 42,480 | 37,436 |
| ***Classified under non-current assets*** | | | |
| *Employee retirement benefits - obligation* | | | |
| - Pension fund | 11.2 | 9,960 | - |

11.1 Pension scheme is available to all permanent full-time employees in the executive and manager grades including the full-time working directors but excluding persons working as temporary, trainees or apprentice employees. Minimum years of service for qualifying to pension is 15 years. Employees are entitled to Pension on retirement at 57 years of age. Gratuity to the permanent employees is payable on normal retirement at the age of 57 years, natural death, etc. and is payable only on the minimum completion of 5 years of service with the Company. Both of these benefits relate only to old employees of former Singer Pakistan Limited (before the effective date of amalgamation).

The details of employee retirement benefits based on actuarial valuations carried out by an independent actuary as at 31 December 2018 under the Projected Unit Credit method are given below.

The principal assumptions used in the actuarial valuation are as follows:

| | Pension Fund | | Gratuity | | | |
|---|---|---|---|---|---|---|
| | | | Permanent employees | | Field staff (unfunded) | |
| | 2018 (%) | 2017 (%) | 2018 (%) | 2017 (%) | 2018 (%) | 2017 (%) |
| 1) Discount rate per annum | 13.25 | 8.25 | 13.25 | 8.25 | - | 8.25 |
| 2) Expected per annum rate of increase in future salaries / commission | 11.25 | 6.25 | 11.25 | 6.25 | - | 5.25 |
| 3) Expected rate of increase in pension | Nil | Nil | | | | |
| 4) Mortality rates | SLIC (2001-05)-1 | SLIC (2001-05) | SLIC (2001-05)-1 | SLIC (2001-05) | - | SLIC (2001-05) |

| | Note | Pension Fund | | Gratuity | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Permanent employees | | Field staff (unfunded) | | Total | |
| | | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | (Rupees in '000) | | | | | | | |
| **11.2 Amounts recognised in statement of financial position** | | | | | | | | | |
| Present value of defined benefit obligation | 11.4 | 69,324 | 90,115 | 47,178 | 45,865 | - | - | 47,178 | 45,865 |
| Fair value of plan assets | 11.5 | (79,284) | (84,402) | (4,698) | (14,142) | - | - | (4,698) | (14,142) |
| (Asset) / liability on the reporting date | 11.3 | (9,960) | 5,713 | 42,480 | 31,723 | - | - | 42,480 | 31,723 |
| **11.3 Movement in net defined benefit liability recognised in statement of financial position** | | | | | | | | | |
| Net liability as at 01 January | | 5,713 | 18,486 | 31,723 | 19,780 | - | 13,346 | 31,723 | 33,126 |
| Cost recognised in profit or loss for the year | 11.6 | 4,039 | 3,940 | 6,242 | 4,481 | - | 4,228 | 6,242 | 8,709 |
| Contribution / payments during the year | | - | (25,000) | - | - | - | (846) | - | (846) |
| Total amount of remeasurements recognised in other comprehensive income (OCI) - actuarial loss / (gain) | 11.7 | (19,712) | 8,287 | 4,515 | 7,462 | - | - | 4,515 | 7,462 |
| Balance transferred to the subsidiary company under the Scheme of Arrangement | | - | - | - | - | - | (16,728) | - | (16,728) |
| Net (asset) / liability as at 31 December | | (9,960) | 5,713 | 42,480 | 31,723 | - | - | 42,480 | 31,723 |
| **11.4 Movement in present value of defined benefit obligations** | | | | | | | | | |
| Liability for defined benefit obligation at 01 January | | 90,115 | 80,268 | 45,865 | 34,166 | - | 13,346 | 45,865 | 47,512 |
| Benefits paid | | (7,661) | (7,045) | (9,394) | (1,172) | - | (846) | (9,394) | (2,018) |
| Current service cost | | 3,586 | 2,484 | 3,727 | 2,958 | - | 4,228 | 3,727 | 7,186 |
| Interest cost | | 7,433 | 6,377 | 3,824 | 2,720 | - | - | 3,824 | 2,720 |
| *Re-measurements - actuarial loss / (gain) on obligation* | | | | | | | | | |
| - Change in financial assumptions | | (23,496) | (1,602) | 1,301 | 67 | - | - | 1,301 | 67 |
| - Change in experience adjustments | | (653) | 9,633 | 1,855 | 7,126 | - | - | 1,855 | 7,126 |
| * Carve out as per Scheme of Arrangement | | - | - | - | - | - | (16,728) | - | (16,728) |
| Liability for defined benefit obligation at 31 December | | 69,324 | 90,115 | 47,178 | 45,865 | - | - | 47,178 | 45,865 |
| **11.4.1 Analysis of present value of defined benefit obligation** | | | | | | | | | |
| *Vested / non-vested* | | | | | | | | | |
| - Vested Benefits | | - | - | 43,770 | 43,876 | - | - | 43,770 | 43,876 |
| - Non Vested Benefits | | - | - | 3,408 | 1,989 | - | - | 3,408 | 1,989 |
| | | - | - | 47,178 | 45,865 | - | - | 47,178 | 45,865 |
| *Benefit obligation by participant status/ cadre* | | | | | | | | | |
| - Active / Management | | 26,123 | 31,838 | 47,178 | 42,742 | - | - | 47,178 | 42,742 |
| - Retirees / Union | | 43,201 | 58,277 | - | 3,123 | - | - | - | 3,123 |
| | | 69,324 | 90,115 | 47,178 | 45,865 | - | - | 47,178 | 45,865 |
| *Type of benefits earned to date* | | | | | | | | | |
| - Accumulated benefit obligation | | 58,078 | 79,887 | 26,716 | 31,395 | - | - | 26,716 | 31,395 |
| - Amounts attributed to future salary increase | | 11,246 | 10,228 | 20,462 | 14,470 | - | - | 20,462 | 14,470 |
| | | 69,324 | 90,115 | 47,178 | 45,865 | - | - | 47,178 | 45,865 |

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| | Note | Pension Fund | | Gratuity | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Permanent employees | | Field staff (unfunded) | | Total | |
| | | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | | (Rupees in '000) | | | | | | | |
| **11.5 Movements in the fair value of plan assets** | | | | | | | | | |
| Fair value of plan assets - at 01 January | | **84,402** | 61,782 | **14,142** | 14,386 | - | - | **14,142** | 14,386 |
| Contribution during the year | | - | 25,000 | - | - | - | - | - | - |
| Benefits paid | | **(7,661)** | (7,045) | **(9,394)** | (1,172) | - | - | **(9,394)** | (1,172) |
| Expected return on plan assets | | **6,980** | 4,921 | **1,309** | 1,197 | - | - | **1,309** | 1,197 |
| *Re-measurements on assets - actuarial loss* | | | | | | | | | |
| - Change in experience adjustments | | **(4,437)** | (256) | **(1,359)** | (269) | - | - | **(1,359)** | (269) |
| Fair value of plan assets - at 31 December | *11.9* | **79,284** | 84,402 | **4,698** | 14,142 | - | - | **4,698** | 14,142 |
| **11.6 Expense recognised in statement of profit or loss** | | | | | | | | | |
| Current service cost | | **3,586** | 2,484 | **3,727** | 2,958 | - | 4,228 | **3,727** | 7,186 |
| Interest cost net of expected return on plan assets | | **453** | 1,456 | **2,515** | 1,523 | - | - | **2,515** | 1,523 |
| | | **4,039** | 3,940 | **6,242** | 4,481 | - | 4,228 | **6,242** | 8,709 |
| The expense is recognised in the following line items in the statement of profit or loss: | | | | | | | | | |
| Cost of sales | | **2,651** | 1,790 | **4,066** | 2,036 | - | - | **4,066** | 2,036 |
| Marketing, selling and distribution costs | | **967** | 1,515 | **1,531** | 1,723 | - | 4,228 | **1,531** | 5,951 |
| Administrative expenses | | **421** | 635 | **645** | 722 | - | - | **645** | 722 |
| | | **4,039** | 3,940 | **6,242** | 4,481 | - | 4,228 | **6,242** | 8,709 |
| **11.7 Actuarial (gain) / loss recognised in other comprehensive income during the year** | | | | | | | | | |
| Actuarial (gain) / loss on obligation | | **(24,149)** | 8,031 | **3,156** | 7,193 | - | - | **3,156** | 7,193 |
| Actuarial loss on plan assets | | **4,437** | 256 | **1,359** | 269 | - | - | **1,359** | 269 |
| Total actuarial (gain) / loss recognised in OCI | | **(19,712)** | 8,287 | **4,515** | 7,462 | - | - | **4,515** | 7,462 |

Net actuarial loss on pension fund and funded gratuity amounts to Rs. 15.20 million (2017: Rs. 15.75 million) which has been taken to other comprehensive income.

| | Note | Pension Fund | | Gratuity | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Permanent employees | | Field staff (unfunded) | | Total | |
| | | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | | (Rupees in '000) | | | | | | | |
| **11.8 Return on plan assets** | | | | | | | | | |
| Actual return on plan assets | | **2,543** | 4,665 | **(50)** | 928 | - | - | **(50)** | 928 |

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## 11.9 Composition of plan assets

| | Pension Fund | | Gratuity | | | |
|---|---|---|---|---|---|---|
| | | | Permanent employees | | Field staff (unfunded) | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in '000) | | | | | |
| Cash and cash equivalents | 11,754 | 26,251 | 4,698 | 1,605 | - | - |
| Debt instruments - Government Bonds / Securities | | | | | | |
| i) Pakistan Investment Bonds | 24,354 | 5,428 | - | 12,537 | - | - |
| ii) Special Savings Certificates | 23,498 | 33,133 | - | - | - | - |
| iii) Treasury Bills | 19,678 | 19,590 | - | - | - | - |
| iv) Current Liabilities | - | - | - | - | - | - |
| Total fair value of plan assets | 79,284 | 84,402 | 4,698 | 14,142 | - | - |

## 11.10 Historical information

| | 31 December | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (Rupees in '000) | | | | |
| ***Pension Fund*** | | | | | |
| Present value of the defined benefit obligation | 69,324 | 90,115 | 80,268 | 75,101 | 71,256 |
| Fair value of plan assets | (79,284) | (84,402) | (61,782) | (64,313) | (68,582) |
| (Surplus) / deficit in the plan | (9,960) | 5,713 | 18,486 | 10,788 | 2,674 |
| Financial assumptions arising on plan liabilities | (23,496) | (1,602) | 4,257 | 7,284 | 12,243 |
| Experience adjustments arising on plan liabilities | (653) | 9,633 | (1,488) | (5,870) | (5,785) |
| Experience adjustments arising on plan assets | (4,437) | 256 | 2,102 | 5,192 | (3,962) |
| ***Gratuity - funded*** | | | | | |
| Present value of the defined benefit obligation | 47,178 | 45,865 | 34,166 | 47,564 | 52,466 |
| Fair value of plan assets | (4,698) | (14,142) | (14,386) | (25,219) | (44,596) |
| Deficit in the plan | 42,480 | 31,723 | 19,780 | 22,345 | 7,870 |
| Financial assumptions arising on plan liabilities | 1,301 | 67 | (201) | (126) | 2,551 |
| Experience adjustments arising on plan liabilities | 1,855 | 7,126 | (8,441) | (2,887) | (366) |
| Experience adjustments arising on plan assets | (1,359) | 269 | 1,022 | 13,336 | (10,656) |
| ***Gratuity - unfunded*** | | | | | |
| Present value of the defined benefit obligation * | - | - | 13,346 | 14,670 | 9,387 |

* The balance as at 30 June 2017 have been transferred to Electronics Marketing Company (Private) Limited, a subsidiary company, under the Scheme of Arrangement.

**11.11 Sensitivity analysis on significant actuarial assumptions**

| | | 31 December 2018 | | | |
|---|---|---|---|---|---|
| | | Pension | | Gratuity | |
| *Actuarial liability* | Change in assumption | Increase in assumption | Decrease in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.5% | 66,896 | 71,926 | 45,963 | 48,455 |
| Salary increases | 0.5% | 70,093 | 68,586 | 48,581 | 45,833 |

The weighted average of plan duration for pension is 7.24 years (2017: 9.30 years) while for funded gratuity is 5.28 years (2017: 5.95 years).

**11.12** Maturity profile of the defined benefit obligation - undiscounted payments

| | Time in years | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6-10 |
| | (Rupees in '000) | | | | | |
| *Distribution of timing of benefit payments* | | | | | | |
| - Pension | 3,827 | 7,958 | 8,653 | 9,050 | 9,442 | 50,959 |
| - Gratuity-funded | 7,658 | 5,808 | 11,212 | 5,971 | 11,739 | 45,948 |
| | 11,485 | 13,766 | 19,865 | 15,021 | 21,181 | 96,907 |

**11.13** Expected charge to statement of profit or loss for post employment funded gratuity and pension plans for the year ending 31 December 2019 are Rs. 1.94 million and Rs. 9.29 million respectively.

| | Pension | Gratuity permanent staff | Gratuity field staff |
|---|---|---|---|
| **11.14** Number of employees covered in the scheme | 94 | 163 | - |

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## 12 Deferred tax liability - net

Deferred tax asset and liability comprise of taxable and deductible temporary differences in respect of the following:

| | Note | Balance as at 01 January 2017 | Acquisition under the Scheme of Arrangement - net | Recognized in statement of profit or loss | Recognised in equity / OCI * | Balance as at 31 December 2017 | Recognized in statement of profit or loss | Transfers | Recognised in equity / OCI | Balance as at 31 December 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | | | | |
| ***Taxable temporary difference*** | | | | | | | | | | |
| - accelerated tax depreciation | | 76,390 | 315,887 | 4,959 | - | 397,236 | (38,015) | - | - | 359,221 |
| - surplus on revaluation of property, plant and equipment | 8 | 366,605 | - | (4,595) | (359,946) | 2,064 | (337) | - | (129) | 1,598 |
| | | **442,995** | **315,887** | **364** | **(359,946)** | **399,300** | **(38,352)** | - | **(129)** | **360,819** |
| ***Deductible temporary difference*** | | | | | | | | | | |
| - provision for defined benefit plans | | (3,779) | 3,779 | - | - | - | - | - | - | - |
| - other provisions | | (59,946) | - | (9,916) | - | (69,862) | 1,181 | - | - | (68,681) |
| - effect of 'Group Taxation" | | - | - | - | - | - | (86,430) | (26,203) | - | (112,633) |
| - tax losses | 12.1 | (162,710) | - | (28,031) | - | (190,741) | 60,661 | 26,203 | - | (103,877) |
| | | **(226,435)** | **3,779** | **(37,947)** | - | **(260,603)** | **(24,588)** | - | - | **(285,191)** |
| **Deferred tax liability - net** | | **216,560** | **319,666** | **(37,583)** | **(359,946)** | **138,697** | **(62,940)** | - | **(129)** | **75,628** |

**12.1** This includes deferred tax of Rs. 12.32million (2017: Rs. 31.76 million) recorded on unabsorbed tax depreciation and amortisation.

**12.2** Deferred tax has been recognised at rates enacted at the reporting date at which these are expected to be settled / realized.

**12.3** The management has recorded deferred tax asset based on financial projections indicating the absorption of deferred tax asset over a number of future years against future expected taxable profits. The financial projections involve certain key assumptions such as sales price and composition, raw materials, labour prices and distribution channels etc. Any significant change in the key assumptions may have an effect on the absorption of the deferred tax asset. Nonetheless, the management is confident of the achievement of its targeted results.

* This includes Rs. 356.97 million directly charged to equity.

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| 13 Deferred income | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| *Details of the movement in the balance* | | | |
| Balance as at 01 January | | | |
| Gross balance of deferred income | | **32,580** | 18,627 |
| Accumulated amortisation | | **(16,868)** | (14,416) |
| Unamortized balance of deferred income as on 01 January | | **15,712** | 4,211 |
| *Transactions during the year* | | | |
| Sale and lease back arrangement | *13.1* | **17,949** | - |
| Grant for the asset recognized on business combination | *13.2* | **-** | 13,953 |
| *Amortisation for the year* | | | |
| - on sale and lease back arrangement | *13.1* | **(5,236)** | (1,871) |
| - on grant | *13.2* | **(1,085)** | (581) |
| | | **(6,321)** | (2,452) |
| Unamortized balance of deferred income | | **27,340** | 15,712 |
| *Current portion of deferred income* | | | |
| - on sale and lease back arrangement | *13.1* | **(4,955)** | (1,871) |
| - on grant | *13.2* | **(2,170)** | (1,162) |
| | | **(7,125)** | (3,033) |
| Balance as at 31 December | | **20,215** | 12,679 |
| ***Reconciliation:*** | | | |
| Gross balance of deferred income | | **50,529** | 32,580 |
| Accumulated amortisation | | **(23,189)** | (16,868) |
| Unamortized balance of deferred income | | **27,340** | 15,712 |
| **Details of the closing balance** | | | |
| Unamortized balance of the excess of sale proceeds over the carrying value of assets | *13.1* | **15,053** | 2,340 |
| Unamortized balance of grant | *13.2* | **12,287** | 13,372 |
| | | **27,340** | 15,712 |

**13.1** The Company has entered in sale and lease back arrangements of specific items of plant and machinery resulting in a deferred income (representing excess of sale proceeds over the carrying amount of respective assets) of Rs. 17.95 million recognised during the year. The deferred income will be amortized and recognised in the statement of profit or loss over the lease term.

