SINGER

Annual Report 2014

VISION & MISSION

Our Vision

To be the leading retailer of home appliances in Pakistan.

Our Mission

To improve the standard of life of our customers
by offering high-quality products and services at affordable prices.

Our Values

Customers
We strive our best to live up to the expectations of our customers by providing quality products at affordable prices, efficient services and an enjoyable shopping experience.

Shareholders
We provide a reasonable return while safeguarding their investment.

Employees
We respect our employees and encourage teamwork while providing opportunities for career development.

Competitors
We respect our competitors and recognize their contribution to the market.

Community
We conduct our business by conforming to the highest ethical standards and share the social responsibility of the less fortunate.

Our Objectives

To provide our customers with the best services and shopping experience.	To provide our customers with products of modern technology.	To develop our employees to achieve their potential.	To provide our shareholders with steady asset growth and return on investment in line with the industry norm.	To establish a culture of learning and leadership development and ethical business performance.	To continuously respond to market signals and endeavour to be the market leader.

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Kamal Shah
Chairman

M. Mahmood Ahmed
Chief Executive Officer

Gavin J. Walker
(alternate : Qaiser Pervaiz)

Badaruddin F. Vellani

Rasheed Y. Chinoy

Abdul Hamid Dagia

Fareed Khan

Bashir Ahmed

CHIEF FINANCIAL OFFICER
Qaiser Pervaiz

CHIEF INTERNAL AUDITOR
A.H. Dawood

COMPANY SECRETARY
Najmul Hoda Khan

AUDIT COMMITTEE

Badaruddin F. Vellani
Chairman

Kamal Shah
Member

Rasheed Y. Chinoy
Member

Abdul Hamid Dagia
Member

Fareed Khan
Member

Najmul Hoda Khan
Secretary

HR AND REMUNERATION COMMITTEE

Kamal Shah
Chairman

M. Mahmood Ahmed
Member

Rasheed Y. Chinoy
Member

Fareed Khan
Member

Najmul Hoda Khan
Secretary

BANKERS

Al Baraka Bank (Pakistan) Limited

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Burj Bank Limited

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

National Bank of Pakistan

Soneri Bank Limited

The Bank of Punjab

United Bank Limited

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

SHARE REGISTRAR

Central Depository Company
of Pakistan Limited

CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400, Pakistan

REGISTERED AND HEAD OFFICE

Plot No. 39, Sector 19,
Korangi Industrial Area,
Korangi, Karachi

WEBSITE

www.singer.com.pk

NOTICE OF MEETING

Notice

Notice is hereby given that the Fifty Fourth Annual General Meeting of SINGER PAKISTAN LIMITED will be held on Wednesday, 29 April 2015 at 10:00 a.m. at Beach Luxury Hotel, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Reports of Directors' and Auditors' thereon.

2. To appoint Auditors of the Company for the financial year ending 31 December 2015 and to fix their remuneration.

By order of the Board

Najmul Hoda Khan
Company Secretary

Karachi : 8 April 2015

NOTES

MEMBERS' REGISTER CLOSURE

1) The Share Transfer Books of the Company will be closed and no transfer will be accepted for registration from 20 April 2015 to 29 April 2015 (both days inclusive).

APPOINTMENT OF PROXY (IES)

2) A Member of the Company entitled to attend, speak and vote at the General Meeting is entitled to appoint another person as his / her proxy to attend, speak and vote instead of him / her and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the General Meeting as are available to the Member. Proxy Forms, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the Meeting. The proxy need not be a Member of the Company. The proxy shall produce his / her original Computerized National Identity Cards (CNIC) or passport to prove his / her identity. The Registered Office of the Company is located at Plot No. 39, Sector 19, Korangi Industrial Area, Karachi.

3) In case of corporate entity, the Board of Directors' / Trustees' resolution / power of attorney with specimen signature of the nominee shall be submitted with the proxy form to the Company, and the same shall be produced in original at the time of the meeting to authenticate the identity.

