

CIPL/0908
November 18, 2017

The Board of Directors of

Singer Pakistan Limited
Plot No. 39, Sector 19,
Korangi Industrial Area,
Karachi, Pakistan.

Cool Industries (Pvt.) Limited
9-KM Multan Road
Lahore, Pakistan.

Link Wel (Pvt.) Limited
159-Karim Block,
Allama Iqbal Town,
Lahore, Pakistan.

Electronics Marketing Company (Pvt.) Limited
Plot No. 23-A, Block 6,
PECHS, Shahrah-e-Faisal,
Karachi, Pakistan.

Dear Sirs,

Computation of share swap ratio for the scheme of amalgamation/merger

We refer to our engagement letter ref CIPL/0522 dated October 30, 2017 whereby Deloitte Yousuf Adil, Chartered Accountants (hereinafter referred to as "Deloitte Pakistan" or "We") was engaged by Cool Industries (Pvt.) Limited (hereinafter referred to as "CIPL" or "Client") to carry out the computation of share swap ratio for the proposed amalgamation/merger of CIPL and Link Wel (Pvt.) Limited (hereinafter referred to as "LWPL") with and into Singer Pakistan Limited (hereinafter referred to as "SPL") at an agreed computation date as at June 30, 2017.

We carried out the valuation to compute share swap ratio of the above entities based on the financial model provided to us by the client and have also assessed the reasonableness of the key underlying assumptions of the same.

1. About the Companies:

1.1 Singer Pakistan Limited:

SPL was incorporated in Pakistan as a public company limited by shares and was quoted on Pakistan Stock Exchange on August 27, 1985. SPL is principally engaged in retailing and trading of domestic consumer appliances and other light engineering products, beside the manufacturing and assembling of the same. The registered office of the Company is located at Plot No. 39, Sector 19, Korangi Industrial Area, Korangi, Karachi.

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Pattern of Shareholding

Shareholders	Category	Percentage (%)
General Public – Local	Public	51.93
Poseidon Synergies (Pvt.) Limited	Associated Company	18.74
Haroon Ahmed Khan	Director	15.42
Nighat Haroon Khan	Director	6.39
Others	All	7.52
Total		100.00

Source: Singer Pakistan's Website

1.2 Cool Industries (Pvt.) Limited

CIPL incorporated in 1980 as a private limited company under the repealed Companies Ordinance, 1984 in Pakistan. CIPL is principally engaged in the manufacture and sale of deep freezers, refrigerators and air conditioners.

Pattern of Shareholding

Shareholders	Percentage (%)
Haroon Ahmad Khan	60.00
Nighat Haroon Khan	20.00
Javaid Akhtar Butt & Family	10.00
Muhammad Tariq Malik	10.00
Total	100.00

Source: Management Information

1.3 Link Wel (Pvt.) Limited

LWPL incorporated in March 24, 2004 a private limited company under the repealed Companies Ordinance, 1984 in Pakistan and is principally engaged in general import and trade of air conditioners and home appliances.

Pattern of Shareholding

Shareholders	Percentage (%)
Haroon Ahmad Khan	60.00
Nighat Haroon Khan	20.00
Javaid Akhtar Butt & Family	10.00
Muhammad Tariq Malik	10.00
Total	100.00

Source: Management Information

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1.4 Electronics Marketing Company (Pvt.) Limited

EMCPL was incorporated on September 09, 2016 as private limited company under the Companies Ordinance, 1984. EMCPL is a wholly owned subsidiary company of SPL. The principal activity of the company is to carry out distribution/ wholesales business of all kinds of electronics appliances, its components and accessories, etc.

1.5 Current Share Capital of the Companies:

S.No	Companies	Number of Shares Issued	Par Value (PKR)	Issued Share Capital (PKR)
1	SPL	45,405,622	10	454,056,220
2	CIPL	52,500,000	10	525,000,000
3	LWPL	7,500,000	10	75,000,000
4	EMCL	200,000	10	2,000,000

2. Our Understanding of the Proposed Transaction

- 2.1 We understand that the scheme is for the merger/amalgamation transaction, where CIPL and LWPL will merge with and into SPL. By mean of merger, all rights, assets, liabilities and obligations of CIPL and LWPL will be transferred and vest into SPL.
- 2.2 Additionally, the Hire Purchase/ Retail business of SPL will be demerged through carve out into its wholly owned subsidiary (i.e. EMCPL). As per the draft plan, the management of SPL intends to transfer certain property, plant and equipment, long-term deposits, trade debts, prepayments & deposits, liabilities at book value as of June 30, 2017 amounting PKR 294.25 mn, PKR 13.16 mn, PKR 724.47 mn, PKR 11.35 mn, and PKR 86.73 mn, respectively [Net Asset Transfer: PKR 956.5 mn]. However, for the purpose of this valuation, consolidated financials of SPL are considered which includes the wholly owned subsidiary (EMCPL), therefore, there is no impact of the said carve out in our valuation for swap ratio computation.
- 2.3 The Scheme is envisaged to be effective as of date i.e. the start of business on July 01, 2017 or a date as approved specifically by the Honourable High Court of Sindh in this respect.