**13.2** Grant in aid represents the amount received from the World Bank under a project to phase out the Ozone Depleting Substances (ODS) by acquiring asset (production facility) which manufactures products that are free from such substances. This grant is classified as deferred income and is being amortized over the useful life of the asset. Amortization for the year is based on 8.33% of the balance in accordance with the depreciation charged on plant and machinery for which the grant was received.

## 14 Trade and other payables

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Trade creditors | 14.1 | 739,901 | 552,625 |
| Bills payable | | 519,182 | 229,843 |
| Accrued liabilities | | 222,924 | 199,497 |
| Advance from dealers | | 11,371 | 14,681 |
| Security deposits from dealers | 14.2 | 9,266 | 39,026 |
| Provisions in respect of warranty obligations | | 538 | 7,767 |
| Sales tax and excise duty - net | | - | 8,510 |
| Workers' profits participation fund | 14.3 | 27,331 | 12,248 |
| Workers' welfare fund | | 9,118 | 6,071 |
| Advance from employees against vehicle | | 10,835 | 2,098 |
| Income tax deducted at source | 14.4 | 55,774 | 15,709 |
| Payable to the provident fund | 38 | 8,434 | 14,397 |
| Others | 14.5 | 69,265 | 62,853 |
| | | 1,683,939 | 1,165,325 |

**14.1** This includes balance of Rs. Nil (2017: Rs. 25.95 million) payable to Waves Marketing (Private) Limited against purchase of goods (a subsidiary company).

**14.2** The Company is in the process of transferring this amount to separate bank account to comply with the requirements of Companies Act, 2017.

### 14.3 Workers' profits participation fund

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Balance as at 01 January | | 12,248 | 6,682 |
| Add: Allocation for the year | 32 | 27,331 | 9,947 |
| Interest on WPPF accrued during the year | | 498 | 437 |
| Acquisition through business combination | | - | 2,301 |
| | | 40,077 | 19,367 |
| Less: Payment made during the year | | (12,746) | (7,119) |
| Balance as at 31 December | | 27,331 | 12,248 |

**14.4** Amount of Rs. 27.38 million has been paid subsequent to year end.

**14.5** Included in other liabilities are provisions aggregating to Rs. 61.74 million (2017: Rs 61.74 million) in respect of probable loss from pending litigation of the Company against Income Tax, Sales Tax and Custom Authorities (the authorities). The above provisions have been made as per the management's best estimate against various demands raised by the authorities that are being contested by the Company at various forums as explained in note 18.

## 15 Mark-up accrued on borrowings

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| *Mark-up based borrowings from banking companies* | | |
| - Long term loans - secured | 19,655 | 12,445 |
| - Short term borrowings - secured | 62,837 | 36,068 |
| - Liabilities against assets subject to finance lease | - | 447 |
| *Mark-up based borrowings from non-banking companies* | | |
| - Long term loan from financial institution | 5,101 | - |
| - Short term borrowing from financial institution | - | 17,653 |
| - Loan from a private group | - | 975 |
| *Islamic mode of borrowings* | | |
| - Short term borrowings - secured | 9,745 | 6,178 |
| | 97,338 | 73,766 |

| 16 Short term borrowings | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **From banking companies - secured** | | | |
| Running finance under mark-up arrangements | *16.1* | 1,529,866 | 868,507 |
| Finance against trust receipt | *16.3* | 1,032,528 | 837,277 |
| Short term borrowings under Murahaba arrangement | *16.4* | 397,892 | 306,101 |
| | | 2,960,286 | 2,011,885 |
| **From non banking companies** | | | |
| Short term borrowings from associated undertaking - *unsecured* | *16.6* | 35,000 | - |
| Short term borrowings from a financial institution - *secured* | *16.7* | - | 725,000 |
| Loan from a Private Group - *unsecured* | *16.8* | - | 12,031 |
| | | 35,000 | 737,031 |
| | | 2,995,286 | 2,748,916 |

### 16.1 Particulars of borrowings

| | | |
|---|---|---|
| Interest / mark-up based borrowings | 2,597,394 | 2,442,815 |
| Islamic mode of borrowings | 397,892 | 306,101 |
| | 2,995,286 | 2,748,916 |

### 16.2 Short term running finance

This represents utilized amount of short term running finance facilities under mark-up arrangements availed from various commercial banks aggregating to Rs. 1,536 million (2017: Rs. 1,362 million). These facilities are secured by way of equitable mortgage charge on owned shops, freehold land and building on freehold land of the Company, charge over all current assets and fixed assets of the Company and personal guarantees of the directors of the Company and carry mark-up ranging from 8.91% to 11.88% (2017: 7.65% to 9.15%) per annum, payable quarterly in arrears. These facilities are expiring on various dates (Latest by March 2019 and maximum by September 2019).

### 16.3 Payment Against Trust Receipt

This represents Payment Against Trust Receipt (FATR) available from commercial banks aggregating to Rs. 1,854 million (2017: 1,165 million). These facilities are secured against charge over all current assets and fixed assets of the Company and personal guarantees of the directors of the Company and carry mark-up rate ranging between 8.66% to 12.94% (2017: 8.65% to 10.16%). These borrowings are repayable between 26 February 2019 to 29 June 2019.

### 16.4 Islamic mode of borrowings

This represents utilized amount of Murabaha / Istisna borrowings available from banks aggregating to Rs. 417 million (2017: Rs. 352 million). These facilities are secured against charge over all current assets and fixed assets of the Company and personal guarantees of the directors of the Company and carry mark-up rates ranging from 7.66% to 12.41% per annum (2017: 7.29% to 10.16%). These borrowings are repayable between 13 January 2019 to 28 November 2019.

### 16.5 Unavailed credit facilities

The facilities for opening of letter of credits and guarantees as at 31 December 2018 amounted to Rs. 1,916 million of which remaining unutilized amount was Rs. 1,101 million.

### 16.6 Short term borrowings from associated undertaking

This represents an interest free loan obtained from Poseidon Synergies (Private) Limited, an associated undertaking, for working capital requirement and is repayable on demand.

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16.7 **Short term borrowings from a financial institution**

This represents short term finance facility from a Development Financial Institution up to a limit of Rs. 725 million (2017: Rs. 725 million). This carries interest at 6 months KIBOR plus 350 basis points per annum, carrying mark-up rates ranging from 9.66% to 10.54%. The amount was repayable by 30 August 2018. The outstanding balance of Rs. 475 million as on 30 August 2018 was converted into a long term finance facility as referred to in note 9.1.

16.8 **Loan from a Private Group**

During the year ended 31 December 2017, the Company received Rs. 80 million from a Private Group. The principal amount of Rs. 68 million was paid off by the company during the same year as per the agreed repayment schedule and remaining amount was paid during the current year. The borrowing carried fixed profit at 26.15% per annum payable on quarterly basis for each principal repayment.

| 17 **Current portion of long term liabilities** | *Note* | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in '000)** | |
| Long term loans - *secured* | *9* | **281,250** | 81,182 |
| Liabilities against assets subject to finance lease | *10* | **23,074** | 17,400 |
| Deferred income | *13* | **7,125** | 3,033 |
| | | **311,449** | 101,615 |

18 **Contingencies and commitments**

18.1 **Contingencies**

18.1.1 The Company has filed a Constitutional petition before the Honourable Sindh High Court at Karachi, challenging the vires of Rule 58T of the Sales Tax Special Procedure Rules relating to 2% extra sales tax on certain home appliances. This is based on the view that the said vires are not applicable on the Company. The case is pending before the Honourable Sindh High Court. An interim order was received in favour of the Company. The Company is confident that no liability is expected to occur. Amount involved is Rs. 84.80 million as of 31 December 2018 against which no provision has been made as the Company, based on the legal advisor's advice, is confident of a favourable decision.

During the financial year 2014, the Company received a show cause notice from the Federal Board of Revenue (FBR) in respect of short payment of 2% extra sales tax under the Sales Tax Procedures Rules, 2007 as amended by SRO. 896(I)/2013 dated 4 October 2013 and deduction of input tax more than the limit defined under section 8 read with chapter IV of Sales Tax Rules, 2006. The tax authority in the said notice raised a demand of Rs. 19.91 million and Rs. 11.15 million respectively for the period from 1 January 2014 to 30 September 2014. The Company after consultation with its tax advisors has replied and submitted explanation with the tax authorities along with revised workings for the apportionment of input tax which in the case of the Company for the above period was Rs. 0.52 million (regarding the 2% extra sales tax matter, please refer the above paragraph). Since then, no further action has been initiated by the tax authorities.

The Company had earlier received a sales tax recovery order from the sales tax authorities amounting to Rs. 195.63 million, for the financial year ended 31 December 2010 against which the Company had filed an appeal with the Commissioner Inland Revenue - Appeals (CIR-A). CIR-A had deleted one item while the remaining matters were set aside. Moreover, the management, based on consultation with its tax advisor, is of the view that matter would be decided in favour of the Company. However, CIR has filed an appeal against Company on the matters of SRO 647/2007 regarding input tax adjustments against 90% output tax and payment of sales tax on instalment sales at the time of receipt of instalment instead at the time when instalment sales are actually being made for which no hearing has yet taken place. Amount involved is Rs. 171.71 million. However, as mentioned above no potential liability is expected to occur.

**18.1.2** Income tax assessments of the Company have been finalised up to and including the tax year 2007. The Company had applied for Income tax refund for the tax years from 2006 to 2011. Income tax refund orders were earlier determined for the tax years 2009, 2010 and 2011. Income tax refund was released for the tax year 2009. However, the Additional Commissioner Inland Revenue (ACIR) amended the deemed assessed orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years from 2009 to 2012 and raised additional income tax demand of Rs. 19.98 million. However, the Company had filed an application for the rectification of orders after which the net tax additional demand was reduced to Rs. 2.02 million (after the adjustment of the refund of related years) under section 221 of the Income Tax Ordinance, 2001. Appeals have been filed to Commissioner Inland Revenue - Appeals (CIR-A) against these orders.

Company has received appellate orders for the tax years from 2009 to 2012, dated 29 June 2015, where the CIR-A has set aside certain issues for reassessment, deleted certain items and maintained certain disallowances. The financial impact of the items set aside for reassessment and continued disallowances amount to Rs. 43.72 million. Appeal has been filed with Appellate Tribunal Inland Revenue (ATIR) against these issues. The Company based on the merits of matters is of the view that ultimate decisions are expected in its favour. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

**18.1.3** The Finance Act, 2017 introduced a tax under section 5A of the Income Tax ordinance, 2001 on every pubic company other than a scheduled bank or Modarba, that derives profit for the tax year and does not distribute at least 40% of the after tax profit within six months of the end of said tax year through cash or bonus issue. Under the earlier section tax was not mandatorily leviable in case the Company's reserves were not in excess of the paid up capital (which was the case with the Company as it had accumulated losses). Provision for the above referred tax amounting to Rs. 9.35 million has not been paid as the Company's management is of the view that the amendment was made after the closure of Company's financial year ended 31 December 2016 and for certain other legal reasons. The Company has filed a Constitutional petition before the Honourable Sindh High Court at Karachi challenging the vires of Section 5A of the Income Tax Ordinance, 2001 and a stay order has been granted against any coercive action against the Company under the newly inserted Section 5A.

***Former - Cool Industries (Private) Limited (CIPL)***

**18.1.4** The Deputy Commissioner Inland Revenue (DCIR), via order dated 30 April 2014, under section 161(1) and 205(3) of the Income Tax Ordinance, 2001 for the tax year 2014 raised a tax demand of Rs. 0.83 million for non deduction of advance income tax for the period from 01 November 2013 to 30 April 2014 under section 236(G) and 236(H) of the aforesaid Ordinance. CIPL filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) which was remanded back to DCIR. The Company filed an appeal against the order of CIR-A in Appellate Tribunal Inland Revenue (ATIR), which is pending adjudication. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

**18.1.5** During the financial year 2015, the Additional Commissioner Inland Revenue (ACIR), vide order dated 30 April 2015, under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2010, raised an amended demand of Rs. 7.85 million after disallowing certain expenses amounting to Rs. 29.15 million. CIPL filed an appeal for the rectification of order before Commissioner Inland Revenue - Appeals (CIR-A) who vide its order dated 30 December 2015 deleted certain items amounting to Rs. 19.94 million. ACIR has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A which is pending adjudication. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

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**18.1.6** During the financial year 2014, the Company received a notice by Commissioner Inland Revenue - Zone I for selection of audit under section 214C for the tax year 2012. The Company filed an appeal against the said notice before Honourable Lahore High Court which was decided against the Company and audit proceedings were initiated. The Deputy Commissioner Inland Revenue issued an amended assessment order under section 122(1) and 122(5) through which certain additions were made and demand order was raised amounting to Rs. 48.10 million. Being aggrieved, the Company has filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the above order which is pending adjudication.

**18.1.7** During the year, the Company received a show cause notice issued by Deputy Commissioner Inland Revenue under section 161 for the tax year 2017 on non deduction of withholding tax amounting to Rs. 6.03 million on payments against purchase of plant and machinery, packing material and other miscellaneous payments. The Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) where the case was remanded back to the Department. Being aggrieved, the Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication.

**18.1.8** The Taxation Officer, after conducting audit under section 177 of the Income Tax Ordinance, 2001 (the Ordinance) for the tax year 2014, passed an amended assessment order under section 122 of the Ordinance raising tax demands of Rs. 25.29 million during the year alleging that the Company suppressed its sales and adjusted inadmissible expenses. Being aggrieved, the Company has filed appeal before Commissioner Inland Revenue - Appeals (CIR-A).

***Former - Link Wel (Private) Limited (LWPL)***

**18.1.9** During the financial year 2016, the Deputy Commissioner Inland Revenue raised an order under section 161/205 of the Income Tax Ordinance, 2001 for non-deduction of tax amounting Rs. 6.45 million and Rs. 3.76 million for tax years 2009 and 2010 respectively. CIPL filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) which was decided against the Company. The Company filed an appeal against the order of CIR-A in Appellate Tribunal Inland Revenue (ATIR), which is pending for adjudication. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

**18.1.10** During the financial year 2017, the Additional Commissioner Inland Revenue (ACIR) amended the deemed assessed return vide its order dated 19 June 2017 under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2011. The ACIR disallowed certain expenses amounting to Rs. 9.58 million and raised the additional income tax demand of Rs. 1.02 million. LWPL filed an appeal before the Commissioner Inland Revenue - Appeals (CIR-A) which is pending for adjudication. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

**18.1.11** During the financial year 2014, the Assistant Commissioner Inland Revenue imposed penalty vide order dated 27 April 2014 under section 182(1) of the Income Tax Ordinance, 2001 amounting Rs. 0.91 million for the tax year 2013 for the late filling of income tax return under section 114 of the Income Tax Ordinance, 2001. LWPL filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the above order. The CIR-A decided the matter against LWPL vide order dated 25 March 2014. LWPL filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIR-A which is pending adjudication. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

**18.1.12** During the financial year 2017, Deputy Commissioner Inland Revenue (DCIR) issued an amended assessment order under section 161/205 of the Income Tax Ordinance, 2001 and certain additions were made due to non-deduction of withholding tax amounting Rs 122.54 million for tax year 2015. The Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the order where the Company was granted stay of tax demand. The CIR-A passed an order in which demand against purchases and discounts have been deleted and amended demand of Rs. 33.85 million has been raised. LWPL filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order which is pending adjudication. However, adequate provision is held in the unconsolidated financial statements in respect of the above balance.

**18.1.13** During the year, the Deputy Commissioner Inland Revenue (DCIR) issued an amended assessment order under section 122(1) of the Income Tax Ordinance, 2001 raising a tax demand of Rs. 30.41 million for the tax year 2015. Being aggrieved, the Company filed an appeal before Commissioner Inland Revenue - Appeals (CIR-A) against the order. The CIR-A, via order dated 27 July 2018, directed DCIR to apply minimum tax under section 113 at the rate of 0.2% instead of 1% and remanded back the case to DCIR. LWPL filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against the order which is pending adjudication.

**18.1.14** During the year, the Company received three show cause notices issued by Additional Collector Customs for payment of Rs 7.33 million and Rs. 6.18 million against Goods Declaration No. LAPR-EB-20087-25-05-2018 and Goods Declaration No. LAPR-EB-22231-27-06-2018 respectively alleging short payment due to misclassification of imported glass for refrigerator doors outer part. The Company is in process of making suitable response against the said notices.

**18.1.15** During the year, the Company received a show cause notice issued by Collector of Customs for payment of Rs. 9.42 million alleging that the Company cleared consignment of Polymethylene Isocynate by erroneously taking benefit of SRO 659/2007 dated 30 June 2007. The Company is in process of making suitable response against the said notice.