4) Members are requested to notify any change in their addresses immediately to our Registrar.

5) Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) are requested to send the same to our Registrar at the earliest.

6) CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

A. FOR ATTENDING THE MEETING:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC), or original passport at the time of attending the meeting. CDC account holders are also requested to bring their CDC participant ID numbers and account number.

ii) In case of corporate entity, the Board of Directors' / Trustees' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. FOR APPOINTMENT OF PROXIES:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement (note 2 above).

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

v) In the case of corporate entity, the Board of Directors' / Trustees' resolution / power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

7) Electronic Transmission of Financial Statements and Notice of Meeting

Pursuant to Notification vide SRO 787 (1)/2014 dated September 08, 2014 of the Securities and Exchange Commission of Pakistan; Members who desire to receive Annual Financial Statements and Notice of Meeting through electronic mail system (e-mail) in future, instead of registered post/courier, are requested to submit their consent on the FORM available for the purpose on Company's website.

8) Deduction of Withholding Tax on the amount of Dividend

Pursuant to Circular No. 19/2014 dated October 24, 2014 of the Securities and Exchange Commission of Pakistan; Members are hereby advised about changes made in the section 150 of the Income Tax Ordinance, 2001, as under;

(i) The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a. For filers of income tax returns: 10%
b. For non-filers of income tax returns: 15%

To enable the Company to make tax deduction on future dividend payments, if any, in accordance with the tax payment status of the members, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of Federal Board of Revenue, despite the fact that they are filers, are advised to make sure that their names are entered into ATL.

(ii) For any query/problem/information, the investors may contact the Company Secretary (at the Registered Office address and number) and/or the Share registrar at the address given at the end of the notice.

(iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. Share Registrar Department, Central Depository Company of Pakistan Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

Address of Share Registrar of the Company:
Manager, Share Registrar Department
Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, S.M.C.H.S.
Main Shahra-e-Faisal
Karachi.
Phone: 0800-23275
Email: info@cdcpak.com

TEN YEARS AT A GLANCE

(Rupees in '000)

	2014	2013	2012 (Restated)	2011	2010	2009 (Restated)	2008	2007	2006	2005
ASSETS EMPLOYED										
Current Assets	2,035,523	2,383,136	2,216,944	2,067,261	1,831,867	1,609,991	1,593,872	1,361,138	1,094,432	914,053
Current Liabilities	1,944,960	1,905,696	1,673,872	1,524,999	1,339,354	1,160,329	1,156,781	918,298	804,710	654,973
NET CURRENT ASSETS	90,563	477,440	543,072	542,262	492,513	449,662	437,091	442,840	289,722	259,080
Property , Plant & Equipment	1,032,370	642,318	652,417	656,101	661,989	210,499	212,213	156,915	110,312	99,248
Intangible Assets	29,826	33,596	1,753	1,759	3,607	5,083	7,638	4,666	822	560
Investments	-	-	-	-	-	-	-	6,894	7,026	7,148
Employee retirement benefits - Prepayments	-	3,548	9,001	13,728	18,795	15,863	30,139	5,617	3,578	3,632
Long Term Deposits	26,802	31,962	30,565	32,109	32,104	31,844	32,100	27,396	20,475	17,344
TOTAL ASSETS EMPLOYED	1,179,561	1,188,864	1,236,808	1,245,959	1,209,008	712,951	719,181	644,328	431,935	387,012
FINANCED BY:										
Share Capital	454,056	454,056	412,778	375,253	341,140	310,127	275,668	245,038	133,173	113,339
Reserves & accumulated (loss) / unappropriated profit	(114,991)	161,667	164,511	160,508	159,757	162,849	181,805	144,298	122,323	109,866
Surplus on revaluation of fixed assets	570,192	296,594	291,337	301,371	305,615	-	-	-	-	-
Deferred Income	-	464	1,392	3,247	4,175	5,103	6,031	6,959	7,887	8,815
Employee retirement benefits - Obligation	19,931	19,380	16,483	8,006	3,929	5,173	2,360	1,962	2,193	1,956
Long term loans, Debenture Lease Facilities, Deposit and Deferred liabilities	250,413	256,703	350,307	397,574	394,392	229,699	253,317	246,071	166,359	153,036
TOTAL CAPITAL EMPLOYED	1,179,561	1,188,864	1,236,808	1,245,959	1,209,008	712,951	719,181	644,328	431,935	387,012
Sales	1,798,626	2,293,396	2,390,532	2,403,853	2,263,122	2,116,878	2,131,378	1,744,173	1,427,112	1,197,188
(Loss) / Profit from operations	(223,133)	226,182	263,636	234,739	207,491	181,992	188,854	139,006	109,372	82,498
(Loss) / Profit after taxation	(285,719)	36,259	42,079	30,620	27,921	15,503	52,561	41,951	32,291	25,053
(Loss) / Earnings per share	(6.29)	0.80	0.93	0.74	0.74	0.45	1.69	1.52	1.43	1.88
Bonus shares										
Amount	-	-	41,278	37,525	34,114	31,013	34,459	30,630	19,976	19,834
%	-	-	10.0%	10.0%	10.0%	10.0%	12.5%	12.5%	15.0%	17.5%
Cash dividend										
Amount	-	-	-	-	-	-	-	-	-	-
%	-	-	-	-	-	-	-	-	-	-

