

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, 2018.

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 3 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 qualified customers.

Management Discussion and Analysis of Business

During the year revenue reached Tk 13.7 billion which was higher by 24% over the previous year's revenue of Tk 11.1 billion. Operating profit (profit before taxes excluding other income) amounting Tk 1.6 billion was higher by 39.9% over the previous year's operating profit of Tk 1.2 billion. Net profit before tax for the year stood Tk 1.3 billion which was higher by 24% over the previous year's net profit of Tk 1 billion.

The Chairman's Statement on page 14 and the Chief Executive Officer's review on page 36 state the company's affairs and highlight important events that occurred during the year. The Financial Review on pages 44 to 47 elaborates on the financial results of the company. These reports are integral part of the Directors' Report.

Our subsidiary company's revenue reached Tk. 2.1 billion which was higher by 49% over the previous year's revenue of Tk 1.4 billion. Net

profit before tax for the year stood Tk 21 million against net profit Tk. 164 million.

Investment in International Appliances Limited (IAL)

During the year International Appliances Limited remains a subsidiary of Singer Bangladesh Limited. The Company has purchased 16.1680% share of International Appliances Limited (IAL) from Shanghai Sonlu Shangling Enterprise Group Co. Ltd. (9.9978%) and from Sunman Corporation Limited (6.1702%). As a result, IAL is now 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

Market Value of Freehold Properties

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

The recent valuation was carried out as on December 31, 2016. The details of the valuation are given in the Auditors' Report on page 76 and in Note 11.1 to the Financial Statements.

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

NET PROFIT BEFORE TAX FOR THE YEAR STOOD TK 1.3 BILLION WHICH WAS HIGHER BY 24% OVER THE PREVIOUS YEAR'S NET PROFIT OF TK 1 BILLION

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 in line with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

Property, Plant and Equipment

During the year under review, the Company invested a sum of Tk 167 million in property, plant and equipment. Movement in property, plant and equipment during the year is disclosed under note 3 and annexure-I of the financial statements.

Directors' Responsibilities for Financial Statements

The Statement of the Directors' Responsibilities for financial statements is given on page 53 of this report.

Corporate and Financial Reporting Framework

In accordance with the Bangladesh Securities and Exchange Commission's Code of Corporate Governance, BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 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 has continued retaining its leading position by offering superior quality products at competitive prices and wide range of after sales service as well.

In 2018 economic growth of Bangladesh was good and most of the economic indicators were positive which contributed to increasing the buying capacity of people. We were successful in utilizing the opportunities towards a significant volume growth both in our retail, wholesale and corporate sales channels. We remained Bangladesh's largest retail company selling home appliances and consumer electronic. Our growth was above the industry rate.

Government of Bangladesh has devoted to ensuring access of affordable and reliable electricity for all by 2021. This will accelerate demand of consumer durables in the coming days.

Besides, most of the consumer durable product penetration levels in Bangladesh remain very low. Bangladesh elevating from Least Developed Country to Developing Country which will have demand for durables and this will have positive impact towards our sector.

In addition, the population of Bangladesh is young and expanding. Currently only 7 percent of Bangladesh's population of 160 million is classified as middle class and affluent customer (MAC). Bangladesh's MAC population is projected to triple by 2025, to about 34 million. These MAC consumers will have enough to afford durables that offer convenience and luxury.

Increasing population, electrification and urbanization will support the country growth and is expected to fuel income level of people which will enhance their buying capacity. We believe we are well positioned to benefit from our wide presence in almost every corner of the country. This gives us confidence that this trend will continue in the year 2019 as well.

Segment Information

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

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. Details of risk factors and the determining ways of how to best handle such event are given on risk management report on pages 50 & 51 of this report.

Margin Analysis

Cost of goods sold for the year 2018 was Tk 9.8 billion and it was higher by 23.4% over that of the previous year's. Gross profit margin was 28.5% for the year 2018 and the previous year's gross margin was 28.2%. Net profit margin for the year 2018 was 6.7%. Detail are discussed on financial review report on pages 44 to 47 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 reporting 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 no 99.

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 21.3 of the notes to the financial statements on page 84 with reference to the "Directors fees and remuneration" figures concerning

the Board of Directors including Independent Directors.

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 (BSEC) Corporate Governance Code dated June 3, 2018, Chief Executive Officer and Chief Financial Officer have given the declaration about the fairness of the financial statements which is shown on page 27 of the report

Books of Accounts

Proper books of accounts of the Company were maintained.

Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are 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 has been effectively implemented and monitored.

Going Concern/Forward Looking Statement

There are no significant doubts about the Company's ability to continue as a going concern.

Significant Deviations from the Last Year's Operating Result

The significant deviations from last year in the operating results of the

Company have been highlighted in the report and reasons thereof have been explained.

Key Operating and Financial Data of last Five Years

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

Dividend

The Board of Directors of the Company recommends for @ 30% stock dividend for the year 2018, i.e. 3 shares against 10 shares.

- The Company declared stocks dividend with an objective for capital investment in the subsidiary company and also for expansion of manufacturing units;
- Stock dividend was declared out of profit for the year ended December 31, 2018;
- No stock dividend was declared as interim dividend.