Based on the opinion of the legal and tax advisors handling the above litigations, the management believes that the Company has strong legal grounds against each case and that no financial liability is expected to accrue. Accordingly, no provision (in addition to already held in respect of certain cases of former CIPL and former LWPL as explained above) has been made in these financial statements.

**18.2 Commitments**

**18.2.1** Commitments, for the import of stock in trade, outstanding at year end were for Rs. 247.88 million (2017: Rs. 516.75 million).

**18.2.2** Commitments, for capital expenditure, against irrevocable letters of credit outstanding at year end were for Rs. 14.33 million (2017: Rs. Nil).

**18.2.3** Commitments in respect of Ijarah rentals payable in future period as at 31 December 2018 amounted to Rs. 0.76 million (2017: Rs. 2.38 million) for vehicles and plant and machinery.

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in '000)** | |
| Not later than one year | **764** | 1,447 |
| Later than one year and not later than five years | **-** | 931 |
| | **764** | 2,378 |

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## 19 Property, plant and equipment

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Operating fixed assets | *19.1* | 4,282,533 | 4,142,980 |
| Capital work-in-progress | *19.2* | 33,507 | 86,363 |
| | | 4,316,040 | 4,229,343 |

### 19.1 Operating fixed assets

31 December 2018

| | Note | Land | | Buildings | | Leasehold improvements | Plant and machinery | | Furniture and equipment | | Vehicles | | Computers | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Lease hold | Freehold | On leasehold land | On freehold land | | Owned | Leased | Owned | Leased | Owned | Leased | Owned | Leased | |
| | | (Rupees in '000) | | | | | | | | | | | | | |
| **At 1 January 2018** | | | | | | | | | | | | | | | |
| Cost / revaluation | | - | 2,365,500 | (125) | 439,000 | - | 1,243,161 | 73,251 | 87,720 | 1,360 | 94,472 | 27,398 | 53,158 | 3,917 | 4,388,812 |
| Accumulated depreciation | | - | - | 125 | - | - | (122,183) | (12,506) | (40,076) | (929) | (11,865) | (10,285) | (45,812) | (2,301) | (245,832) |
| Net book value | | - | 2,365,500 | - | 439,000 | - | 1,120,978 | 60,745 | 47,644 | 431 | 82,607 | 17,113 | 7,346 | 1,616 | 4,142,980 |
| **Transactions during the year ended 31 December 2018** | | | | | | | | | | | | | | | |
| Additions | | - | - | - | 33,239 | - | 436,254 | - | 15,497 | - | 34,116 | 17,906 | 10,268 | - | 547,280 |
| **Transfers** | | | | | | | | | | | | | | | |
| Cost** | | - | - | - | - | - | (26,854) | 23,556 | - | - | 19,556 | (19,556) | - | - | (3,298) |
| Depreciation** | | - | - | - | - | - | 21,248 | | - | - | (9,778) | 9,778 | - | - | 21,248 |
| | | - | - | - | - | - | (5,606) | 23,556 | - | - | 9,778 | (9,778) | - | - | 17,950 |
| **Disposals** | *19.3* | | | | | | | | | | | | | | |
| Cost | | - | - | - | (61,555) | - | (227,816) | (440) | (13,909) | - | (9,260) | - | (1,802) | - | (314,782) |
| Depreciation | | - | - | - | 1,539 | - | 39,520 | 225 | 1,647 | - | 2,122 | - | 1,802 | - | 46,855 |
| | | - | - | - | (60,016) | - | (188,296) | (215) | (12,262) | - | (7,138) | - | - | - | (267,927) |
| **Depreciation charge for the year** | | - | - | - | (12,264) | - | (103,085) | (6,646) | (8,327) | (136) | (19,065) | (3,055) | (4,761) | (411) | (157,750) |
| **Closing net book value** | | - | 2,365,500 | - | 399,959 | - | 1,260,245 | 77,440 | 42,552 | 295 | 100,298 | 22,186 | 12,853 | 1,205 | 4,282,533 |
| **As at 31 December 2018** | | | | | | | | | | | | | | | |
| Cost / revaluation | | - | 2,365,500 | (125) | 410,684 | - | 1,424,745 | 96,367 | 89,308 | 1,360 | 138,884 | 25,748 | 61,624 | 3,917 | 4,618,012 |
| Accumulated depreciation | | - | - | 125 | (10,725) | - | (164,500) | (18,927) | (46,756) | (1,065) | (38,586) | (3,562) | (48,771) | (2,712) | (335,479) |
| **Net book value** | | - | 2,365,500 | - | 399,959 | - | 1,260,245 | 77,440 | 42,552 | 295 | 100,298 | 22,186 | 12,853 | 1,205 | 4,282,533 |
| **Depreciation rate (% per annum)** | | 1.52 | Nil | 3 | 3 | 10 | 8.33 | 8.33 | 10-20 | 10 | 20 | 20 | 20 | 20 | |

| | | Land | | Buildings | | Leasehold improvements | Plant and machinery | | Furniture and equipment | | Vehicles | | Computers | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Lease hold | Freehold | On leasehold land | On freehold land | | Owned | Leased | Owned | Leased | Owned | Leased | Owned | Leased | |
| | | 31 December 2018 | | | | | | | | | | | | | |
| **At 01 January 2017** | *Note* | (Rupees in '000) | | | | | | | | | | | | | |
| Cost / revaluation | | 1,092,700 | - | 194,502 | - | 327,042 | 102,462 | 33,969 | 46,109 | 1,360 | 14,321 | 19,896 | 49,728 | 1,863 | 1,883,952 |
| Accumulated depreciation | | (1,359) | - | (486) | - | (122,010) | (75,780) | (7,147) | (38,166) | (793) | (3,895) | (8,782) | (38,087) | (1,863) | (298,368) |
| Net book value | | 1,091,341 | - | 194,016 | - | 205,032 | 26,682 | 26,822 | 7,943 | 567 | 10,426 | 11,114 | 11,641 | - | 1,585,584 |
| Transactions during the year ended 31 December 2017 | | | | | | | | | | | | | | | |
| - Additions | | - | - | 1,209 | - | 108,259 | 157,481 | - | 6,033 | - | 21,303 | 7,940 | 5,484 | - | 307,709 |
| - Acquisition through business combination | | - | 2,364,500 | - | 438,500 | - | 1,022,500 | - | 40,000 | - | 63,000 | - | - | - | 3,928,500 |
| - Revaluation | | 133,854 | 1,000 | 2,330 | 7,078 | - | - | - | - | - | - | - | - | - | 144,262 |
| - Transfer to investment property | 21 | - | - | (169,625) | - | - | - | - | - | - | - | - | - | - | (169,625) |
| | | 133,854 | 2,365,500 | (166,086) | 445,578 | 108,259 | 1,179,981 | - | 46,033 | - | 84,303 | 7,940 | 5,484 | - | 4,210,846 |
| Transfers (elimination) | | | | | | | | | | | | | | | |
| Cost* | | (9,554) | - | (3,539) | (6,578) | - | - | - | - | - | - | - | - | - | (19,671) |
| Depreciation* | | 9,554 | - | 3,539 | 6,578 | - | - | - | - | - | - | - | - | - | 19,671 |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers | | | | | | | | | | | | | | | |
| Cost** | | - | - | - | - | - | (39,282) | 39,282 | - | - | 438 | (438) | (2,054) | 2,054 | - |
| Depreciation** | | - | - | - | - | - | 950 | (950) | - | - | (7) | 7 | 27 | (27) | - |
| | | - | - | - | - | - | (38,332) | 38,332 | - | - | 431 | (431) | (2,027) | 2,027 | - |
| Disposals | | | | | | | | | | | | | | | |
| Cost | | (1,217,000) | - | (25,002) | - | (435,301) | - | - | (4,422) | - | (4,590) | - | - | - | (1,686,315) |
| Depreciation | | 3,027 | - | 125 | - | 141,051 | - | - | 4,363 | - | 158 | - | - | - | 148,724 |
| | | (1,213,973) | | (24,877) | - | (294,250) | - | - | (59) | - | (4,432) | - | - | - | (1,537,591) |
| Depreciation charge for the year | | (11,222) | - | (3,053) | (6,578) | (19,041) | (47,353) | (4,409) | (6,273) | (136) | (8,121) | (1,510) | (7,752) | (411) | (115,859) |
| Closing net book value | | - | 2,365,500 | - | 439,000 | - | 1,120,978 | 60,745 | 47,644 | 431 | 82,607 | 17,113 | 7,346 | 1,616 | 4,142,980 |
| As at 31 December 2017 | | | | | | | | | | | | | | | |
| Cost / revaluation | | - | 2,365,500 | (125) | 439,000 | - | 1,243,161 | 73,251 | 87,720 | 1,360 | 94,472 | 27,398 | 53,158 | 3,917 | 4,388,812 |
| Accumulated depreciation | | - | - | 125 | - | - | (122,183) | (12,506) | (40,076) | (929) | (11,865) | (10,285) | (45,812) | (2,301) | (245,832) |
| Net book value | | - | 2,365,500 | - | 439,000 | - | 1,120,978 | 60,745 | 47,644 | 431 | 82,607 | 17,113 | 7,346 | 1,616 | 4,142,980 |
| Depreciation rate (% per annum) | | 1.52 | Nil | 3 | 3 | 10 | 8.33 | 8.33 | 10-20 | 10 | 20 | 20 | 20 | 20 | |

* Represents the elimination of accumulated depreciation against the carrying value due to a revaluation carried out as of 30 June 2017 (in respect of the land and building disposed off during the year ended 31 December 2017) and 31 December 2017 (the latter in case of the land and building acquired under the Business Combination)

** Represents adjustment for sale and lease back arrangements and transferred to owned assets on the maturity of lease

**19.1.1** Had there been no revaluation of the freehold land and buildings thereon, the net book value as of 31 December 2018 would have been as follows:

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Land | 2,364,500 | 2,364,500 |
| Buildings | 393,326 | 431,922 |
| | 2,757,826 | 2,796,422 |

**19.1.2** The latest revaluation was carried on 31 December 2017 by Asif Associates (Private) Limited. As per the revaluation report, forced sale value of freehold land and buildings on free hold land was Rs. 2,128.10 million and Rs. 287.70 million respectively.

**19.1.3** Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

| Location | Usage of immovable property | Total area (Kanals) | Covered area (Square Feet) |
|---|---|---|---|
| 9-K.M, Hanjarwal, Multan Road, Lahore. | Head Office and manufacturing facility | 61.90 | 340,134 |
| Dina Nath, Mouza Rakh Serai Cheenba, Tehsil Pattoki, District Kasur. | Manufacturing facility | 8.45 | 18,069 |

**19.1.4** Depreciation for the year has been allocated as follows:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cost of sales | *29.1* | 108,080 | 70,283 |
| Marketing, selling and distribution costs | *30* | 16,343 | 29,726 |
| Administrative expenses | *31* | 33,327 | 15,850 |
| | | 157,750 | 115,859 |

**19.1.5** During the year, fire at production facility damaged certain items of property, plant and equipment with carrying value of Rs. 249.78 million. The Company has received claim against such loss from its insurance provider in accordance with relevant insurance policies as referred to in note 32.1

**19.2** **Capital work-in-progress**

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Balance as at 01 January | 86,363 | 72,148 |
| Additions during the year | 128,853 | 72,762 |
| Acquisition through business combination | - | 86,561 |
| Transfers to operating fixed assets | (181,709) | (145,108) |
| Balance as at 31 December | 33,507 | 86,363 |
| Breakup of capital work in progress is as follows: | | |
| - Building | 3,770 | - |
| - Plant and machinery | 18,400 | 85,364 |
| - Electric installation | 1,155 | - |
| - Advance against purchase of land / vehicle | 10,182 | 999 |
| | 33,507 | 86,363 |

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**19.3 Disposal of operating fixed assets**

| Particulars of assets | Particulars of purchaser | Relationship with Company | Cost / Revalued amount | Net book value | Net sale proceeds | Gain / (loss) on disposal | Mode of disposal |
|---|---|---|---|---|---|---|---|
| | | | (Rupees in '000) | | | | |
| **Building** | Jubilee Insurance | Insurance provider | 61,555 | 60,016 | | | |
| **Plant and machinery** | Jubilee Insurance | Insurance provider | 190,845 | 177,597 | 242,939 | (6,838) | Insurance claim |
| **Furniture and equipment** | Jubilee Insurance | Insurance provider | 13,513 | 12,164 | | | |
| | | | 265,913 | 249,777 | 242,939 | (6,838) | |
| **Plant and machinery** | | | | | | | |
| Phosphate Tank | Zohaib | Third party sale | 1,020 | 874 | 152 | (722) | Negotiation |
| Water Rising Tank | Zohaib | - do - | 428 | 315 | 152 | (163) | - do - |
| SS Tank | Zohaib | - do - | 1,156 | 1,003 | 152 | (851) | - do - |
| Paint Shop Oven | Zohaib | - do - | 1,481 | 1,310 | 187 | (1,123) | - do - |
| Heat Exchange System For Oven | Zohaib | - do - | 2,609 | 2,375 | 250 | (2,125) | - do - |
| Power Tester | Zohaib | - do - | 219 | 75 | 6 | (69) | - do - |
| Hydrolic Press Assyline | Zohaib | - do - | 2,124 | 363 | 55 | (308) | - do - |
| Television Machinery | Zohaib | - do - | 15,466 | 3,387 | 397 | (2,991) | - do - |
| Green Gas Plant | Zohaib | - do - | 1,772 | - | 46 | 46 | - do - |
| Notching Machine | Zohaib | - do - | 10,696 | 998 | 275 | (723) | - do - |
| Water Tank | Zohaib | - do - | 440 | 215 | 11 | (204) | - do - |
| **Furniture and equipment** | | | | | | | |
| Glass Partition | Zohaib | - do - | 396 | 97 | 66 | (31) | - do - |
| **Vehicles** | | | | | | | |
| Jaguar Car | Salman Mahboob | Third party sale | 2,000 | 1,467 | 3,800 | 2,333 | Negotiation |
| Toyota Corolla | Yasin Amin Sundal | - do - | 1,000 | 783 | 1,300 | 517 | - do - |
| Honda City | Yasin Amin Sundal | - do - | 1,000 | 783 | 976 | 193 | - do - |
| Toyota Corolla GLi | Yasin Amin Sundal | - do - | 800 | 627 | 873 | 246 | - do - |
| Suzuki Cultus | Yasin Amin Sundal | - do - | 350 | 274 | 407 | 133 | - do - |
| Suzuki Mehran | Yasin Amin Sundal | - do - | 350 | 274 | 267 | (7) | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 350 | 274 | 313 | 39 | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 350 | 274 | 321 | 47 | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 350 | 274 | 308 | 34 | - do - |
| Suzuki Alto | Yasin Amin Sundal | - do - | 250 | 196 | 236 | 40 | - do - |
| Honda CG 125 | Muhammad Iftikhar | - do - | 40 | 30 | 40 | 10 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 20 | 15 | 19 | 4 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 20 | 15 | 19 | 4 | - do - |
| Yamaha | Muhammad Zaman | - do - | 18 | 14 | 19 | 5 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 15 | 11 | 13 | 2 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 15 | 11 | 14 | 3 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 15 | 11 | 14 | 3 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 10 | 8 | 9 | 1 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 10 | 8 | 9 | 1 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 10 | 8 | 9 | 1 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 8 | 6 | 7 | 1 | - do - |
| Pak Hero 70 | Muhammad Nasir | - do - | 5 | 4 | 7 | 3 | - do - |
| Star DS 70 | Muhammad Nasir | - do - | 5 | 4 | 7 | 3 | - do - |
| Star DS 70 | Muhammad Nasir | - do - | 5 | 4 | 7 | 3 | - do - |
| Honda CD 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Pak Hero 70 | Muhammad Zaman | - do - | 5 | 4 | 5 | 1 | - do - |
| Sohrab 70 | Muhammad Nasir | - do - | 3 | 2 | 7 | 5 | - do - |
| Yamaha 70 | Muhammad Zaman | - do - | 3 | 2 | 3 | 1 | - do - |
| Sohrab 70 | Arshad Ali | - do - | 3 | 2 | 51 | 49 | - do - |
| Suzuki Cultus | Massoor Ahmed | - do - | 712 | 356 | 400 | 44 | - do - |
| Suzuki Swift DLX | EFU General Insurance | Insurance provider | 1,463 | 1,341 | 1,300 | (41) | - do - |
| **Computer** | | | | | | | |
| Dekstops, laptops and printers | Rahat Computers | Third party sale | 1,802 | - | 25 | 25 | Negotiation |
| | 2018 | | 314,782 | 267,927 | 255,540 | (12,388) | |
| | 2017 | | 9,012 | 4,491 | 5,120 | 629 | |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **20 Intangible assets and goodwill** | | | *(Revised)* |
| Software | | 36,678 | 18,716 |
| Goodwill | | 1,070,206 | 1,070,206 |
| Brand value | | 1,582,147 | 1,582,147 |
| Customer relationships (subsidiary company) | | - | - |
| | *20.1* | 2,689,031 | 2,671,069 |