BOARD OF DIRECTORS

1- Mr. Kamal Shah
Chairman

Mr. Kamal Shah is currently the Chairman of the Board of Directors of Singer Pakistan Limited.

He is a Fellow of the Institute of Chartered Accountants of Pakistan and Associate of the Chartered Institute of Management Accountants - UK.

Mr. Kamal Shah served as a member of the Prime Minister's Tax Reforms Commission which brought about major tax reforms in the Country. Mr. Kamal Shah has also served as a member of National Engineering Manufacturers and Export Council (NEMEC) under the Chairmanship of the Commerce Minister for a number of years.

He has served as Vice President of American Business Council of Pakistan and Chairman of the Finance Committee of the Council for several years. Mr. Shah has also served as a member of the Managing Committee of Overseas Investors Chamber of Commerce and Chairman of the Finance Sub-Committee of the Chamber.

2- Mr. M. Mahmood Ahmed
Chief Executive Officer

Mr. M. Mahmood Ahmed has been appointed as the Chief Executive Officer of Singer Pakistan Limited by the Board of Directors in their meeting held on 19 May 2014, with immediate effect.

Mr. M. Mahmood Ahmed is a graduate from the University of Peshawar and has worked in the Company for the last 41 years. He started his career in the Field as Shop Manager and successfully held various positions both in the field and Head Office and has risen to the position of Director Sales. The last position held by him was of Chief Operating Officer.

He has attended General Management Programmes from various institutions including National University of Singapore.

He has also completed Directors` Training Programme from the Institute of Chartered Accountants of Pakistan and is now a certified Director.

3- Mr. Gavin J. Walker
Director

Mr. Gavin J. Walker is the President and Chief Executive Officer of Singer Asia Limited and was appointed to this position in August 2005.

Prior to joining the Company, Mr. Walker held offices as Managing Director and Chief Executive Officer of public quoted and private companies in the United Kingdom and South Africa.

Mr. Walker served as Chief Executive Officer of a multi-brand retailer of electrical appliances and furniture with operations in 16 African countries and Australia (including SINGER® brand electrical appliances under license).

Mr. Walker serves on the Board of a number of Singer Asia Subsidiaries.

