

Directors' Report

The Directors have the pleasure in presenting to the members their report together with the audited financial statements of the Company for the year ended on December 31, 2019.

This report has been prepared in compliance with section 184 of the Companies Act 1994 and Bangladesh Securities and Exchange Commission Notification No.BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018.

Principal Activities

The principal activities of the company continued to be manufacturing and marketing of home appliances, consumer electronics and furniture with credit and other financial services available to the qualified customers.

REVENUE REACHED TK. 15.5 BILLION WHICH WAS HIGHER BY 14.2% OVER THE PREVIOUS YEAR'S REVENUE OF TK. 13.6 BILLION.

Management Discussion and Analysis of Business

During the year revenue reached Tk. 15.5 billion which was higher by 14.2% over the previous year's revenue of Tk. 13.6 billion. Operating profit (profit before taxes excluding other income) amounting Tk. 1.9 billion was higher by 17.6% over the previous year's operating profit of Tk. 1.7 billion. Net profit before tax for the year stood Tk. 1.5 billion which was higher by 15.3% over the previous year's net profit of Tk. 1.3 billion.

The Chairman's Statement on page 12 and the Chief Executive Officer's review on page 34 state the company's affairs and highlight important events that occurred during the year. The Financial Review on pages 42 to 45 elaborates on the financial results of the company. These reports are an integral part of the Directors' Report.

Our subsidiary company's revenue reached Tk. 2.6 billion which was higher

by 19% over the previous year's revenue of Tk. 2.1 billion. Net profit before tax for the year stood Tk. 38 million against net profit amounting Tk. 21 million.

Investment in International Appliances Limited

During the year, International Appliances Limited (IAL) remained a subsidiary of Singer Bangladesh Limited. The Company purchased 628,880 shares (16.1680%) of International Appliances Limited from Shanghai Sonlu Shangling Enterprise Group Co. Ltd. 388,880 shares (9.997%) and from Sunman Corporation Limited 240,000 shares (6.1702%) and the company invested Tk. 295 million for this purpose. As a result, IAL is now a 100% owned subsidiary of Singer Bangladesh Limited.

Separate reports including Auditors' Report, audited financial statements and Directors' Report thereon for the subsidiary company are provided at the concerned sections of this report. The financial statements of the subsidiary company have duly been consolidated with Singer Bangladesh Limited as per requirements of the Companies Act 1994, Securities and Exchange Rules 1987 and related notifications and also in line with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

Governance of Board of Directors of Subsidiary Company

The Company's representation in the subsidiary company's board was in line with the Corporate Governance Code and accordingly an Independent Director of Singer Bangladesh Limited was in the Board of the subsidiary company, International Appliances Limited. Minutes of the Board meetings of the subsidiary company were placed before the Board of Singer Bangladesh

Limited and were then duly reviewed and recorded. Board of Directors of Singer Bangladesh Limited also reviewed the periodical and annual financial statements of the subsidiary.

Property, Plant and Equipment

During the year under review, the Company invested a sum of Tk. 132 million in properties, plants and equipment. Movement in properties, plants and equipment during the year is disclosed under note 3 and Annexure-I of the financial statements.

Market Value of Freehold Properties

All freehold lands of the company revalued by an Independent Assessor are reflected in the financial statements. Total appreciation in value was credited to revaluation reserve after providing for tax as required by IFRS.

The last valuation was carried out as of December 31, 2016. The details of the valuation are given in the Auditors' Report on page 78 and in Note 12.1 to the Financial Statements.

Machinery of the subsidiary, International Appliances Limited, valued by an Independent Assessor, has been reflected in the consolidated financial statements. The last valuation was carried out as of October 16, 2017.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for financial statements is given on page 52 of this report.

Corporate and Financial Reporting Framework

In accordance with the Bangladesh Securities and Exchange Commission's Corporate Governance Code 2018, the Directors are pleased to confirm the following:

Industry Outlook and Possible Future Development

In a highly competitive business environment in household appliances market, competitors continuously pursue market shares with various activities including price reduction,

quality improvement, new product line and other incentives. Singer continued retaining its leading position by offering superior quality products at competitive prices and wide range of after-sales service as well.

At the early part of 2019, economic growth of Bangladesh was good with most of the economic indicators positive which contributed to increasing the buying capacity of people; but in the later part, price hike of the essential commodities resulted in higher inflation which created pressure on our target group. However, the company was successful in utilizing the opportunities towards a significant volume growth that retail, wholesale and corporate sales channels. Singer remained Bangladesh's largest retail company selling home appliances and consumer electronic. The company's growth was above the industry growth rate.

The government of Bangladesh has been devoted to ensuring access of affordable and reliable electricity to all by the year 2021. This is likely to accelerate the demand of consumer durables in the coming days.

Though the penetration levels of most of the consumer durables in Bangladesh remain very low, Bangladesh has elevated herself from a Least Developed Country to a Developing Country which will enhance demand for durables and will have positive impact towards modern living and higher demand for Singer products.