**20.1 Reconciliation of carrying amounts**

| Description | Note | Software | Goodwill | Brand value | Customer relationships (subsidiary company) | Total |
|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | |
| ***Cost*** | | | *(Revised)* | *(Revised)* | *(Revised)* | |
| Balance at 01 January 2017 | | 49,761 | - | - | - | 49,761 |
| Acquisition through business combination - provisional | *20.2* | - | 2,975,122 | - | - | 2,975,122 |
| Balance at 31 December 2017 | | 49,761 | 2,975,122 | - | - | 3,024,883 |
| Allocation of intangible assets | *20.2* | - | (1,904,916) | 1,582,147 | 322,769 | - |
| Transfer to investment in subsidiary | *22.2* | - | - | - | (322,769) | (322,769) |
| Balance as at 31 December 2017 | | 49,761 | 1,070,206 | 1,582,147 | - | 2,702,114 |
| Additions during the year | | 27,406 | - | - | - | 27,406 |
| **Balance at 31 December 2018** | | 77,167 | 1,070,206 | 1,582,147 | - | 2,729,520 |
| ***Accumulated amortisation and impairment losses*** | | | | | | |
| Balance at 01 January 2017 | | (27,416) | - | - | - | (27,416) |
| Amortisation for the year | | (3,629) | - | - | - | (3,629) |
| Balance at 31 December 2017 | | (31,045) | - | - | - | (31,045) |
| Amortisation for the year | | (9,444) | - | - | - | (9,444) |
| **Balance at 31 December 2018** | | (40,489) | - | - | - | (40,489) |
| **Carrying amounts:** | | | | | | |
| At 31 December 2017 | | 18,716 | 1,070,206 | 1,582,147 | - | 2,671,069 |
| **At 31 December 2018** | | 36,678 | 1,070,206 | 1,582,147 | - | 2,689,031 |
| **Rates of amortization** | | 10-20% | Nil | Nil | 10.5 years | |

**20.2 Goodwill and other intangible assets acquired in business combination**

Effective 01 July 2017, Singer Pakistan Limited ("the Company") completed a 'Scheme of Arrangement' as approved by the Honourable Sindh High Court through its Order dated 22 May 2018 for the amalgamation of Cool Industries (Private) Limited [CIPL] and Link Wel (Private) Limited [LWPL] with and into the Company and demerger of retail business from the Company and amalgamate the same into the subsidiary. This represents excess of the amount paid over the fair value of the net assets of CIPL and LWPL on its acquisition as of the start of business on 01 July 2017. International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's statement of financial position and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise the determination of the fair values of the assets and liabilities and to determine the value of any intangible assets separately identified. The fair valuation exercise of the recorded tangible assets and liabilities was completed at the time of acquisition resulting in recognition of provisional goodwill amounting to Rs. 2,975.12 million as the determination of separately identifiable intangible assets was in progress at as 31 December 2017.

During the year, the Company engaged an independent valuer for determination of separately identifiable intangible assets. Based on the valuation report, provisional goodwill has been allocated to 'Goodwill' amounting to Rs.1,070.21 million, 'Brand value' amounting to Rs. 1,582.15 million and 'Customers relations' (Subsidiary company) amounting to Rs. 322.77 million inline with the requirements of International Accounting Standard 38, (IAS-38) 'Intangible Assets'. As at 30 June 2017, the Company, inline with the requirements of IFRS 3 relating to change in recognition of assets and liabilities within measurement period, has retrospectively adjusted the change in provisional amount recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Accordingly, comparative information has been revised due to recognition of additional intangible assets as tabulated in note 20.1 above.

Following key assumption has been used for valuation of 'Brand value' and 'Customer relations', whereas 'Goodwill has been taken as differential amount:

**Brand value:**

For 'Brand value, 'Royalty rate method' has been used with royalty rate of 2.5%, compound annual growth rate for revenue of 22% from financial year 2017 to 2022, terminal growth rate for revenue of 3% from financial year 2023 to 2037, discount rate of 17.66% with an infinite useful life.

**Customer relationships (Subsidiary company):**

For 'Customer relationships, 'Multi period excess earning method' has been used with iteration rate of 2.5%, compound annual growth rate for revenue of 22% from financial year 2017 to 2022, terminal growth rate for revenue of 3% from financial year 2023 to 2027, discount rate of 17.66% with useful life of 10.5 years.

**Impairment testing**

The recoverable amount of goodwill including intangible assets (brand value and customer relationships) acquired through a business combination has been tested for impairment as at 31 December 2018, by allocating the amount of goodwill and intangible assets to respective assets on which it arose, based on value in use in accordance with IAS 36 "Impairment of Assets". The recoverable amount was calculated on the basis of five years business plan approved by the Board of Directors which includes a comprehensive analysis of existing operational deployments of the Company along with strategic business plans and business growth. The value in use calculations are based on cash flow projections derived from aforesaid business plan, which have been extrapolated beyond five years, by using a steady 3.00% growth rate. The cash flows are discounted using a discount rate of 14.99% (goodwill) and 18.45% (intangibles) for use in calculation of value in use which is sensitive to discount rate and local inflation rates. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill and other intangible assets.

| | Note | 2018 | 2017 |
|---|---|---|---|
| **20.3** Amortisation for the year has been allocated as follows: | | (Rupees in '000) | |
| Marketing, selling and distribution costs | *30* | 7,536 | 3,266 |
| Administrative expenses | *31* | 1,909 | 363 |
| | | 9,445 | 3,629 |

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## 21 Investment property

The Company has rented out the owned shops to its subsidiary company {Electronic Marketing Company (Private) Limited}, effective from 01 July 2017, the effective date of the Scheme of Arrangement. Balance as of 31 December 2018 comprised of shops of Rs. 173.50 million (2017: Rs 169.63 million) and revaluation gain of Rs. 4.80 million (2017: Rs 3.87 million) based on the revaluation / fair value of the owned shops determined on 31 December 2018. This change in the fair value is recognized in the statement of profit or loss as 'Other income' as referred to in note 33.

Rent income of Rs. 4.08 million (2017: Rs 1.92 million) has been recognized on the above property during the year ended 31 December 2018. Agreements for the rent are valid up to 10 years and are renewable. Surplus on revaluation of the above properties amounting to Rs 153.49 million as of 30 June 2017 continues to be maintained in the "Surplus on Revaluation of assets" mentioned in note 8 to these unconsolidated financial statements.

The fair value of investment properties as of 31 December 2018 has been determined by an external independent property valuer M/s Asif Associates (Private) Limited based on independent inquiries from active local realtors, recent experience in the location and the records of the valuer. The fair value measurement of the investment property had been categorized as a level 3 fair value based on the input to the valuation technique used.

| 22 Investment In subsidiaries | *Note* | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| | | | *(Revised)* |
| **Electronics Marketing Company (Private) Limited - at cost** | | | |
| 2,500,000 (2017: 2,500,000) fully paid ordinary shares of Rs. 10 each | *22.1* | **250,000** | 250,000 |
| Equity held: 100% (2017: 100%) | | | |
| Chief Executive Officer - Nadeem Mahmood Butt | | | |
| **Waves Marketing (Private) Limited** | *22.2* | **323,769** | 323,769 |
| Equity held: 100% (2017: 100%) | | | |
| Chief Executive Officer - Moazzam Ahmad Khan | | | |
| | | 573,769 | 573,769 |

**22.1** Electronics Marketing Company (Private) Limited (EMCPL), a wholly owned subsidiary, was incorporated on 09 September 2016. The principal activity of the subsidiary company is to carry out distribution / wholesales and retail business of all kinds of electronic appliances, its components and accessories etc. The registered office of the subsidiary company is located at 10th Floor, Right Wing, NIC Building, Abbasi Shaheed Road, Karachi. Net assets of the subsidiary company as at 31 December 2018 were Rs. 265.15 million.

**22.2** Waves Marketing (Private) Limited (WMPL), a wholly owned subsidiary, was incorporated on 10 April 2017. The principal activity of the subsidiary company is to carry out businesses of distributors, marketers, merchants, wholesalers, retailers, traders, indentures, stockiest, suppliers, agent for product of manufacturers of other principals, local or foreign. The registered office of the subsidiary company is located at 15/3 A, Model Town, Lahore. Net assets of the subsidiary company as at 31 December 2018 were Rs. 68.47 million. Investment comprises of 100,000 ordinary shares of Rs. 10 each and fair value of customer relationships acquired of Rs. 322.77 million.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | **(Rupees in '000)** | |
| **23** | **Long term deposits** | | | |
| | *Deposits* | | | |
| | - leases | | **2,752** | 9,572 |
| | - other long term deposits | | **1,427** | 1,427 |
| | | | **4,179** | 10,999 |
| **24** | **Stock-in-trade** | | | |
| | *Raw and packing materials* | | | |
| | - in stores (in hand) | | **637,537** | 494,510 |
| | - in third party premises | | **-** | 7,677 |
| | - in bonded warehouse | *24.1* | **341,054** | 477,664 |
| | - in transit | | **639,419** | 229,841 |
| | | | **1,618,010** | 1,209,692 |
| | Work in process | | **164,841** | 161,946 |
| | *Finished goods* | | | |
| | - own manufactured | *24.2* | **950,659** | 1,025,714 |
| | - purchased for resale | | **287,668** | 192,055 |
| | | | **1,238,327** | 1,217,769 |
| | Provision for slow moving and damaged stock | *24.3* | **(29,868)** | (29,868) |
| | | | **2,991,310** | 2,559,539 |

**24.1** Stock amounting to Rs. 65.63 million (2017: Rs. 426.42) million was cleared subsequent to the year end.

**24.2** Finished goods having cost of Rs. 424.16 million (2017: Rs. 589.66 million) have been written down by Rs. 5.34 million (2017: Rs. 32.79 million) to its net realizable value.

| | 2018 | 2017 |
|---|---|---|
| | **(Rupees in '000)** | |
| **24.3 Movement in provision for slow moving and damaged stock** | | |
| Balance as at 01 January | **29,868** | 28,078 |
| Provision for the year | **-** | 1,790 |
| Balance as at 31 December | **29,868** | 29,868 |

**24.4** During the year, fire at production facility damaged certain items of stock in trade with carrying value of Rs. 186.10 million. The Company has received claim against such loss from its insurance provider in accordance with relevant insurance policies as referred to in note 32.1

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## 25 Trade debts

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **25.1 Retail network - unsecured** | | | |
| ***Considered good*** | | | |
| *Hire purchase* | | | |
| - Retail | | - | 611,695 |
| - Institutional (employees of the corporate entities) | | - | 160,778 |
| | | - | 772,473 |
| Unearned carrying charges | | - | (62,859) |
| | | - | 709,614 |
| ***Considered doubtful*** | | 166,993 | 166,993 |
| | | 166,993 | 876,607 |
| Provision for doubtful debts and other receivables | | (166,993) | (166,993) |
| | | - | 709,614 |
| Assets transferred to the subsidiary company under the Scheme of Arrangement | 25.3 | - | (709,614) |
| | | - | - |
| **25.2 Wholesale - unsecured** | | | |
| ***Dealers*** | | | |
| Considered good | 25.4 | 1,982,771 | 1,285,791 |
| Considered doubtful | | 33,821 | 23,433 |
| | | 2,016,592 | 1,309,224 |
| Balance transferred to the subsidiary company under the Scheme of Arrangement (balance as of 30 June 2017) | | - | (14,860) |
| | | 2,016,592 | 1,294,364 |
| Provision for doubtful debts | 25.6 | (33,821) | (23,433) |
| | | 1,982,771 | 1,270,931 |

**25.3** Under the Scheme of Arrangement effective 01 July 2017 as explained in note 2, the trade balance of retail network net of provision was transferred to Electronics Marketing Company (Private) Limited, a wholly owned subsidiary.

**25.4 This includes related parties from whom the debts are due and their ageing is as under:**

| | Less than 1 months | 1 to 6 months | Greater than 6 months | 2018 | 2017 |
|---|---|---|---|---|---|
| | Rupees '000 | | | | |
| Waves Marketing (Private) Limited (WMPL) | 405,738 | 695,777 | - | 1,101,515 | 529,715 |
| Electronics Marketing Company (Private) Limited (EMCPL) | 169,704 | 394,046 | 69,958 | 633,708 | 248,106 |
| | 575,442 | 1,089,823 | 69,958 | 1,735,223 | 777,821 |

**25.5 Maximum outstanding balance with reference to month end balances:**

| | In the month of | In the month of | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| Waves Marketing (Private) Limited (WMPL) | May-18 | Dec-17 | 2,733,577 | 529,715 |
| Electronics Marketing Company (Private) Limited (EMCPL) | Dec-18 | Dec-17 | 607,321 | 248,106 |

**25.6 Movement in provision for doubtful debts**

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Balance as at 01 January | 190,426 | 177,580 |
| Provision for the year | 10,388 | 12,846 |
| Balance as at 31 December | 200,814 | 190,426 |

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| 26 Advances, deposits, prepayments and other receivables | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| *Advances - considered good* | | | |
| - Employees and executives | 26.1 | 6,527 | 7,700 |
| - Suppliers | | 5,054 | 32,609 |
| - Against letter of credit | | 4,107 | 5,565 |
| | | 15,688 | 45,874 |
| *Deposits* | | | |
| - Shops and leases | | 18,069 | 337 |
| - Customs | | 5,761 | 23,197 |
| - Utilities | | - | 18,749 |
| - Others | | 621 | 900 |
| | | 24,451 | 43,183 |
| Prepayments | | 7,311 | 4,948 |
| *Other receivables* | | | |
| - Claims | 26.2 | 12,201 | 15,893 |
| - Sales tax refundable | | 87,928 | - |
| - Receivable from subsidiary companies | 26.3 | 926,138 | 660,104 |
| | | 1,026,267 | 675,997 |
| Provision for doubtful other receivables | 26.4 | (11,572) | (11,572) |
| | 26.5 | 1,062,145 | 758,430 |

**26.1** At 31 December 2018, the advances due from executives amounted to Rs. 0.12 million (2017: Rs.0.29 million). The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 0.29 million (2017: Rs. 0.29 million).

**26.2** This represents claims receivable from insurance companies, suppliers and product claims amounting to Rs. 12.20 million (2017: Rs. 15.89 million) against which provision of Rs. 11.57 million (2017: Rs. 11.57 million) is held.

**26.3** This represents amounts due from subsidiary companies, on account of expenses allocated to them / incurred on their behalf in accordance to a basis approved by the Board of Directors of the Company. Out of total receivable of Rs. 660.10 million as at 31 December 2017, Rs. 362.25 million due for the retail business transferred to the subsidiary company under the Scheme of Arrangement net of recoveries during the six months period ended 31 December 2017 and Rs. 1.92 million for rent receivable. The balance is unsecured and receivable on demand.