4- Mr. Badaruddin F. Vellani
Director & Chairman of Audit Committee

Mr. Badaruddin F. Vellani is an Honours graduate in Chemical Engineering from the Loughborough University of Technology and is also a Barrister-at-Law from the Middle Temple (London). Mr. Vellani commenced legal practice at Karachi in 1982. He is enrolled as an Advocate of the Supreme Court of Pakistan and is entitled to appear before all courts and tribunals in Pakistan.

Mr. Vellani is a partner in the law firm Vellani & Vellani.

He is presently a member of the Board of Directors of Esso Pakistan (Private) Limited, Novartis Pharma (Pakistan) Limited, Roche Pakistan Limited, Shell Pakistan Limited, Unilever Pakistan Foods Limited and Wyeth Pakistan Limited.

Mr. Vellani is also a member of the Board of Directors of Hisaar Foundation and Pakistan Centre for Philanthropy, both not-for-profit Organisations. He is also a member of the Governing Body (Director) of the Agha Khan Hospital and Medical College Foundation.

5- Mr. Rasheed Y. Chinoy
Director

Mr. Rasheed Y. Chinoy graduated from the University of Birmingham, United Kingdom with a Degree in Business Administration and has been in the corporate sector for the last 52 years. Currently, he is Chairman and Managing Director of Continental Furnishing Co. (Private) Limited. He is a founder Director of Singer Industries Pakistan Limited which was the forerunner of Singer Pakistan Limited.

Mr. Chinoy has served on various boards of National and Multinational Companies in Pakistan, prominent amongst these companies were the Soneri Bank, Reckitt & Benckiser of Pakistan Group of Companies, The Johnson & Phillips Group Company, K-Electric, First Dawood Investment Bank Limited and Haroon Oils Pakistan Limited.

Presently, Mr. Rasheed Y. Chinoy is also on the Board of the following companies:

- Pakistan Agencies (Private) Limited.
- Fibercane (Private) Limited
- Alpha Insurance Co. Limited.

6- Mr. Abdul Hamid Dagia
Director

Abdul Hamid Dagia is a Fellow of the Institute of Chartered Accountants of Pakistan, 1970.

He worked at senior management level in Smith Kline & French of Pak Limited, K- Electric, Jahangir Siddiqui & Co. Limited and Jahangir Siddiqui Investment Bank Limited.

He was member of Karachi Stock Exchange Limited & member of its Finance & Taxation Sub-Committee.

He had served on the Boards of several prominent listed and unlisted companies, including First SECP nominee director of Central Depositary Co. of Pakistan Ltd and minority elected director of Pakistan Reinsurance Co. Ltd (Pakre) and also Chairman Audit Committee (Pakre).

He is presently Director of Jahangir Siddiqui & Sons Limited, The Eastern Express Company (Pvt.) Limited, DATA recall (Pvt.) Ltd and also founder of DATA recall that owns and operates the largest record storage and management facility in Pakistan.

7- Mr. Fareed Khan
Director

Mr. Fareed Khan is a Chartered Accountant from England and Wales and also from Pakistan.

He joined A.F. Ferguson & Co., Chartered Accountants, in 1965. He worked as a partner till 1982 and was involved in various assignments.

Mr. Khan worked as an external financial consultant on the Board of Industrial Management, an organization managing nationalized industries and was also appointed an external financial consultant to a housing finance company for a few years.

Presently, he has set up an Engineering Manufacturing Company, manufacturing different consumer appliances. He has also served on the Board of NBFI.

8- Mr. Bashir Ahmed
Director

Mr. Bashir Ahmed is a well-known individual belonging to the corporate sector of Pakistan. His vast experience includes working as CEO of Berger Paints Pakistan Limited and prior to that as Director Marketing of Singer Pakistan Limited.

Mr. Ahmed obtained his MBA from the Institute of Business Administration, Karachi in 1967. He has also participated in a highly rewarding International Management Development Course at Syracuse University, New York in 1978. He has also participated in numerous international and regional conferences during his career. He plays a prominent role in the social sector of the Country as well.