3. Disposal of Leasehold Land

- 3.1 SPL and International Brands Limited have entered into an agreement dated August 23rd, 2017 for the sale of leasehold land along with all construction thereon with permanent fittings and fixtures. As per the agreement provided by the Client's management, the purchase price of the leasehold land is PKR 2,078mn of which PKR 250mn is by way of advance payment. The impact of the same has been incorporated in the break-up value per share of SPL which has been revised from PKR 34.41 to PKR 52.31 as at June 30, 2017. A specific representation to this effect has been provided to us by the management of SPL.

4. Our Methodology

- 4.1 The swap ratio computation have been based on the consolidated valuation of SPL and CIPL. For LWPL, the swap ratio computation have been based on the standalone valuation. Audited financial statements together of SPL, CIPL and LWPL for year ended June 30, 2017 has been used along with their financial projection from July 01, 2017 to December 31, 2022.

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- 4.2 Further, we were provided by client other related management information and explanations as and when required in order to carry out the valuation. We have not conducted any due diligence or verification of the said audited financial statement, financial projection and related information.
- 4.3 For the above mentioned exercise, generally accepted valuation methodologies has been considered namely Discounted cash flow (DCF), Net Assets Valuation (NAV) and Multiple based valuation. However, for the purpose of this engagement, DCF and NAV were used and equal weightage were assigned to each of these methods. Market based valuation was not considered because two of the companies involved in this transaction (i.e. CIPL and LWPL) are not listed companies.

5. Share Swap computation:

- 5.1 The results are depicted below:

Value per ordinary share	Consolidated SPL	Consolidated CIPL	LWPL
	PKR	PKR	PKR
NAV (incl. revaluation effect and sale of land transaction)	52.31	68.77	9.60
Under Income Approach - DCF	102.24	207.18	41.88
Average Value per share	77.28	137.98	25.74
Number of shares (No.)	45,405,622	52,500,000	7,500,000
Swap Ratio		1.79	0.33
Shares to be issued (No.)		93,975,000	2,475,000
Total Number of new shares	96,450,000		
Total Number of Share of SPL - Post transaction	141,855,622		
Post-merger Paid up capital @10 each ordinary share (PKR)	1,418,556,220		

- 5.2 Equal weightages have been assigned to the DCF and NAV methodologies to calculate the share swap ratio which is as follows:
- 5.3 **1.79 shares of SPL to be issued for 1 share of CIPL**, accordingly, 93,975,000 shares of SPL can be issued as consideration for 52,500,000 shares of CIPL.
- 5.4 **0.33 shares of SPL to be issued for 1 share of LWPL**, accordingly 2,475,000 shares of SPL can be issued as consideration for 7,500,000 shares of LWPL.
- 5.5 However, the above is subject to the approval of the Board of Directors and Shareholders of the respective companies and the approval of the Scheme of Arrangement for the merger/amalgamation of the Companies by the Honorable High Court of Sindh.

6. Caveats

- 6.1 This letter has been prepared for the transaction referred above and in relation to the merger/amalgamation and accordingly, is not to be used by any other person or for any other purpose.

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- 6.2 Accordingly, any party other than the Client should not use or place reliance on our letter nor they can claim that they have done so. We assume no responsibility whatsoever or be held liable for losses third parties may incur in respect of or arising out of or in connection with the use or reliance by third parties on the contents of this letter. If third parties choose to use or rely in any way on the contents of this letter, they do so entirely at their own risk. Further, access to our letter is to those parties to whom we have specifically provided our consent and any party who has not been provided with such consent should not have access to our letter.
- 6.3 Valuation is not a precise science; it is subjective and requires the application of experience and judgment to given facts to arrive at a conclusion. There is no single "right" answer; there are reasoned and reasonable values. Hence, the actual results and accordingly the valuation are likely to be different than projected since anticipated events do not occur as expected and the variation could be material.
- 6.4 Our valuation results are based on the financial projection and related information received from the management of the Companies, where we have not conducted any due diligence or verification of the aforementioned information.
- 6.5 Our letter has been issued on the understanding that Client has drawn our attention to all matters concerning the financial positions of the three entities which may have a material impact on our report up to the date of signature. We have no responsibility to update the letter for events and circumstances occurring after the date of our letter.
- 6.6 The procedures performed by us for issuing this letter, do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, therefore, we do not, hereby, express an opinion or other form of assurance.

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Yours truly,

Deloitte Yousuf Adil
Chartered Accountants
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