**26.3.1 Ageing of the receivable is as under:**

| | Less than 6 months | Greater than 6 months | 2018 | 2017 |
|---|---|---|---|---|
| | Rupees '000 | | | |
| Waves Marketing (Private) Limited (WMPL) | 353,388 | - | 353,388 | - |
| Electronics Marketing Company (Private) Limited (EMCPL) | 572,750 | - | 572,750 | 660,104 |
| | 926,138 | - | 926,138 | 660,104 |

**26.3.2 Maximum outstanding balance with reference to month end balances:**

| | In the month of | In the month of | 2018 | 2017 |
|---|---|---|---|---|
| Waves Marketing (Private) Limited (WMPL) | Dec-18 | - | 353,388 | - |
| Electronics Marketing Company (Private) Limited (EMCPL) | Dec-18 | Dec-17 | 572,750 | 660,104 |

| 26.4 Movement in provision for doubtful other receivables | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Balance as at 01 January | 11,572 | 9,407 |
| Provision for the year | - | 2,165 |
| Balance as at 31 December | 11,572 | 11,572 |

**26.5** All the above balances are interest free and unsecured other than in note 26.3

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| 27 | Cash and bank balances | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | *Balances with banks* | | | |
| | - in current accounts | *27.1* | 34,221 | 150,606 |
| | - in profit and loss sharing account | *27.2* | 40,349 | 407 |
| | | | 74,570 | 151,013 |
| | Cash in hand | *27.3* | 16,090 | 92,160 |
| | | | 90,660 | 243,173 |

**27.1** These include bank account of Rs. 0.31 million (2017: Rs. 1.93) maintained under Shariah compliant arrangement.

**27.2** Rate of return on saving accounts range from 3.5% to 5% (2017: 3%) per annum.

**27.3** This includes cash in transit of Rs. 9.25 million (2017: Rs. 84.70 million) representing the balance held with the outlets and were deposited in the bank accounts subsequent to the year end.

| 28 | Net revenue | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | *Sales* | | | |
| | - local | | 8,839,696 | 4,241,624 |
| | - export | | 14,186 | 2,419 |
| | Sales return | | (17,988) | (19,395) |
| | | | 8,835,894 | 4,224,648 |
| | Sales tax | | (966,824) | (480,559) |
| | Trade discount | | (1,879,460) | (737,572) |
| | | | (2,846,284) | (1,218,131) |
| | | | 5,989,610 | 3,006,517 |

| 29 | Cost of sales | Note | 2018 | 2017 |
|---|---|---|---|---|
| | *Opening stock - finished goods* | | | |
| | - own manufactured | | 1,025,714 | 285,313 |
| | - purchased for resale | | 192,055 | 52,324 |
| | | | 1,217,769 | 337,637 |
| | Purchases | | 659,215 | 486,553 |
| | Acquisition through business combination | | - | 540,379 |
| | Cost of goods manufactured | *29.1* | 4,784,505 | 2,474,828 |
| | | | 6,661,489 | 3,839,397 |
| | *Closing stock - finished goods* | | | |
| | - own manufactured | | (950,659) | (1,025,714) |
| | - purchased for resale | | (287,668) | (192,055) |
| | | | (1,238,327) | (1,217,769) |
| | Less: Export rebate | | (54) | (497) |
| | | | 5,423,108 | 2,621,131 |

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| 29.1 | Cost of goods manufactured | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Raw and packing materials and stores consumed | | **4,110,226** | 2,110,890 |
| | Salaries, wages and other benefits | *29.1.1* | **383,298** | 229,161 |
| | Depreciation on property, plant and equipment | *19.1.4* | **108,080** | 70,283 |
| | Fuel and power | | **67,215** | 40,328 |
| | Insurance expense | | **18,433** | 9,733 |
| | Repairs and maintenance | | **32,117** | 10,104 |
| | Printing and stationery | | **16,183** | 4,769 |
| | Provision against slow moving and damaged stock | *24.3* | **-** | 1,790 |
| | Travelling and conveyance | | **3,498** | 1,793 |
| | Rent, rates and taxes | | **46,736** | 679 |
| | Communication | | **886** | 657 |
| | Entertainment | | **728** | - |
| | | | **4,787,400** | 2,480,187 |
| | Work-in-process | | | |
| | Opening stock | | **161,946** | 36,023 |
| | Acquisition through business combination | | **-** | 120,564 |
| | Closing stock | | **(164,841)** | (161,946) |
| | | | **(2,895)** | (5,359) |
| | Cost of goods manufactured | | **4,784,505** | 2,474,828 |

**29.1.1** These include provision of Rs. 2.84 million (2017: Rs. 0.76 million), Rs. 1.84 million (2017: Rs. 0.50 million) and Rs. 9.51 million (2017: Rs. 2.56 million) in respect of gratuity, pension and provident funds respectively.

| 30 | Marketing, selling and distribution costs | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| | Salaries and benefits | *30.1* | **43,797** | 69,003 |
| | Salaries and benefits - sales staff | *30.1* | **20,094** | 45,324 |
| | Rent, rates and taxes | | **24,524** | 48,203 |
| | Publicity and sales promotion | | **28,976** | 39,172 |
| | Depreciation on property, plant and equipment | *19.1.4* | **16,343** | 29,726 |
| | Warranty obligations | *30.1* | **7,718** | 19,975 |
| | Freight charges | | **15,645** | 20,057 |
| | Utilities | | **4,875** | 6,743 |
| | Printing and stationery | | **3,071** | 5,854 |
| | Travelling and conveyance | | **7,454** | 5,777 |
| | Amortisation of intangible assets | *20.3* | **7,536** | 3,266 |
| | Communication | | **3,670** | 1,600 |
| | Repair and maintenance | | **154** | 1,015 |
| | Training and sundries | | **621** | 1,009 |
| | Insurance expense | | **344** | 738 |
| | Others | | **261** | - |
| | | | **185,083** | 297,462 |

**30.1** These include provision of Rs. 2.40 million (2017: Rs. 2.20 million), Rs. 1.55 million (2017: Rs. 1.42 million) and Rs. 2.16 million (2017: Rs. 4.55 million) in respect of gratuity, pension and provident funds respectively.

[illegible]

| 31 Administrative expenses | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Salaries and benefits | 31.1 | 31,979 | 60,172 |
| Legal and professional charges | | 38,001 | 25,841 |
| Auditors' remuneration | 31.3 | 3,790 | 3,750 |
| Depreciation on property, plant and equipment | 19.1.4 | 33,327 | 15,850 |
| Communication | | 2,537 | 4,661 |
| Travelling and conveyance | | 2,991 | 3,844 |
| Repair and maintenance | | 806 | 3,408 |
| Utilities | | 1,709 | 3,274 |
| Printing and stationery | | 1,876 | 2,295 |
| Rent, rates and taxes | | 3,227 | 1,980 |
| Insurance expense | | 1,306 | 1,642 |
| Entertainment expense | | 424 | 708 |
| Fees and subscription | | 906 | 668 |
| Amortisation of intangible assets | 20.3 | 1,909 | 363 |
| Charity and donations | 31.2 | 470 | 56 |
| Others | | 355 | - |
| | | 125,613 | 128,512 |

**31.1** These include provision of Rs. 2.40 million (2017: Rs. 0.56 million), Rs. 1.55 million (2017: Rs. 0.36 million) and Rs. 1.87 million (2017: Rs. .44 million) in respect of gratuity, pension and provident funds respectively.

**31.2** None of the donations were made to an entity in which any director or his / her spouse had an interest.

| 31.3 Auditors' remuneration | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Audit fee | 2,500 | 2,090 |
| Audit fee for the six months period ended 30 June 2017 | - | 500 |
| Fee for the review of interim financial information | 385 | 135 |
| Fee for the review of code of corporate governance and other certifications/ reports under agreed upon procedures | 320 | 440 |
| Out of pocket expenses | 585 | 585 |
| | 3,790 | 3,750 |

| 32 Other expenses | Note | 2018 | 2017 |
|---|---|---|---|
| Provision for doubtful debts and others assets - net | 25.6 & 26.4 | 10,388 | 15,011 |
| Workers' profits participation fund (WPPF) | 14.3 | 27,331 | 9,947 |
| Exchange loss - net | | 44,459 | 13,632 |
| Research and development expenditure | | 3,637 | 1,591 |
| Ijarah rentals | | 1,447 | 1,447 |
| Workers' welfare fund | | 9,118 | 3,581 |
| Loss on property, plant and equipment and equipment | | | |
| - due to fire | 32.1 | 6,838 | - |
| - due to disposal | | 5,550 | - |
| | | 108,768 | 45,209 |

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**32.1** On 11 May 2018, a fire broke out at production facility located in Lahore [former 'Cool Industries (Private) Limited']. The fire started at the dispatch area and caused damage to the finished goods under dispatch, production facility (i.e. Plant and machinery) along with its related building area and work-in-process which were adequately insured. Although, the production of refrigerators and deep freezers was halted for a month, however, sufficient finished goods inventory of these products was available at off-site warehouses for uninterrupted supplies to the market. The production facilities of air-conditioners, microwave ovens and washing machines remained un-affected and continued un-interruptedly.

The Company filed insurance claim in respect of damaged assets and a surveyor was appointed by the insurance company, who completed his survey and assessed the insurance claim at Rs. 432.06 million including salvage value of Rs. 12.06 million scrap retained by the Company. As at 31 December 2018, the Company has received complete insurance claim including salvage recovery of Rs. 12.06 million. Detail of insurance claim is as follows:

| **Carrying value of assets written off due to fire** | *Note* | **(Rupees in '000)** |
|---|---|---|
| ***Property, plant and equipment*** | | |
| Building on freehold land | | 60,016 |
| Plant and machinery | | 177,597 |
| Furniture and equipment | | 12,164 |
| | *19.3* | **249,777** |
| ***Stock in trade*** | | |
| Finished goods | | 12,804 |
| Raw material | | 94,535 |
| Work in process | | 78,759 |
| | | **186,098** |
| Repair and maintenance adjustment | | **3,029** |
| Carrying value of assets written off due to fire | | **438,904** |
| Insurance claim received | | **420,000** |
| Scrap value | | **12,066** |
| **Net loss on insurance claim of assets written off due to fire** | | **6,838** |

## 33 Other income

| | *Note* | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in '000)** | |
| ***Income from financial assets*** | | | |
| Profit on a profit and loss sharing bank balance | | **24** | 9 |
| ***Income from non-financial instruments*** | | | |
| Gain on disposal of property, plant and equipment and investment property - net | | **-** | 456,951 |
| Unrealized gain on fair value measurement of investment property | *21* | **4,799** | 34,676 |
| Dividend income | *33.1* | **540,000** | - |
| Mark-up on receivables from subsidiary companies | *33.2* | **79,797** | - |
| Rental income | *21* | **4,080** | 6,370 |
| Service income and others | | **6,379** | 3,818 |
| Liabilities no longer payable written back | | **21,134** | - |
| Scrap sales | | **3,408** | 1,084 |
| Amortisation of deferred income | *13* | **6,322** | 2,452 |
| Others | | **70** | - |
| | | **665,989** | 505,351 |
| | | **666,013** | 505,360 |

**33.1** This represents dividend income received from Waves Marketing (Private) Limited, a wholly owned subsidiary.

**33.2** This represents mark-up charged against net amount receivable from the subsidiary companies (note 25 and 26.3). Mark-up is calculated at an average quarterly borrowing rate of the Company. The quarterly borrowing rate is applied on the outstanding balance receivable that exceeds the credit period of 30 days.

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| 34 Finance costs | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| *Islamic mode of financing* | | | |
| - Short term borrowings | | 25,420 | 25,127 |
| *Interest / mark-up on interest / mark-up based loans* | | | |
| - Long term loans | | 83,865 | 43,498 |
| - Short term borrowings | | 273,932 | 200,348 |
| - Finance lease | | 6,825 | 4,469 |
| Interest on employee retention money | | - | 3,410 |
| Interest on workers' profits participation fund | | 498 | 437 |
| Mark up accrued on balance payable to the provident fund | | - | 351 |
| Bank charges | | 32,934 | 18,456 |
| | | 423,474 | 296,096 |

| 35 Taxation | | | |
|---|---|---|---|
| Current: | | | |
| *- for the year* | 35.1 | 5,497 | 4,268 |
| *- prior year* | | (5,649) | 20,313 |
| | | (152) | 24,581 |
| Deferred: | | | |
| *- group taxation* | | (86,430) | - |
| *- others* | 12 | 23,490 | (37,583) |
| | | (62,940) | (37,583) |
| | | (63,092) | (13,002) |

35.1 Represents the tax charge under the final tax regime. The Company has opted for Group taxation and the Group falls under normal tax regime. Accordingly, no provision for current tax under the normal tax regime has been made as the Company has taxable loss on standalone basis.

| 35.2 Tax charge reconciliation | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Numerical reconcilliation between tax expense and accounting profit: | | |
| Profit before tax | 389,577 | 175,456 |
| Tax at the applicable tax rate of 29% (2017: 30%) | 112,977 | 52,637 |
| Tax effect of permanent differences: | | |
| - In respect of differential under normal tax and final tax regime | (6,845) | 2,752 |
| - Exempt income - dividend from subsidiary (exempt due to group taxation) | (156,600) | - |
| - Other permanent differences | (136) | (87,604) |
| Tax credit | (41,742) | - |
| Change in tax rate | (48,526) | - |
| Prior year tax charge | 55,164 | 20,313 |
| Others | 22,616 | (1,100) |
| | (63,092) | (13,002) |

35.3 In prior years, the Company (for the reason of carry forward tax losses) has not recorded provision for minimum tax under the Income Tax Ordinance, 2001 (Ordinance) amounting to Rs. 38.88 million, Rs. 15.10 million and Rs. 16.86 million in respect of year ended 31 December 2017, 31 December 2015 and 31 December 2014 respectively as the management expects to adjust the same against its future tax liability under the normal tax regime within the time limit as specified for adjustments of minimum tax in the Ordinance. Similarly for the year ended 31 December 2016, provision for Alternate Corporate Tax (ACT) (being higher than the minimum tax) amounting to Rs. 23.07 has also not been recorded on the same basis.

35.4 As per management's assessment, the provision for tax made in the financial statements is sufficient. A comparison of last three years' of income tax provisions with tax assessment is presented below:

| Tax Years | Tax provision as per financial statements | Tax as per assessment / return |
|---|---|---|
| | (Rupees in '000) | |
| 2016 | 2,629 | 18,063 |
| 2017 | 2,383 | 24,770 |
| 2018 | 4,268 | 48,892 |

36 **Earnings per share - basic and diluted**

The calculation of earnings per share (basic and diluted) is based on earnings attributable to the owners of ordinary shares of the Company.

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when excercised.

Company's earnings per share have been calculated as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| | | | *(Restated)* |
| Profit for the year | *Rupees in '000* | 452,669 | 188,458 |
| Weighted average number of ordinary shares | *Shares* | 163,134 | 114,909 |
| Earnings per share - basic and diluted | *Rupees* | 2.77 | 1.64 |

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## 37 Cash and cash equivalents

### 37.1 Cash and cash equivalents as at 31 December

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Cash and bank balances | 90,660 | 243,173 |
| Short term running finances under mark-up arrangements from Banks - secured | (1,529,866) | (868,507) |
| | (1,439,206) | (625,334) |

### 37.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Liabilities | | | | Equity | | | | | |
| | Short term borrowings | Long term loans | Liabilities against assets subject to finance lease | Mark-up accrued on borrowings | Unpaid dividend | Share capital | Shares to be issued pursuant to amalgamation | Share premium reserve | Capital reserve | Total |
| | Rupees in '000 | | | | | | | | | |
| **Balance as at 01 January 2018** | 2,748,916 | 649,458 | 55,654 | 73,766 | - | 454,056 | 964,500 | 5,038,548 | 5,000 | 9,989,898 |
| ***Cash flows*** | | | | | | | | | | |
| Short term borrowings repaid net of receipts | (414,989) | - | - | - | - | - | - | - | - | (414,989) |
| Shares issued under scheme of amalgamation | - | - | - | - | - | 964,500 | (964,500) | - | - | - |
| Shares issued as fully paid bonus shares @ 15% | - | - | - | - | - | 212,784 | - | (212,784) | - | - |
| Dividend paid | - | - | - | - | (175,803) | - | - | - | - | (175,803) |
| Long term loans repaid net of receipts | - | 364,063 | - | - | - | - | - | - | - | 364,063 |
| Finance cost paid | - | - | - | (400,400) | - | - | - | - | - | (400,400) |
| Repayment of lease rentals | - | - | (13,639) | - | - | - | - | - | - | (13,639) |
| | (414,989) | 364,063 | (13,639) | (400,400) | (175,803) | 1,177,284 | (964,500) | (212,784) | - | (640,768) |
| ***Non-cash changes*** | | | | | | | | | | |
| Changes in running finance | 661,359 | - | - | - | - | - | - | - | - | 661,359 |
| Dividend approved | - | - | - | - | 177,320 | - | - | - | - | 177,320 |
| Assets acquired on finance lease | - | - | 23,513 | - | - | - | - | - | - | 23,513 |
| Finance cost | - | - | - | 423,972 | - | - | - | - | - | 423,972 |
| | 661,359 | - | 23,513 | 423,972 | 177,320 | - | - | - | - | 1,286,164 |
| **Balance as at 31 December 2018** | 2,995,286 | 1,013,521 | 65,528 | 97,338 | 1,517 | 1,631,340 | - | 4,825,764 | 5,000 | 10,635,294 |

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| | 2017 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Liabilities | | | | Equity | | | | | |
| | Short term borrowings | Long term finances | Liabilities against assets subject to finance lease | Mark-up accrued on borrowings | Unpaid dividend | Share capital | Shares to be issued pursuant to amalgamation | Share premium reserve | Capital reserve | Total |
| | Rupees in '000 | | | | | | | | | |
| Balance as at 01 January 2017 | 1,177,396 | 546,875 | 17,473 | 40,005 | - | 454,056 | - | - | 5,000 | 2,240,805 |
| ***Cash flows*** | | | | | | | | | | |
| Short term borrowings repaid net of receipts | 207,859 | - | - | - | - | - | - | - | - | 207,859 |
| Acquisition through business combination | - | - | - | - | - | - | 964,500 | 5,038,548 | - | 6,003,048 |
| Repayment of long term loans | - | (396,875) | - | - | - | - | - | - | - | (396,875) |
| Finance cost paid | - | - | - | (305,266) | - | - | - | - | - | (305,266) |
| Repayment of lease rentals | - | - | (10,657) | - | - | - | - | - | - | (10,657) |
| | 207,859 | (396,875) | (10,657) | (305,266) | - | - | 964,500 | 5,038,548 | - | 5,498,109 |
| ***Non-cash changes*** | | | | | | | | | | |
| Changes in running finance | 719,806 | - | - | - | - | - | - | - | - | 719,806 |
| Assets acquired on lease | - | - | 48,838 | - | - | - | - | - | - | 48,838 |
| Finance cost | - | - | - | 296,096 | - | - | - | - | - | 296,096 |
| Acquisition through business combination | 643,855 | 499,458 | - | 42,931 | | - | - | - | - | 1,186,244 |
| | 1,363,661 | 499,458 | 48,838 | 339,027 | - | - | - | - | - | 2,250,984 |
| Balance as at 31 December 2017 | 2,748,916 | 649,458 | 55,654 | 73,766 | - | 454,056 | 964,500 | 5,038,548 | 5,000 | 9,989,898 |

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## 38 Provident fund related disclosure

### 38.1 Waves Singer Pakistan Limited (formerly Singer Pakistan Limited)

38.1.1 The Company operates approved contributory provident fund for all the employees eligible under the scheme. Details of the net assets and investments out of this fund based on the unaudited financial statements are as follows:

| | Note | (Unaudited) 31 December 2018 | (Unaudited) 31 December 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Size of the fund - net assets (investments at fair value) (a) | | 39,993 | 49,833 |
| Cost of the investment made | | 24,933 | 48,494 |
| Fair value of the investment made (b) | *38.1.2* | 37,928 | 49,564 |
| | | (Percentage) | |
| Percentage of the investment made (of the size of funds) (b/a) | | 94.8% | 99.5% |

Above details are of Singer Pakistan Limited.