Mr. Ahmed served on the Board of Directors of several leading companies in Pakistan and is currently the Chairman of the Board of Directors of Buxly Paints Limited.

9- Mr. Qaiser Pervaiz
Alternate Director

Mr. Qaiser Pervaiz is Director Finance and Chief Financial Officer of Singer Pakistan Limited and was appointed to this position on 15 September 2014.

Mr. Pervaiz has 24 years of professional experience within audit and industry. He is a qualified accountant from KPMG Pakistan and a Fellow of Institute of Chartered Accountants of Pakistan. He has worked in various senior positions as Head of Finance in multinational companies in Pakistan as well as in the UK.

For the last 10 years, he worked in the UK as Head of Finance function including last 7 years as practicing accountant. He is also Fellow of the Institute of Certified Practicing Accountants (CPA), UK.

His major achievement in his professional career is successful implementation of SAP at one of the prime site of automobile company.

REPORT OF THE DIRECTORS

For the year ended 31 December 2014

The Directors of your Company presents the Annual Report together with the Audited Financial Statements of the Company for the year ended 31 December 2014.

OVERVIEW OF RESULTS

Your Directors regret to report that during the year net revenue of the Company declined by 24.9% to Rs. 1,668 million from Rs. 2,223 million compared to the previous year.

As reported earlier in order to improve cash flows your Company had to focus on increasing cash sales and reducing credit sales. This resulted in cash sales increasing to 18.8%. At the same time, control on credit sales was further strengthened to improve collections. However, while cash flows improved, sales and profitability were adversely affected. Sales were also affected due to high turnover of sales staff.

The Gross Margin declined by 1.6% mainly due to sales mix.

Marketing, Selling and Distribution costs increased to Rs. 311.1 million from Rs. 254.9 million as compared to previous year mainly due to increase in sales promotions, salaries and rent. We had to increase salaries to retain/hire new staff and re-locate shops to improve profitability. Administrative Expenses increased by Rs. 4.2 million mainly due to increase in salaries on account of inflation and hiring new staff.

Other Operating Expenses increased to Rs. 248.7 million during the year as against Rs. 27.3 million for the last year, mainly due to provisions taken against trade and other receivables. Other Income increased mainly due to increase in extended warranty purchased by our customers.

Loss after taxation for the year is Rs. 285.7 million mainly due to decline in sales and provision against receivables as mentioned earlier.

The business environment was also challenging due to law and order situation, energy crisis and floods in major parts of the Country during third quarter of the year.

Further, results were adversely affected due to the need to make provisions against receivables and inventory.

However, the Management was successful in securing a “one time” waiver from the parent Company for payment of royalty for the year 2014 and also for the outstanding royalty payable in respect of previous years.

Singer Information System is running in all shops and warehouses throughout the Country and is highlighting differences which are being reconciled and adjusted accordingly.

The Management also successfully reduced inventory levels to improve cash flow. The Company revalued its factory Land and Building and for the first time also revalued the shops it owns, which generated a surplus (net of tax) of Rs. 278.1 million.

The net worth of the Company including surplus on revaluation of fixed assets is Rs. 909.2 million at the end of 2014 as against Rs. 912.3 million at the end of previous years.

PROFITABILITY AND APPROPRIATIONS

The loss for the year 2014 and appropriations considered for the year 2015 are as follows:

	2014 (Rupees in '000)
Total Comprehensive loss	(281,638)
Transfer from surplus on revaluation property, plant and equipment	4,980
Un-appropriated profit carried forward	38,830
Accumulated loss carried forward	(237,828)

The Board of Directors has recommended that in view of the loss suffered (the reasons for which loss have been given above) and your Company’s need for cash for its operations no dividend should be declared and no bonus shares should be issued for the year ended 31 December 2014. Further, as explained later in future outlook, several initiatives are proposed to be taken endeavour to make your Comapny profitable again.