In addition, the population of Bangladesh is young and expanding. Currently only 15 percent of almost 170 million people of Bangladesh belong to the middle class and are therefore classified as affluent customers (MAC). This MAC population of Bangladesh is projected to triple by 2025, reaching to about 34 million. These MAC consumers will have enough affordability to purchase durables that offer convenience and luxury.

Increasing population, electrification and urbanization will support the growth of the country and is expected to fuel income level of the people, thereby enhancing their buying capacity. We believe that we are well positioned to benefit from our wide presence in almost every corner of the country. Our

sound business position gives us confidence that this trend will continue in the year 2020 as well.

Segment Information

The segment information for the purposes of evaluating performance is presented in the notes 2.5 and 40R to the financial statements in this report and is consistent with the total sales value. Products were sold through our own sales centres, such as, Singer Mega, Singer Plus and also through the wholesale dealers (Singer Pro) and corporate sales channel.

Risk and Concern

Our business may also be affected by risks and uncertainties presently not known to us or that we currently believe to be immaterial. However, the supply chain may cause some challenges if health crisis in China persists. Details of risk factors and the ways of determining how best we can handle such events are given on risk management report on pages 48 & 49 of this report.

Margin Analysis

Cost of goods sold for the year 2019 was Tk. 11.1 billion and it was higher by 13.6 % over that of the previous year's. Gross profit margin was 28.1% for the year 2019 and the previous year's gross margin was 27.7%. Net profit margin for the year 2019 was 6.7%. Details are discussed on financial review report on pages 42 to 45 of this report.

Extra-Ordinary Events

No events of extra ordinary gain or loss which would require adjustment or disclosure in the financial statements occurred during the reported period.

Related Party Transaction

Disclosure of all related party transactions, including basis for such transaction, has been provided in the note 35 of the notes to the financial statements on page 97.

Variance within the Financial Year

There was no event of significant variance between quarterly financial performances during the year under review.

Remuneration to Directors

This information is incorporated in the Notes 22.3 of the notes to the financial statements on page 86 with reference to the "Directors fees and remuneration" mentioning figures concerning the remuneration of the Managing Director including fees for the Independent Directors' attendance to meetings.

Fairness of Financial Statements

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and Securities and Exchange Rules 1987. These statements fairly present the company's state of affairs, the results of its operations, cash flow and changes in equity.

In compliance with the requirement of the Bangladesh Securities and Exchange Commission's Corporate Governance Code 2018, the Chief Executive Officer and the Chief Financial Officer have given their declarations about the fairness of the financial statements which is shown on page 26 of the report.

Books of Accounts

Proper books of accounts of the Company were maintained.

Accounting Policies

Appropriate accounting policies were consistently applied in preparation of the financial statements and the accounting estimates were based on reasonable and prudent judgment.

Application of IAS and IFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.

Internal Control

The systems of internal controls were sound in design and were effectively implemented and monitored.

Minority Shareholders

The company believes in equal rights of all shareholders irrespective of the number of shares they hold. All the shareholders are provided with quarterly financial statements, half yearly financial statements and the annual reports and are welcomed to participate at the shareholders' meeting. At the Annual General Meeting, adoption of the annual financial statements and the directors' report, election of the Board members and the appointment of the Auditors are decided upon with the participation of the shareholders.

Going Concern/Forward Looking Statement

There are no significant doubts about the Company's ability to continue as a going concern. The Board of Directors has reviewed the company's business plan and is satisfied that the company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the going concern basis.

We are confident that we are in a prime position to generate stable returns and remain the industry leader, leveraging our strengths and outperforming our competitors. In 2020, we expect to roll out new product range to cater to various segments in this emerging market.

Significant Deviations from the Last Year's Operating Result

The significant deviations from the last year in the operating results of the Company have been highlighted in the report and reasons thereof have been duly explained.

Key Operating and Financial Data of last Six Years

The key operating and financial data for the last six years are annexed on page 11.

Dividends

Based on the performance of the Company, the Board of Directors recommends dividends @77 % for the year 2019, which is 157% higher than that of the previous year.

Board and Committee Meetings and Attendance

During the year, the Board of Directors met seven times. The Audit Committee met four times and the Nomination & Remuneration Committee met twice.

The attendance record of the Directors is shown in Annexure-II of this report. The Directors who could not attend the meetings were granted leave of absence.

Bangladesh Secretarial Standards (BSS) issued by the Institute of Chartered Secretaries of Bangladesh (ICSB) were followed in conducting the meetings of the Board as well as those of its Committees and also in record keepings.

Pattern of Shareholding

The pattern of shareholding is provided on page 33.

Corporate Governance Compliance Report

Singer Bangladesh Limited adhered to the appropriate good Corporate Governance principles, as described on pages 37 to 39.

The Company also complied with all the requirements of Corporate Governance as required by the Bangladesh Securities and Exchange Commission.