38.1.2 Break up of fair value of investments is:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | (Rs. in '000) | % | (Rs. in '000) | % |
| Bank balances | 13,739 | 36% | 3,246 | 1% |
| Pakistan Investment Bonds | 24,189 | 64% | 35,425 | 90% |
| Treasury Bills | - | 0% | 10,893 | 9% |
| | 37,928 | 100% | 49,564 | 100% |

The management, based on the un-audited financial statements of the fund, is of the view that the investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated thereunder.

### 38.2 Former Cool Industries (Private) Limited

38.2.1 Above Company operated approved contributory provident fund for all the employees eligible under the scheme. Details of the net assets and investments out of this fund based on the audited financial statements are as follows:

| | Note | (Audited) 30 June 2018 | (Audited) 30 June 2017 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Size of the fund - net assets (investments at fair value) (a) | | 203,171 | 179,209 |
| Cost of the investment made | | 76,416 | 73,990 |
| Fair value of the investment made (b) | *38.2.2* | 105,944 | 102,826 |
| | | (Percentage) | |
| Percentage of the investment made (of the size of funds) (b/a) | | 52.15% | 57.38% |

38.2.2 Break up of the fair value of investments are as follows:

| | 30 June 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | (Rs. in '000) | % | (Rs. in '000) | % |
| Bank balances | 10,352 | 10% | 8,317 | 8% |
| Term Deposit Receipt - with a bank | 29,800 | 28% | 29,000 | 28% |
| Mutual Funds | 56,792 | 54% | 56,509 | 55% |
| Defense Saving Certificates | 9,000 | 8% | 9,000 | 9% |
| | 105,944 | 100% | 102,826 | 100% |

The management is of the view that the investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated thereunder.

## 39 Remuneration of Chief Executive, Directors And Executives

The aggregate amounts charged in the unconsolidated financial statements in respect of remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

| | Chief Executive | | Directors | | Executives | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | (Rupees in '000) | | | | | | | |
| Managerial remuneration | **7,718** | 9.109 | **1,892** | 6.918 | **24,756** | 42.507 | **34,366** | 58.534 |
| Contribution to provident fund | **587** | 719 | **80** | 411 | **1,634** | 2,566 | **2,301** | 3,696 |
| Fuel reimbursable expenditure | **-** | 76 | **83** | 205 | **1,058** | 379 | **1,141** | 660 |
| Housing allowance | **3,096** | 2,111 | **841** | 1,156 | **9,209** | 9,788 | **13,146** | 13,055 |
| Leave fare assistance and others | **-** | - | **55** | 116 | **922** | 1,481 | **977** | 1,597 |
| | **11,401** | 12,015 | **2,951** | 8,806 | **37,579** | 56,721 | **51,931** | 77,542 |
| Number of persons | **1** | 1 | **2** | 3 | **53** | 47 | **56** | 51 |

**39.1** In addition to the above, Directors and certain Executives are provided with free use of the Company maintained vehicles, club facility and certain items of furniture and fixtures in accordance with their entitlement. The Company also makes contributions based on actuarial calculations to gratuity and pension funds.

**39.2** In addition, aggregate amount charged in the unconsolidated financial statements for payments on account of the meeting fee to two (2017: five) non-executive directors was Rs. 0.36 million (2017: Rs. 0.68 million).

## 40 Transactions with related parties

Related parties comprise of associated undertakings, directors, entities with common directorship, post employment plans and key management personnel. Amounts due from and to related parties are shown under trade and other payables note 14, trade debts note 25, advances, deposits, prepayments and other receivables note 26 and remuneration of directors and key management personnel note 39. Other significant transactions with related parties are as follows:

| Name of the Company | Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **i. Subsidiary Company** | | | | |
| Waves Marketing (Private) Limited | Wholly owned subsidiary | Sale of inventory - gross | **4,555,404** | 621,564 |
| | | Purchase of inventory | **104,440** | - |
| | | Expenses incurred / paid on behalf of subsidiary | **666,584** | 150,154 |
| | | Dividend income | **540,000** | - |
| | | Mark-up charged on receivable from subsidiary | **44,210** | - |
| Electronics Marketing (Private) Limited | Wholly owned subsidiary | Sale of inventory - gross | **1,781,084** | 733,085 |
| | | Purchase of inventory | **3,090** | 70,372 |
| | | Expenses incurred / paid on behalf of subsidiary | **535,911** | 324,379 |
| | | Mark-up charged on receivable from subsidiary | **35,587** | - |
| **ii. Associated Undertakings** | | | | |
| Poseidon Synergies (Private) Limited | Shareholding and common directorship | Loan received during the year | **40,000** | - |
| | | Repayment of loan during the year | **5,000** | - |
| Employee's Provident Fund | Post employee contribution plan | Contribution for the year | **29,235** | 16,004 |
| | | Loan received during the year | - | 14,000 |
| | | Repayment of loan during the year | - | 14,000 |
| Employee's Gratuity Fund | Post employee benefit plan | Contribution for the year | **6,242** | 4,481 |
| | | Loan received during the year | - | 1,000 |
| | | Repayment of loan during the year | - | 1,000 |
| Employee's Pension Fund | Post employee benefit plan | Contribution for the year | **4,039** | 3,940 |
| Directors | Employees | Fee for meetings | **819** | - |
| | | Loan received during the year | - | 96,000 |
| | | Repayment of loan during the year | - | 96,000 |

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## 41 Plant capacity and actual production

| | Capacity | | Production | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | ----------- (Units) ---------- | | ----------- (Units) ---------- | |
| Refrigerators | 125,000 | 115,000 | 114,377 | 68,639 |
| Deep Freezer | 115,000 | 90,000 | 84,664 | 32,870 |
| Microwave ovens | 60,000 | 60,000 | 12,670 | 1,711 |
| Air conditioners | 60,000 | 60,000 | 5,558 | 9,012 |
| Washing Machines | 40,000 | - | 5,762 | - |
| Gas appliances (water heater and cooking range excluding microwave ovens) | 25,000 | 25,000 | 9,717 | 6,723 |
| Televisions | 22,500 | 22,500 | - | - |
| Water dispenser | 20,000 | 6,000 | 800 | 1,300 |

Capacity reflects units expected to be produced on the basis of normal production hours (one shift of 8 hours). The under utilization of capacity is mainly attributed to the fact that production was affected during the months from April 2019 to June 2019 due to fire as fully explained in note 32.1. Other than refrigerators and deep freezers, the production / capacity utilization is according to market demand.

## 42 Number of employees

| | Factory employees | | Total employees | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Number of persons) | | (Number of persons) | |
| Total number of employees as at 31 December | 1,431 | 1,450 | 2,490 | 2,184 |
| Average number of employees | 1,387 | 1,306 | 2,581 | 2,271 |

## 43 Operating segments

As per IFRS 8, "Operating Segments", Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board of Directors (BOD) through the Chief Executive Officer of the Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Company has determined the operating segments based on the reports reviewed by the BOD and Chief Executive Officer, which are used to make strategic decisions.

The Chief Executive Officer is responsible for the Company's entire product portfolio and considers the business to have two operating segments. The Company's asset allocation decisions are based on an integrated investment strategy. The Company's performance is evaluated on the basis of two operating segments. The internal reporting provided to the Chief Executive Officer for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. Contributions to the employee retirement benefits and accrual of liability and expense are made in accordance with the terms of employee retirement benefit schemes and actuarial advice (note 11), as applicable. Contributions to the provident fund are made in accordance with the service rules.

Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

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**43.1** The Company's operating segments consist of business related to Singer Brand and Waves Brand.

| | 2018 | | |
|---|---|---|---|
| | Singer | Waves | Total |
| | (Rupees in '000) | | |
| Revenue | 1,577,642 | 4,411,968 | 5,989,610 |
| Segment profit before tax | 79,018 | 310,559 | 389,577 |
| Interest income from subsidiary companies | 35,587 | 44,210 | 79,797 |
| Interest expense | (85,943) | (304,597) | (390,540) |
| Loss on disposal of property plant and equipment | (9,233) | (3,155) | (12,388) |
| Unrealized gain on fair value measurement of investment property | (4,799) | - | (4,799) |
| Depreciation and amortization | (33,058) | (134,137) | (167,195) |
| Segment assets | 2,991,971 | 11,387,230 | 14,379,201 |
| Segment liabilities | 889,487 | 5,114,415 | 6,003,902 |

| | 2017 | | |
|---|---|---|---|
| | Singer | Waves | Total |
| | (Rupees in '000) | | |
| Revenue | 1,287,206 | 1,691,942 | 2,979,148 |
| Segment profit / (loss) before tax | 287,866 | (112,410) | 175,456 |
| Interest income | 51,989 | - | 51,989 |
| Interest expense | 159,616 | 136,480 | 296,096 |
| Loss on disposal of property plant and equipment and investment property | 456,384 | 567 | 456,951 |
| Unrealized gain on fair value measurement of investment property | 34,676 | - | 34,676 |
| Depreciation and amortization | 60,093 | 59,395 | 119,488 |
| Segment assets | 3,298,335 | 9,610,834 | 12,909,169 |
| Segment liabilities | 1,079,605 | 3,744,940 | 4,824,545 |

**43.2** Revenue from refrigerators and deep freezers represents 39% and 35% (2017: refrigerators and air conditioners represented 29% and 33% respectively) of the total revenue of the Company.

**43.3** Sales represents local sales of Rs. 5,975.44 million (2017: Rs. 3,004.10 million) and export sales of Rs. 14.17 million (2017: Rs. 2.42 million).

**43.4** All non-current assets of the Company as at 31 December 2018 are located in Pakistan.

**43.5** Sales (gross) to the subsidiary companies amounts to Rs. 6,336.49 million (2017: Rs. 1,354.65 million).

| | Amount (in '000) | % of Company's sales |
|---|---|---|
| Waves Marketing (Private) Limited | 4,555,404 | 65.48% |
| Electronics Marketing (Private) Limited | 1,781,084 | 25.60% |

## 44 Financial instruments

The Company's Board of Directors ("the Board") has overall responsibility for establishment and oversight of the Company's risk management framework. The Board has developed a risk policy that sets out fundamentals of risk management framework. 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.

### 44.1 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.

#### 44.1.1 Exposure to credit risk

Credit risk of the Company arises principally from trade debts, advances, deposits, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure.

The Company's customers mainly comprise of individuals, corporate entities and the dealers. The management has established a credit policy under which each new customer is analysed individually for credit worthiness, including whether they are an individual or legal entity, geographic location, aging profile, and existence of previous financial difficulties before the Company's standard payment and delivery terms and conditions are offered. The Company's evaluation includes consideration of financial position of customers and obtains references, wherever required.

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:

| | Carrying amount | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in '000)** | |
| Security deposits | **22,869** | 30,985 |
| Trade debts | **1,982,771** | 1,270,931 |
| Other receivables | **926,767** | 664,425 |
| Balances with banks | **74,570** | 151,013 |
| | **3,006,977** | 2,117,354 |

#### 44.1.2 Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance for developments affecting a particular industry. Out of total receivable, 96% (2017: 64%) relates to receivable from subsidiary companies. Maximum exposure to credit risk by type of counterparty is as follows:

| | Net receivable (net of provisions) | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in '000)** | |
| *Trade debts* | | |
| - others | **247,548** | 493,110 |
| - subsidiary companies | **1,735,223** | 777,821 |
| *Security deposits* | | |
| - individuals | **19,835** | 2,327 |
| - lease | **3,034** | 9,909 |
| - utilities | **-** | 18,749 |
| Other receivable from subsidiary company | **926,138** | 586,553 |
| Insurance company (claims) | **629** | 77,872 |
| Banks | **74,570** | 151,013 |
| | **3,006,977** | 2,117,354 |

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### 44.1.3 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, 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.

#### *44.1.3(a) Counterparties with external credit ratings*

These include banking companies and financial institutions, which are counterparties to cash deposits and security deposits. The bank balances (including security deposits) are held with banks and financial institutions counterparties, which are rated as

| Banks | Rating Agency | Short term | Long term | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | | (Rupees in '000) | |
| Al Baraka Bank (Pakistan) Limited | PACRA | A1 | A | 52 | 148 |
| Allied Bank Limited | PACRA | A1+ | AAA | 1,313 | 1,750 |
| Askari Bank Limited | PACRA | A1+ | AA+ | 2,969 | 2,677 |
| Bank Alfalah Limited | PACRA | A1+ | AA+ | 3,611 | 3,256 |
| Bank Islami Pakistan Limited | PACRA | A1 | A+ | 22 | 22 |
| Bank of Khyber | PACRA | A1 | A | 214 | - |
| Bank of Punjab | PACRA | A1+ | AA | 1,815 | 364 |
| Dubai Islamic Bank Limited | R-VIS | A-1 | A+ | 165 | 33,958 |
| Faysal Bank Limited | JCR-VIS | A1+ | AA | 1,328 | 2,672 |
| Habib Bank Limited | JCR-VIS | A-1+ | AAA | 45,618 | 77,766 |
| Habib Metropolitan Bank | PACRA | A1+ | AA+ | 236 | 235 |
| J.S. Bank Limited | PACRA | A1+ | AA- | 4 | - |
| MCB Bank Limited | PACRA | A1+ | AAA | 7,737 | 4,047 |
| Meezan Bank | JCR-VIS | A1+ | AA+ | 294 | - |
| National Bank Of Pakistan | PACRA | A1+ | AAA | 1,921 | 9,589 |
| Silk Bank Limited | JCR-VIS | A1+ | AA | 393 | - |
| Soneri Bank Limited | PACRA | A1+ | AA- | 1,046 | 748 |
| Standard Chartered Bank | PACRA | A1+ | AAA | 1,211 | 8,526 |
| United Bank Limited | JCR-VIS | A1+ | AAA | 4,621 | 5,255 |
| | | | | 74,570 | 151,013 |
| ***Security Deposits*** | | | | | |
| Bank of Punjab | PACRA | A1+ | AA | 282 | 357 |
| First Habib Modaraba | PACRA | A1+ | AA+ | - | 444 |
| Orix Leasing (Pakistan) Limited | PACRA | A1+ | AA+ | - | 3,707 |
| Sindh Leasing Company Limited | JCR-VIS | A+ | A-1 | 2,752 | 5,401 |
| | | | | 3,034 | 9,909 |
| | | | | 77,604 | 160,922 |

#### *44.1.3(b) Counterparties without external credit ratings*

These include customers which are counter parties to trade debts. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer / dealers. Major portion of sales made to customers are to the subsidiary companies. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. The analysis of age of trade debts at the reporting date is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Gross | Impairment loss | Gross | Impairment loss |
| | ------- (Rupees in '000) ------- | | ------- (Rupees in '000) ------- | |
| Not yet due | 599,509 | - | 66,951 | - |
| Past due 1 - 60 days | 816,640 | - | 533,952 | - |
| Past due 61 days - 1 year | 356,396 | - | 638,020 | - |
| Past due 1 - 2 years | 187,581 | - | 32,008 | - |
| Past due by more than 2 year | 223,459 | 200,814 | 190,426 | 190,426 |
| Total | 2,183,585 | 200,814 | 1,461,357 | 190,426 |

At 31 December 2018, provision relates to numerous individual customers, dealers and corporate entities and it has been determined by the management in accordance with the approved policy based on the ageing of the customer balances and historical bad debt statistics. Based on the past experience, consideration of financial position, past track records and subsequent recoveries, the management believes that the unprovided amounts are recoverable. None of the other financial assets of the Company are past due.

None of the financial assets of the Company are secured or impaired except as those mentioned in these unconsolidated financial statements.

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## 44.2 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. The Company maintains committed lines of credit as disclosed in note 16 to ensure flexibility in funding. In addition, the Company has unavailed facilities of running finances to meet the deficit, if required to meet the short term liquidity commitment.