EARNINGS PER SHARE

Loss per share for the year ended 31 December 2014 is Rs. (6.29) as against the profit of Re. 0.80 for the previous year.

FUTURE OUTLOOK

The Company will continue with the strategy of increasing cash and dealer sales to improve cash flow of the Company and reduce borrowing cost. The Company will also increase institutional sales to improve profitability. The Company is considering sales of multi-brand products of other leading brands, both local and imported and also to introduce new models at competitive prices.

The Company has taken measures to further control production, selling and administrative costs. The business environment will remain challenging in 2015; however, the Management will take all necessary measures to improve sales and profitability of the Company, subject to business environment.

BOARD OF DIRECTORS

A) Mr. M. Mahmood Ahmed was appointed as the Chief Executive Officer of the Company by the Board of Directors, with effect from 19 May 2014, for a period of three years, after the resignation of Mr. S. Aleem Hussain, CEO.

The shareholders of the Company at the Extraordinary General Meeting held on 12 August 2014 elected the following persons as Directors of the Company for a period of three years, commencing from 12 August 2014:

1. Mr. Kamal Shah
2. Mr. Gavin J. Walker
3. Mr. Badaruddin F. Vellani
4. Mr. Jahangir Siddiqui
5. Mr. Abdul Hamid Dagia
6. Mr. Fareed Khan
7. Mr. Bashir Ahmed

Mr. Qaiser Pervaiz was appointed as an Alternate of Mr. Gavin J. Walker, Director by the Board of Directors of the Company, with effect from October 1, 2014. Mr. Qaiser Pervaiz replaced Mr. Nasir Hussain as Chief Financial Officer of the Company effective September 2014.

Subsequent to the year end, Mr. Jahangir Siddiqui resigned from the Board of Directors, with effect from February 25, 2015. Mr. Rasheed Y. Chinoy was on 27 March 2015 appointed as a Director of your Company to fill the casual vacancy arising from the resignation of Mr. Jahangir Siddiqui.

B) As regards the 40% Rights Issue decided upon by majority at the Board meeting held on 30 August 2012, which decision was subsequently challenged in the High Court of Sindh, this matter has been reported in the Directors' Report for the year ended 31 December 2013 and all subsequent quarterly reports.

Recently, the parties mutually agreed to the withdrawal of all pending litigations. Consequently Suit No. 1507 of 2012 and High Court Appeal No. 173 of 2013 were withdrawn on 28 November 2014 and 12 February 2015, respectively.

Further, since over two years had elapsed from the date of announcement of the proposed Rights Issue, the Board of Directors of the Company have unanimously decided not to pursue the Rights Issue as announced in August 2012 and have accordingly advised the Karachi and Lahore Stock Exchanges and the Securities and Exchange Commission of Pakistan (SECP).

HUMAN RESOURCES

Training and coaching constitutes an integral part of our HR Development Program. The Management has, therefore, taken an important initiative to continue on-the-Job training for the field staff.

CORPORATE SOCIAL RESPONSIBILITY

In line with Company's policy of recognizing the importance of Corporate Social Responsibilities, the Company is continuing its sewing and stitching classes for ladies of low income group. Thousands of ladies have benefited from this programme so far and have been successful in finding jobs in industrial concerns.

AUDITORS

The present Auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants, retire and offer themselves for re-appointment for the audit of the accounts of the Company for the year ending 31 December 2015.

PATTERN OF SHAREHOLDING

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the Code of Corporate Governance is shown on page 51 of this report.

HOLDING COMPANY

Singer (Pakistan) B.V. holds 70.28% of the issued share capital of Singer Pakistan Limited.