Board and Committee Meetings and Attendance

During the year, the Board of Directors met six times. Audit Committee met four times and Remuneration Committee met two times.

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

Financial Results and Appropriations

The Directors are pleased to report the financial results for the year 2018 and recommend the following appropriations:

	Taka in '000	
	2018	2017
Profit before taxation	1,227,089	1,043,268
Less: Provision for tax	326,935	268,159
Profit after tax	900,153	775,109
Add: Un-appropriated profit brought forward	72,799	57,845
Other comprehensive income	(1,760)	(3,244)
Prior year's adjustment	6,736	10,034
Profit available for distribution	977,928	839,744
Less: Appropriations		
Final dividend (Stock)	230,083	766,945
Un-appropriated profit C/F	747,845	72,799

Nomination and Remuneration Committee

In accordance with the condition 6 of Bangladesh Securities and Exchange Commission's Code of Corporate Governance, BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 the Nomination and Remuneration Committee was formed on December 17, 2018 as a sub-committee under the Board in place of previous Remuneration Committee and Nomination Committee. The committee consist of the following members:

- Dr. Syed Ferhat Anwar, Chairman
- Mr. A. F. Nesaruddin, Member
- Mr. Cemal Can Dinçer, Member

Pattern of Shareholding

The pattern of shareholding is provided on page 34.

Corporate Governance Compliance Report

Singer Bangladesh Limited adheres to appropriate good Corporate Governance principles, as described on pages 39 to 41.

The Company also complied with all the requirements of Corporate Governance as required by the Bangladesh Securities and Exchange Commission. Accordingly, Corporate Governance Compliance checklist 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 dated June 3, 2018, S. F. Ahmed & Co., Chartered Accountants in Practice issued the Corporate Governance Compliance Certificate which is shown on page 28 of the report.

Contribution to the National Exchequer

During the year under review, your Company paid Taka 4,489 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 long term and ECRL-1 for short term for consecutive three years with a strong and stable outlook from Emerging Credit Rating Limited.

Reserves

The total Reserves of the Company stood at Tk. 573 million, details of which are given in Note 11 and in the Statement of Changes in Equity in the Financial Statements.

Events subsequent to Balance Sheet

- The Board of Directors in their meeting held on February 28, 2019 recommended stock dividend @ 30% stock dividend for the year 2018.
- The Company has purchased 628,880 (16.1680%) shares of International Appliances Limited (IAL) from Shanghai Sonlu Shangling Enterprise Group Co. Ltd. (240,000 shares representing 9.9978%) and from Sunman Corporation Limited (388,880 shares representing 6.1702%) which was approved by the Board of Directors in their meeting held on February 3, 2019. As a result, IAL is now 100% owned subsidiary of Singer Bangladesh Limited.
- Ardutch B.V., a subsidiary of Arcelik A.S. (a member of Koc Holdings, Turkey) acquired Retail Holdings Bhold B.V. (holding Company of Singer Bangladesh Limited) on April 3,

2019. After the change, Arçelik A.S. has become the ultimate beneficial owner the Company but Retail Holdings Bhold B.V. remains the holding Company of Singer Bangladesh Limited.

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 114 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 are provided in the section of "Board of Directors" of this report in pages from 16 to 18.

Appointment of Directors

Retail Holdings Bhold B.V. has nominated Dr. Fatih Kemal Ebiçlioğlu, Mr. Hakan Hamdi Bulgurlu, Mr. Polat Şen and Mr. Cemal Can Dinçer to the Board of the Company. The Board of Directors in their meeting held on April 3, 2019 appointed them as Directors of the Company. They will retire from the office in the upcoming Annual General Meeting and are eligible to re-elect under Article 68 of the Articles of Association of the Company.

At the same meeting the Board accepted resignation of Mr. Gavin J. Walker, Mr. Stephen H. Goodman, Mr. Peter James O'Donnell, Mr. Gelmart M. Gellecanao and Mr. Nayana Jagath Kumar Dissanayake. Members of the Board gratefully acknowledged their valuable contributions and services to the Board during their tenure.

Shareholdings of Directors at the beginning of the year and at the end of the year 2018 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 39th 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 2019.

The Audit Committee recommended to appoint A. Qasem & Co., Chartered Accountants as the auditors of the company for the year 2019.

The Directors endorsed recommendation of the Audit Committee for appointment of A. Qasem & Co., Chartered Accountants as the auditors of the company for the year 2019.

- b) The Board also recommended appointment of existing corporate governance compliance auditors S. F. Ahmed & Co., Chartered Accountants for the year 2019.

CEO and CFO's Declaration to Financial Statements

The Chief Executive Officer and Chief Financial Officer are of the opinion that Financial Statements given on page 27 of this report present true and fair view of the company's affairs.

Human Resources

A dynamic business environment requires having a well trained work force; therefore, the company develops the appropriate management skills to suit the business environment. Various training programs and workshops were carried out during the year.

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

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.

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 company wishes 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.



Mohamed Haniffa Mohamed Fairoz
Managing Director & CEO



Mohammad Sanaulah
Company Secretary

Dhaka, April 4, 2019