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

| | | 31 December 2018 | | | | |
|---|---|---|---|---|---|---|
| | | **Carrying amount** | **Contractual cash flows** | **One year or less** | **One to two years** | **Two to five years** |
| ***Financial liabilities*** | *Note* | | | **(Rupees in '000)** | | |
| Long term loans - secured | *9* | **1,013,521** | **1,242,862** | **372,408** | **362,470** | **507,984** |
| Liabilities against assets subject to finance lease | *10* | **65,528** | **75,835** | **28,885** | **19,285** | **27,665** |
| Employee retirement benefit | *11* | **42,480** | **42,480** | **-** | **-** | **42,480** |
| Trade and other payables | *14* | **1,475,747** | **1,475,747** | **1,475,747** | **-** | **-** |
| Mark-up accrued on borrowings | *15* | **97,338** | **97,338** | **97,338** | **-** | **-** |
| Short term borrowings - secured and unsecured | *16* | **2,995,286** | **3,067,868** | **3,067,868** | **-** | **-** |
| | | **5,689,900** | **6,002,130** | **5,042,246** | **381,755** | **578,129** |

| | | 31 December 2017 | | | | |
|---|---|---|---|---|---|---|
| | | Carrying amount | Contractual cash flows | One year or less | One to two years | Two to five years |
| ***Financial liabilities*** | | | | (Rupees in '000) | | |
| Long term loans - secured | *9* | 649,458 | 795,088 | 150,978 | 206,330 | 437,780 |
| Liabilities against assets subject to finance lease | *10* | 55,654 | 62,128 | 20,974 | 19,285 | 21,869 |
| Employee retirement benefit | *11* | 37,436 | 37,436 | - | - | 37,436 |
| Trade and other payables | *14* | 822,742 | 822,742 | 822,742 | - | - |
| Mark-up accrued on borrowings | *15* | 73,766 | 73,766 | 73,766 | - | - |
| Short term borrowings - secured and unsecured | *16* | 2,995,286 | 3,030,358 | 3,030,358 | - | - |
| | | 4,634,342 | 4,821,518 | 4,098,818 | 225,615 | 497,085 |

## 44.3 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 exposed to currency risk and interest rate risk.

### 44.3.1 Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the Company. The functional currency of the Company is Pak Rupee. The currencies in which these transactions are primarily denominated are Euros and US dollars.

*44.3.1(a) Exposure to currency risk*

The Company is mainly exposed to currency risk on import of raw materials and merchandise denominated in US dollars. The Company's exposure to foreign currency risk at the reporting date is as follows:

| | | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | | (Rupees in '000) | |
| Trade creditors | (USD in '000) | 2,180 | 780 | 303,238 | 86,128 |
| Trade creditors | (Euro in '000) | 14 | 23 | 2,227 | 3,042 |
| *Off balance sheet items* | | | | | |
| Outstanding letters of credit | (USD in '000) | 1,782 | - | 247,876 | - |

Following significant exchange rates have been applied:

| | Average rate | | Reporting date Spot rate | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| USD to PKR | 121.62 | 105.43 | 139.10 | 110.42 |
| EUR to PKR | 143.35 | 124.68 | 159.10 | 132.25 |

**Sensitivity analysis**

At reporting date, if the PKR had strengthened by 10% against the US Dollar and Euro with all other variables held constant, profit for the year would have been lower by the amount shown below, as a result of net foreign exchange gain on translation of foreign currency bills payables.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in '000) | |
| Effect on statement of profit or loss | 30,547 | 8,917 |

The weakening of the PKR by 10% against US Dollar would have had an equal but opposite impact on the profit for the year.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and liabilities of the Company.

### 44.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Sensitivity to interest rate risk arises from mismatch of financial assets and financial liabilities that mature or re-price in a given period.

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***44.3.2(a) Fair value sensitivity analysis for fixed rate instruments***

The Company does not account for any fixed rate financial assets and liabilities at fair value through statement of profit or loss. Therefore a change in interest rate at the reporting date would not affect statement of profit or loss.

***44.3.2(b) Mismatch of interest rate sensitive financial assets and financial liabilities***

The Company's interest / mark-up and non-interest / mark-up bearing bearing financial instruments as at the reporting date are as follows:

| | 2018 | | |
|---|---|---|---|
| | **Carrying amount** | **Interest bearing / variable rate financial instruments** | **Non-interest bearing / fixed rate financial instruments** |
| | ---------- (Rupees in '000) ---------- | | |
| ***Financial assets*** | | | |
| Security deposits | 22,869 | - | 22,869 |
| Trade debts | 1,982,771 | - | 1,982,771 |
| Other receivables | 926,767 | - | 926,767 |
| Cash and bank balances | 90,660 | - | 90,660 |
| | 3,023,067 | - | 3,023,067 |
| ***Financial liabilities*** | | | |
| Long term loans - secured | (1,013,521) | (1,013,521) | - |
| Liabilities against assets subject to finance lease | (65,528) | (65,528) | - |
| Employee retirement benefit | (42,480) | - | (42,480) |
| Trade and other payables | (1,475,747) | - | (1,475,747) |
| Mark-up accrued on borrowings | (97,338) | | (97,338) |
| Short term borrowings - secured and unsecured | (2,995,286) | (2,995,286) | - |
| | (5,689,900) | (4,074,335) | (1,615,565) |
| | (2,666,833) | (4,074,335) | 1,407,502 |

| | 2017 | | |
|---|---|---|---|
| | Carrying amount | Interest bearing / variable rate financial instruments | Non-interest bearing financial instruments |
| ***Financial assets*** | ---------- (Rupees in '000) ---------- | | |
| Security deposits | 30,985 | - | 30,985 |
| Trade debts | 1,270,931 | - | 1,270,931 |
| Other receivables | 664,425 | - | 664,425 |
| Cash and bank balance | 243,173 | - | 243,173 |
| | 2,209,514 | - | 2,209,514 |
| ***Financial liabilities*** | | | |
| Long term loans - secured | (649,458) | (649,458) | - |
| Liabilities against assets subject to finance lease | (55,654) | (55,654) | - |
| Employee retirement benefit | (37,436) | - | (37,436) |
| Trade and other payables | (822,742) | - | (822,742) |
| Mark-up accrued on borrowings | (73,766) | - | (73,766) |
| Short term borrowings - secured and unsecured | (2,995,286) | (2,995,286) | - |
| | (4,634,342) | (3,700,398) | (933,944) |
| | (2,424,827) | (3,700,398) | 1,275,570 |

**44.3.2.1** Effective interest / mark-up rates for the financial assets and financial liabilities are as follows:

| | 2018 | 2017 |
|---|---|---|
| | Percentage | |
| ***Financial liabilities*** | | |
| Long term loans - secured | **9.16% to 13.40%** | 9.15% |
| Liabilities against assets subject to finance lease | **8.43% to 14.07%** | 7.14% to 11% |
| Short term borrowings - secured and unsecured | **7.66% to 12.94%** | 7.29% to 10.16% |

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by Rs. 40.55 million (2017: Rs. 36.81 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

**44.3.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). At reporting date the Company did not have financial instruments exposed to other price risk.

**44.4 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).

44.4.1 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-balance sheet financial instruments**

| | 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | | | Fair value | | |
| | Loans and receivables | Other financial assets | Total | Level 1 | Level 2 | Level 3 |
| | (Rupees in '000) | | | | | |
| ***Financial assets not measured at fair value*** | | | | | | |
| Security deposits | 22,869 | - | 22,869 | - | - | - |
| Trade debts | 1,982,771 | - | 1,982,771 | - | - | - |
| Other receivables | 926,767 | - | 926,767 | - | - | - |
| Cash and Bank balances | 74,570 | 16,090 | 90,660 | - | - | - |
| | 3,006,977 | 16,090 | 3,023,067 | - | - | - |

| | Carrying Amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | Loans and receivables | Financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| | (Rupees in '000) | | | | | |
| ***Financial liabilities not measured at fair value*** | | | | | | |
| Long term loans - secured | - | 1,013,521 | 1,013,521 | - | - | - |
| Liabilities against assets subject to finance lease | - | 65,528 | 65,528 | - | - | - |
| Employee retirement benefit | - | 42,480 | 42,480 | - | - | - |
| Trade and other payables | - | 1,475,747 | 1,475,747 | - | - | - |
| Mark-up accrued on borrowings | - | 97,338 | 97,338 | - | - | - |
| Short term borrowings - secured and unsecured | - | 2,995,286 | 2,995,286 | - | - | - |
| | - | 5,689,900 | 5,689,900 | - | - | - |

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**On-balance sheet financial instruments**

| | 31 December 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | | | Fair value | | |
| | Loans and receivables | Other financial assets | Total | Level 1 | Level 2 | Level 3 |
| ***Financial assets not measured at fair value*** | (Rupees in '000) | | | | | |
| Security deposits | 30,985 | - | 30,985 | - | - | - |
| Trade debts | 1,270,931 | - | 1,270,931 | - | - | - |
| Other receivables | 664,425 | - | 664,425 | - | - | - |
| Cash and bank balances | 151,013 | 92,160 | 243,173 | - | - | - |
| | 2,117,354 | 92,160 | 2,209,514 | - | - | - |

| | Carrying Amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | Loans and receivables | Financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| ***Financial liabilities not measured at fair value*** | (Rupees in '000) | | | | | |
| Long term loans - secured | - | (649,458) | (649,458) | - | - | - |
| Liabilities against assets subject to finance lease | - | (55,654) | (55,654) | - | - | - |
| Employee retirement benefit | - | (37,436) | (37,436) | - | - | - |
| Trade and other payables | - | (822,742) | (822,742) | - | - | - |
| Mark-up accrued on short term running | - | (73,766) | (73,766) | - | - | - |
| Short term borrowing | - | (2,995,286) | (2,995,286) | - | - | - |
| | - | (4,634,342) | (4,634,342) | - | - | - |

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.

***Non-financial assets measured at fair value***

Land and buildings

| | | |
|---|---|---|
| *Revalued Property, plant and equipment* | Date of valuation | 31 December 2017 |
| *Investment property* | Date of valuation | 31 December 2018 |

***Valuation approach and inputs used***

The valuation model is based on price per square metre. In determining the valuation for land and building the valuer refers to numerous independent market inquiries from local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.

The fair value are subject to change owing to changes in input. However, management does not expect there to be a material sensitivity to the fair value arising from the non-observable inputs.

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## 45 Capital risk management

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio calculated as total debt (current and non-current borrowings) to debt plus equity.

| The debt to equity ratios were as follows: | **2018** | 2017 |
|---|---|---|
| | **(Rupees in '000)** | |
| Total debt | **4,015,932** | 3,401,407 |
| Total equity and debt | **12,391,231** | 11,486,031 |
| Debt to equity ratio | **32%** | 30% |

The Company is not subject to externally imposed capital requirements.

## 46 Events after the reporting date

The Board of Directors in their meeting held on ______________________ have proposed a final cash dividend for the year ended 31 December 2018 of Rs. _________ per share (2017: Rs. 1.25 per share), amounting to Rs. _____________ million (2017: Rs. 177.32 million) for approval of the members at the Annual General Meeting to be held on ______________________. These unconsolidated financial statements do not reflect this dividend.

## 47 Corresponding figures

Corresponding figures have been re-arranged and re-classified, where necessary, for the purpose of comparison and better presentation as per reporting framework. However, no significant reclassification has been made.

## 48 Date of authorization of issue

These unconsolidated financial statements were authorised for issue by the Board of Directors in their meeting held on __________________.

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**Lahore** **Director** **Chief Executive** **Chief Financial Officer**

**WAVES SINGER PAKISTAN LIMITED**
**Catagories of Shareholding required under Code of Corporate Governance (CCG)**
**As on December 31, 2018**

| Sr. No. | Name | No. of Shares Held | Percentage |
|---|---|---|---|
| **Associated Companies, Undertakings and Related Parties (Name Wise):** | | | |
| 1 | POSEIDON SYNERGIES (PVT) LTD. (CDC) | 9,785,377 | 5.9984 |
| **Mutual Funds (Name Wise Detail)** | | - | - |
| **Directors, CEO and their Spouse and Minor Children (Name Wise):** | | | |
| 1 | MR. UMAIR KHAN (CDC) | 1,150 | 0.0007 |
| 2 | MR. HAROON AHMAD KHAN (CDC) | 61,916,108 | 37.9541 |
| 3 | MRS. NIGHAT HAROON KHAN | 25,518,500 | 15.6427 |
| 4 | MR. MOAZZAM AHMAD KHAN | 1,505,981 | 0.9232 |
| 5 | MR. MUKHTAR AHMED (CDC) | 1,150 | 0.0007 |
| 6 | MR. ZAFAR UDDIN MEHMOOD (CDC) | 500 | 0.0003 |
| 7 | MR. YOUSUF MUHAMMAD FAROOQ (CDC) | 1,150 | 0.0007 |
| **Executives:** | | 2,685 | 0.0016 |
| **Public Sector Companies & Corporations:** | | - | - |
| **Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:** | | 1,000,000 | 2.2024 |
| **Shareholders holding five percent or more voting intrest in the listed company (Name Wise)** | | | |
| 1 | MR. HAROON AHMAD KHAN (CDC) | 61,916,108 | 37.9541 |
| 2 | MRS. NIGHAT HAROON KHAN (CDC) | 25,518,500 | 15.6427 |
| 3 | MR. JAVAID AKTAR BUTT (CDC) | 10,169,841 | 6.2340 |
| 4 | POSEIDON SYNERGIES (PVT) LTD. (CDC) | 9,785,377 | 5.9984 |

**THE COMPANIES ACT, 2017**
**(Section 227(2)(f)**
**PATTERN OF SHAREHOLDING**

1.1 Name of the Company **WAVES SINGER PAKISTAN LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **31-12-2018**

| CDC | PHY | 2.2 No. of Shareholders | ------Shareholdings------ From | To | Total Shares Held |
|---|---|---|---|---|---|
| 285 | 82 | 367 | 1 | 100 | 8,496 |
| 293 | 117 | 410 | 101 | 500 | 142,438 |
| 446 | 26 | 472 | 501 | 1,000 | 347,428 |
| 985 | 112 | 1,097 | 1,001 | 5,000 | 2,521,911 |
| 228 | 4 | 232 | 5,001 | 10,000 | 1,676,038 |
| 106 | 5 | 111 | 10,001 | 15,000 | 1,386,312 |
| 48 | | 48 | 15,001 | 20,000 | 858,597 |
| 28 | 1 | 29 | 20,001 | 25,000 | 661,448 |
| 28 | | 28 | 25,001 | 30,000 | 796,806 |
| 17 | | 17 | 30,001 | 35,000 | 568,655 |
| 10 | | 10 | 35,001 | 40,000 | 375,069 |
| 8 | | 8 | 40,001 | 45,000 | 332,250 |
| 21 | | 21 | 45,001 | 50,000 | 1,021,750 |
| 6 | 1 | 7 | 50,001 | 55,000 | 361,921 |
| 10 | | 10 | 55,001 | 60,000 | 572,970 |
| 5 | | 5 | 60,001 | 65,000 | 312,400 |
| 4 | | 4 | 65,001 | 70,000 | 267,950 |
| 6 | | 6 | 70,001 | 75,000 | 435,712 |
| 2 | | 2 | 85,001 | 90,000 | 176,250 |
| 3 | | 3 | 90,001 | 95,000 | 280,025 |
| 1 | | 1 | 95,001 | 100,000 | 100,000 |
| 2 | | 2 | 100,001 | 105,000 | 203,150 |
| 2 | | 2 | 105,001 | 110,000 | 215,225 |
| 3 | | 3 | 110,001 | 115,000 | 341,500 |
| | 1 | 1 | 115,001 | 120,000 | 115,276 |
| 1 | | 1 | 120,001 | 125,000 | 125,000 |
| 2 | | 2 | 125,001 | 130,000 | 254,725 |
| 1 | | 1 | 130,001 | 135,000 | 132,650 |
| 1 | | 1 | 135,001 | 140,000 | 135,100 |
| 1 | | 1 | 145,001 | 150,000 | 150,000 |
| 1 | | 1 | 150,001 | 155,000 | 151,000 |
| 1 | | 1 | 160,001 | 165,000 | 162,500 |
| 1 | | 1 | 170,001 | 175,000 | 172,500 |