Accordingly, Corporate Governance Compliance Report is shown in Annexure-C of this report.

Further in compliance with the requirement of the Bangladesh Securities and Exchange Commission (BSEC) Corporate Governance Code 2018, S. F. Ahmed & Co., Chartered Accountants in Practice, issued the Corporate Governance Compliance Certificate which is shown on page 27 of the report.

Contribution to the National Exchequer

During the year under review, the Company paid Taka 4,714 million to the national exchequer in the form of corporate income tax, customs duties and value added tax.

Credit Rating

The Company achieved AAA+ rating in the long term and ECRL-1 for the short term for consecutive six years from Emerging Credit Rating Limited for maintaining a strong and stable outlook.

Reserves

The total Reserves of the Company stood at Tk. 569 million, details of which are given in Note 12 and in the Statement of Changes in Equity in the Financial Statements.

Financial Results and Appropriations

The Directors are pleased to report the financial results for the year 2019 and recommend the following appropriations:

	Taka in '000	
	2019	2018
Profit before taxation	1,431,110	1,227,089
Less: Provision for tax	396,536	326,935
Profit after tax	1,034,574	900,153
Add: Un-appropriated profit brought forward	747,845	72,799
Adjustment for IFRS 16	63,471	-
Other comprehensive income	(570)	(1,760)
Prior year's adjustment	6,011	6,736
Profit available for distribution	1,851,331	977,928
Less: Appropriations		
Dividend (Cash/Stock)	767,712	230,083
Un-appropriated profit C/F	1,083,619	747,845

Events subsequent to Balance Sheet

The Board of Directors in their meeting held on February 7, 2020 recommended 77% cash dividend for the year 2019.

The Board of Directors also recommended for an increase of the authorized capital from Taka 1,000,000,000 (one billion) to Taka 2,500,000,000 (two billion & five hundred million) which was in line with the business volume of the company.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government have been made up to date.

Share Information

The distribution of shareholding and market value of shares are given on page 113 of this report.

Earnings per share, dividend per share and net assets per share are shown in the Financial Highlights section on page 11 of the annual report.

Directors

A brief profile of all Directors of the company is provided in the section of "Board of Directors" of this report on pages from 14 to 17.

Re-election of Directors

Mr. Polat Sen and Mr. Cemal Can Dincer will retire from the office under Article 81 of the Articles of Association of the company. Being eligible, Mr. Polat Sen and Mr. Cemal Can Dincer have offered themselves for re-election. The Board recommends their re-appointment.

Shareholdings of Directors and Executives

Shareholdings of Directors at the beginning of the year and at the end of the year 2019 are shown in Annexure-I of this report.

Appointment of Auditors

- a) As per section 210 of the Companies Act 1994, the company's statutory Auditors A. Qasem & Co., Chartered Accountants retires at the 40th Annual General Meeting as auditors of the Company.

Pursuant to Bangladesh Securities and Exchange Commission (BSEC) order no SEC/CMRRCD/2009-193/104/Admin dated July 27, 2011 the retiring Auditors are eligible for reappointment as Statutory Auditors for the year 2020.

The Audit Committee has recommended appointing A. Qasem & Co., Chartered Accountants as the auditors of the company for the year 2020.

The Directors endorsed the recommendation of the Audit Committee for the appointment of A. Qasem & Co., Chartered Accountants as the auditors of the company for the year 2020.

- b) Pursuant to Bangladesh Securities and Exchange Commission (BSEC) order no SEC/CMRRCD/2009-193/104/ Admin dated July 27, 2011 the retiring Corporate Governance Auditors S. F. Ahmed & Co, Chartered Accountants are not eligible for reappointment as Corporate Governance Auditors for 2020.

The Audit Committee recommended to appoint Itrat Husain & Associates., Chartered Secretaries as the Corporate Governance Auditors of the company for the year 2020.

The Directors endorsed recommendation of the Audit Committee for the appointment of Itrat Husain & Associates., Chartered Secretaries as the auditors of the company for the year 2020.

Human Resources

The Company recognizes employees as the primary source of its competitiveness and continues to focus on their development. It believes in equal opportunity in workplace irrespective of race, religion, sex and colour. Singer believes in competency while hiring the best workforce. As far as working environment and employee facilities are concerned, Singer is one of the leading and oldest companies in the country.

The relationship between the management and the employees in the company was excellent throughout the year.

Compliance with Laws and Regulations

The company was not engaged in any activities contravening the laws and regulations. All those responsible for ensuring compliance with the provisions in various laws and regulations were able to do so within the stipulated time.

Environmental Protection

To the best of the Board's knowledge, the company was not engaged in any activity which might prove harmful to environment.

Conclusion

The Board would like to express its sincere appreciation to all employees of Singer Bangladesh Limited for their contribution and at the same time, thank all the stakeholders for their continued support and confidence.



M. H. M. Fairoz
Managing Director & CEO



Mohammad Sanullah
Company Secretary

Dhaka, February 7, 2020