| | | | | | |
|---|---|---|---|---|---|
| 1 | | 1 | 175,001 | 180,000 | 180,000 |
| 1 | | 1 | 180,001 | 185,000 | 183,425 |
| 2 | | 2 | 185,001 | 190,000 | 373,200 |
| 1 | | 1 | 195,001 | 200,000 | 200,000 |
| 1 | | 1 | 200,001 | 205,000 | 203,500 |
| 1 | | 1 | 235,001 | 240,000 | 240,000 |
| 1 | | 1 | 285,001 | 290,000 | 287,500 |
| 1 | | 1 | 295,001 | 300,000 | 299,100 |
| 1 | | 1 | 330,001 | 335,000 | 333,477 |
| 1 | | 1 | 355,001 | 360,000 | 359,000 |
| 1 | | 1 | 360,001 | 365,000 | 364,375 |
| 1 | | 1 | 370,001 | 375,000 | 375,000 |
| 1 | | 1 | 375,001 | 380,000 | 375,475 |
| 1 | | 1 | 385,001 | 390,000 | 388,125 |
| 1 | | 1 | 395,001 | 400,000 | 400,000 |
| 1 | | 1 | 460,001 | 465,000 | 463,500 |
| 1 | | 1 | 475,001 | 480,000 | 478,278 |
| 1 | 1 | 2 | 535,001 | 540,000 | 1,075,277 |
| | 1 | 1 | 565,001 | 570,000 | 569,250 |
| 1 | | 1 | 570,001 | 575,000 | 575,000 |
| 1 | | 1 | 710,001 | 715,000 | 712,425 |
| | 1 | 1 | 770,001 | 775,000 | 770,500 |
| 1 | | 1 | 865,001 | 870,000 | 866,000 |
| | 1 | 1 | 870,001 | 875,000 | 870,446 |
| | 1 | 1 | 885,001 | 890,000 | 885,155 |
| 2 | | 2 | 995,001 | 1,000,000 | 1,996,625 |
| | 1 | 1 | 1,025,001 | 1,030,000 | 1,029,250 |
| 1 | | 1 | 1,145,001 | 1,150,000 | 1,150,000 |
| | 1 | 1 | 1,285,001 | 1,290,000 | 1,288,000 |
| 1 | | 1 | 1,295,001 | 1,300,000 | 1,299,000 |
| 1 | | 1 | 1,320,001 | 1,325,000 | 1,322,500 |
| 1 | | 1 | 1,375,001 | 1,380,000 | 1,380,000 |
| 1 | | 1 | 1,380,001 | 1,385,000 | 1,383,450 |
| | 4 | 4 | 1,385,001 | 1,390,000 | 5,545,872 |
| | 1 | 1 | 1,505,001 | 1,510,000 | 1,505,792 |
| | 1 | 1 | 1,705,001 | 1,710,000 | 1,707,560 |
| 1 | | 1 | 1,855,001 | 1,860,000 | 1,856,964 |
| | 2 | 2 | 2,770,001 | 2,775,000 | 5,545,874 |
| 1 | | 1 | 3,330,001 | 3,335,000 | 3,335,000 |
| 1 | | 1 | 3,820,001 | 3,825,000 | 3,821,542 |
| 1 | | 1 | 8,045,001 | 8,050,000 | 8,050,000 |
| 1 | | 1 | 9,785,001 | 9,790,000 | 9,785,377 |
| 1 | | 1 | 10,165,001 | 10,170,000 | 10,169,841 |
| | 1 | 1 | 21,610,001 | 21,615,000 | 21,614,250 |
| | 1 | 1 | 52,155,001 | 52,160,000 | 52,156,008 |
| **2,591** | **366** | **2,957** | | | **163,133,965** |

| 2.3 Categories of shareholders | Share held | Percentage |
|---|---|---|
| 2.3.1 Directors, Chief Executive Officers, and their spouse and minor children | 88,944,539 | 54.5224% |
| 2.3.2 Associated Companies, undertakings and related parties. (Parent Company) | 9,785,377 | 5.9984% |
| 2.3.3 NIT and ICP | 55 | 0.0000% |
| 2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 1,000,000 | 0.6130% |
| 2.3.5 Insurance Companies | 0 | 0.0000% |
| 2.3.6 Modarabas and Mutual Funds | 0 | 0.0000% |
| 2.3.7 Share holders holding 10% or more | 87,434,608 | 53.5968% |
| 2.3.8 General Public | | |
| a. Local | 58,257,609 | 35.7115% |
| b. Foreign | 0 | 0.0000% |
| 2.3.9 Others (to be specified) | | |
| **1- Joint Stock Companies** | 5,142,346 | 3.1522% |
| **2- Other Companies** | 4,039 | 0.0025% |

# WAVES SINGER PAKISTAN LIMITED
## CATEGORIES OF SHAREHOLDERS
### As on December 31, 2018

| S. No. | NAME | HOLDING | % AGE |
|---|---|---|---|
| | **DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN** | | |
| 1 | MR. UMAIR KHAN (CDC) | 1,150 | 0.0007 |
| 2 | MR. HAROON AHMAD KHAN | 2,540 | 0.0016 |
| | MR. HAROON AHMAD KHAN | 52,156,008 | 31.9713 |
| | MR. HAROON AHMAD KHAN | 1,707,560 | 1.0467 |
| | MR. HAROON AHMAD KHAN (CDC) | 8,050,000 | 4.9346 |
| 3 | MRS. NIGHAT HAROON KHAN | 21,614,250 | 13.2494 |
| | MRS. NIGHAT HAROON KHAN | 569,250 | 0.3489 |
| | MRS. NIGHAT HAROON KHAN (CDC) | 3,335,000 | 2.0443 |
| 4 | MR. MOAZZAM AHMAD KHAN | 1,505,792 | 0.9230 |
| | MR. MOAZZAM AHMAD KHAN | 189 | 0.0001 |
| 5 | MR. MUKHTAR AHMED (CDC) | 1,150 | 0.0007 |
| 6 | MR. ZAFAR UDDIN MEHMOOD (CDC) | 500 | 0.0003 |
| 7 | MR. YOUSUF MUHAMMAD FAROOQ (CDC) | 1,150 | 0.0007 |
| | | 88,944,539 | 54.5224 |
| | **ASSOCIATED COMPANIES** | | |
| 1 | POSEIDON SYNERGIES (PVT) LTD. (CDC) | 9,785,377 | 5.9984 |
| | | 9,785,377 | 5.9984 |
| | **NIT & ICP** | | |
| 1 | NATIONAL BANK OF PAKISTAN TRUSTEE DEPTT | 46 | 0.0000 |
| 2 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC) | 9 | 0.0000 |
| | | 55 | 0.0000 |
| | **FINANCIAL INSTITUTION** | | |
| 1 | SAMBA BANK LIMITED (CDC) | 1,000,000 | 0.6130 |
| | | 1,000,000 | 0.6130 |
| | **JOINT STOCK COMPANIES** | | |
| 1 | CONTINENTAL FURNISHING COMPANY | 366 | 0.0002 |
| 2 | PAKISTAN AGENCIES LTD | 366 | 0.0002 |
| 3 | INDITRIAL ENGINEERS LTD. | 366 | 0.0002 |
| 4 | PARAMOUNT COMMODITIES (PRIVATE) LIMITED (CDC) | 5,250 | 0.0032 |
| 5 | ABRIS (PRIVATE) LIMITED (CDC) | 15,000 | 0.0092 |
| 6 | AXIS GLOBAL LIMITE D- MF (CDC) | 30,000 | 0.0184 |
| 7 | BABA EQUITIES (PVT) LTD (CDC) | 500 | 0.0003 |
| 8 | BACKERS & PARTNERS (PRIVATE) LIMITED - MF (CDC) | 500 | 0.0003 |
| 9 | BAWA SECURITIES (PVT) LTD. MF (CDC) | 2,000 | 0.0012 |
| 10 | BEST SECURITIES (PRIVATE) LIMITED - MF (CDC) | 5,000 | 0.0031 |
| 11 | BIPL SECURITIES LIMITED - MF (CDC) | 359,000 | 0.2201 |
| 12 | BMA CAPITAL MANAGEMENT LTD. - MF (CDC) | 111,500 | 0.0683 |
| 13 | CLIKTRADE LIMITED (CDC) | 39 | 0.0000 |
| 14 | DJM SECURITIES (PRIVATE) LIMITED (CDC) | 375,000 | 0.2299 |
| 15 | FANCY PETROLEUM SERVICES (PVT.) LIMITED (CDC) | 47,725 | 0.0293 |
| 16 | FDM CAPITAL SECURITIES (PVT) LIMITED (CDC) | 30,250 | 0.0185 |
| 17 | FDM CAPITAL SECURITIES (PVT) LIMITED (CDC) | 15,250 | 0.0093 |
| 18 | FIKREES (PRIVATE) LIMITED (CDC) | 17,480 | 0.0107 |
| 19 | GZ SYSTEMS (PRIVATE) LIMITED (CDC) | 50,000 | 0.0306 |
| 20 | HAMDARD LABORATORIES (WAQF0 PAKISTAN (CDC) | 162,500 | 0.0996 |
| 21 | HIGH LAND SECURITIES (PVT) LIMITED (CDC) | 3,000 | 0.0018 |
| 22 | JS GLOBAL CAPITAL LIMITED - MF (CDC) | 203,500 | 0.1247 |

| | | | |
|---|---|---|---|
| 23 | MAPLE LEAF CAPITAL LIMITED (CDC) | 1 | 0.0000 |
| 24 | MARKET 786 (PRIVATE) LIMITED - MF (CDC) | 5,000 | 0.0031 |
| 25 | MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (P)LTD - MF (CDC) | 1,299,000 | 0.7963 |
| 26 | MRA SECURITIES LIMITED - MF (CDC) | 151,000 | 0.0926 |
| 27 | MULTILINE SECURITIES (PVT) LIMITED - MF (CDC) | 2,500 | 0.0015 |
| 28 | N. U. A. SECURITIES (PRIVATE) LIMITED - MF (CDC) | 30,000 | 0.0184 |
| 29 | NCC - PRE SETTLEMENT DELIVERY ACCOUNT (CDC) | 1,000 | 0.0006 |
| 30 | NH SECURITIES (PVT) LIMITED. (CDC) | 1,748 | 0.0011 |
| 31 | PREMIER CABLES (PVT) LIMITED (CDC) | 126,500 | 0.0775 |
| 32 | PREMIER CABLES (PVT) LIMITED (CDC) | 250 | 0.0002 |
| 33 | PREMIER FASHINS (PVT) LTD (CDC) | 132,650 | 0.0813 |
| 34 | R.T. SECURITIES (PVT) LIMITED (CDC) | 25,875 | 0.0159 |
| 35 | RELIANCE SECURITIES LIMITED - MF (CDC) | 5,000 | 0.0031 |
| 36 | RS PUBLISHERS (PRIVATE) LIMITED (CDC) | 16,100 | 0.0099 |
| 37 | SEVEN STAR SECURITIES (PVT.) LTD. (CDC) | 72,750 | 0.0446 |
| 38 | SHAFFI SECURITIES (PVT) LIMITED (CDC) | 4,500 | 0.0028 |
| 39 | SHERMAN SECURITIES (PRIVATE) LIMITED (CDC) | 1,000 | 0.0006 |
| 40 | SIZA (PRIVATE) LIMITED (CDC) | 63,250 | 0.0388 |
| 41 | SOFCOM (PRIVATE) LIMITED (CDC) | 12,075 | 0.0074 |
| 42 | SPECTRUM SECURITIES LIMITED (CDC) | 35,000 | 0.0215 |
| 43 | SPECTRUM SECURITIES LIMITED - MF (CDC) | 866,000 | 0.5309 |
| 44 | TOPLINE SECURITIES LIMITED - MF (CDC) | 463,500 | 0.2841 |
| 45 | TRUST SECURITIES & BROKERAGE LIMITED - MF (CDC) | 69,000 | 0.0423 |
| 46 | Y.H. SECURITIES (PVT.) LTD. (CDC) | 27,500 | 0.0169 |
| 47 | Y.S. SECURITIES LIMITED - MF (CDC) | 1,725 | 0.0011 |
| 48 | ZAFAR SECURITIES (PVT) LTD. (CDC) | 287,500 | 0.1762 |
| 49 | ZILLION CAPITAL SECURITIES (PRIVATE) LIMITED (CDC) | 4,950 | 0.0030 |
| 50 | ZILLION CAPITAL SECURITIES (PVT) LTD. (CDC) | 1,800 | 0.0011 |
| 51 | NADEEM INTERNATIONAL (PVT.) LTD. (CDC) | 575 | 0.0004 |
| 52 | MILLWALA SONS (PRIVATE) LIMITED (CDC) | 5 | 0.0000 |
| | | 5,142,346 | 3.1522 |

**OTHER COMPANIES**

| | | | |
|---|---|---|---|
| 1 | PUNJAB COOPERATIVE BOARD FOR LIQUIDATION FOR MERCANTILE | 589 | 0.0004 |
| 2 | SUKKUR INSTITUTE OF BUSINESS ADMINISTRATION (CDC) | 3,450 | 0.0021 |
| | | 4,039 | 0.0025 |

**EXECUTIVE**

| | | | |
|---|---|---|---|
| 1 | MR. NADEEM MEHMOOD BUTT (CDC) | 1,150 | 0.0007 |
| 2 | MOHAMMAD AZAM KHAN | 65 | 0.0000 |
| 3 | MUZAFFAR MEHBOOB | 1,470 | 0.0009 |
| | | 2,685 | 0.0016 |

| | | |
|---|---|---|
| **SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)** | 0 | 0.0000 |
| **SHARES HELD BY THE GENERAL PUBLIC (LOCAL)** | 58,254,924 | 35.7099 |
| | 58,254,924 | 35.7099 |
| TOTAL: | 163,133,965 | 100.0000 |

**SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL**

| S. No. | NAME | Holding | % AGE |
|---|---|---|---|
| 1 | MR. HAROON AHMAD KHAN (CDC) | 61,916,108 | 37.9541 |
| 2 | MRS. NIGHAT HAROON KHAN (CDC) | 25,518,500 | 15.6427 |
| | | 87,434,608 | 53.5968 |

**SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL**

| S. No. | NAME | Holding | % AGE |
|---|---|---|---|
| 1 | MR. HAROON AHMAD KHAN (CDC) | 61,916,108 | 37.9541 |
| 3 | MRS. NIGHAT HAROON KHAN (CDC) | 25,518,500 | 15.6427 |
| 3 | MR. JAVAID AKTAR BUTT (CDC) | 10,169,841 | 6.2340 |
| 4 | POSEIDON SYNERGIES (PVT) LTD. (CDC) | 9,785,377 | 5.9984 |
| | | 107,389,826 | 65.8292 |

# WAVES SINGER PAKISTAN LIMITED

## FORM OF PROXY

The Company Secretary
Waves Singer Pakistan Limited
9 KM, Multan Road, Hanjarwal,
**Lahore**

I/ We_______________________________of________________________being a member of **Waves Singer Pakistan Limited** hereby appoint______________________________of________________________________as my proxy in my absence to attend, speak and vote for me on my behalf at the Extra Ordinary/ Annual General Meeting of the Company to be held on __________________and at any adjournment thereof.

As witness my / our hand this ______day of ________ 2019.

**Rs. 5/- Revenue Stamp**

**Witness No.1**
Name : ___________________________
Address: ___________________________
___________________________
CNIC No.: ___________________________

_______________________
Signature of Member(s)

**Witness No. 2**
Name : ___________________________
Address: ___________________________
___________________________
CNIC No.: ___________________________

(Name in Block letters)

Folio No. ________________
Participant ID No. _________
Account No. in CDC ________

**Important:**

1. CDC Account Holders are requested to strictly follow the guidelines mentioned in the Notice of Meeting.
2. A Member entitled to attend a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her.
3. Members are requested:
   (a) To affix Revenue Stamp of Rs. 5/- at the place indicated above.
   (b) To sign across the Revenue Stamp in the same style of signature as is registered with the Company.
   (c) To write down their Folio Numbers.
4. This form of proxy, duly completed and signed across a Rs. 5/- revenue stamp, must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

# ویوز سنگر پاکستان لمیٹیڈ

دی کمپنی سیکریٹری
ویوز سنگر پاکستان لمیٹیڈ
9 کلومیٹر ملتان روڈ، بنجر وال لاہور۔

## پراکسی فارم

میں مسمی/مسماۃ ______________ ضلع ______________ بحیثیت ممبر ویوز سنگر پاکستان لمیٹیڈ
مسمی/مسماۃ ______________ ضلع ______________ کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری طرف سے کمپنی
کے اجلاس میں شرکت، گفتگو اور ووٹ کا اندراج کرا سکے جو بتاریخ ______________ بروز ______________ منعقد ہو رہا ہے۔

دستخط آج بروز ______________ بتاریخ ______________

**گواہ (الف)**
دستخط ______________
نام ______________
پتہ ______________
کمپیوٹرائزڈ شناختی کارڈ نمبر ______________

| |
|---|
| ۵ روپے کا<br>ریونیو<br>اسٹیمپ |

______________
دستخط ممبر

نام ______________
فولیو نمبر ______________
پارٹیسیپنٹ آئی ڈی نمبر ______________
سی ڈی سی ذیلی اکاؤنٹ نمبر ______________

**گواہ (ب)**
دستخط ______________
نام ______________
پتہ ______________
کمپیوٹرائزڈ شناختی کارڈ نمبر ______________

**اہم نکات**

۱۔ سی ڈی سی حصص داران سے گزارش ہے کے اجلاس کے نوٹس میں درج ہدایات پر عمل درآمد کریں۔

۲۔ ممبر اجلاس میں شرکت کا اہل ہے وہ کسی کو اجلاس میں ووٹ کے اندراج کیلئے مختار کار مقرر کرنے کا اہل بھی ہے۔

۳۔ ممبران سے درخواست ہے کہ:
(الف) ۵ روپے کا ریونیو اسٹیمپ مندرجہ بالا باکس میں چسپاں کریں۔
(ب) ریونیو اسٹیمپ پر اسطرح دستخط کریں جس طرز میں کمپنی کے پاس رجسٹرڈ ہوں۔
(پ) فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر درج کریں۔

۴۔ مکمل پراکسی فارم بمعہ دستخط اور ریونیو اسٹیمپ کے طے شدہ وقت سے کم از کم ۴۸ گھنٹے قبل موصول ہو جائے۔