GENERAL

During the period from end of the financial year of the Company to which the Balance Sheet relates and the date of this report, there have been no material commitments made and no changes have occurred which materially affect the financial position of the Company.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board of Directors has taken adequate measures for the implementation of the Regulations of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

We give below our statement on Corporate and financial reporting framework:

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;

Proper books of accounts of the Company have been maintained;

Appropriate Accounting Policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of Company's financial statements;

The system of internal control is sound in design and has been effectively implemented and monitored;

There are no doubts upon the Company's ability to continue as a going concern;

There has been no material departure from best practices of Corporate Governance, as detailed in the Listing Regulations;

Key operating and financial data for last ten years has been provided as an annexure in a summarized form;

Value of investments of Gratuity Fund (audited), and Provident and Pension Funds (unaudited), as based on their latest accounts for the year ended 31 December 2013 are as follows:

- Provident Fund — Rs. 70.40 million
- Gratuity Fund — Rs. 36.99 million
- Pension Fund — Rs. 66.15 million

During the year, six meetings of the Board of Directors, two meetings of the Audit Committee and three meetings of the HR&R Committee were held before election of Directors in August 2014. Attendance by the Directors at those meetings was as follows:

Name of Directors	Attendance at Board Meeting	Attendance at Audit Committee	Attendance at HR&R Committee
Mr. Kamal Shah	6	-	3
Mr. Mahmood Ahmed	6	2	1
Mr. Syed Aleem Hussain	3	-	1
Mr. Badaruddin F. Vellani	6	2	-
Mr. Abdul Hamid Dagia	5	2	-
Mr. Rasheed Y. Chinoy (alternate of Mr. Yussuff R. Chinoy)	6	2	3
Mr. Fareed Khan (alternate of Mr. Gavin Walker)	6	2	3
Mr. Nasir Hussain	6	-	-

After election of Directors held on 12 August 2014, five meetings of the Board of Directors, two meetings of the Audit Committee and one meeting of the HR&R Committee were held. Attendance by the Directors at those meetings was as follows:

Name of Directors	Attendance at Board Meeting	Attendance at Audit Committee	Attendance at HR&R Committee
Mr. Kamal Shah	5	2	1
Mr. Mahmood Ahmed	5	-	1
Mr. Badaruddin F. Vellani	5	2	-
Mr. Jahangir Siddiqui	3	1	-
Mr. Abdul Hamid Dagia	5	2	-
Mr. Rasheed Y. Chinoy (alternate of Mr. Jahangir Siddiqui)	2	1	1
Mr. Fareed Khan	5	2	1
Mr. Bashir Ahmed	5	-	-
Mr. Qaiser Pervaiz (alternate of Mr. Gavin Walker)	2	-	-

There have been no trades during the year in the shares of the Company, carried out by its Directors, CEO, COO, CFO & Company Secretary, Executives and their spouses and minor children except as disclosed in the pattern of shareholding.

ACKNOWLEDGEMENTS

The Board of Directors of the Company would like to take this opportunity to thank all its customers, dealers, suppliers and bankers for their continuous support in these difficult times.

The Board of Directors also acknowledges the continuous commitment and hard work of the employees of the Company.
On behalf of the Board

M. Mahmood Ahmed
Chief Executive Officer

Karachi: 30 March 2015

Statement of Compliance

For the year ended 31 December 2014

Statement of Compliance with Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As on 31 December 2014 the Board includes:

Category	Names
Non-executive directors	Mr. Kamal Shah (Chairman) Mr. Gavin J. Walker Mr. Badaruddin F. Vellani Mr. Jahangir Siddiqui Mr. Fareed Khan
Independent directors	Mr. Bashir Ahmed Mr. Abdul Hamid Dagia
Executive directors	Mr. M. Mahmood Ahmed (Chief Executive Officer) Mr. Qaiser Pervaiz (Alternate of Mr. Gavin J. Walker)

   Subsequent to the year end, Mr. Jahangir Siddiqui resigned from the Board of Directors, with effect from 25 February 2015. Mr. Rasheed Y. Chinoy was on 27 March 2015 appointed as a Director of the Company to fill the casual vacancy arising from the resignation of Mr. Siddiqui.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year. However, during the year the Chief Executive resigned and a new Chief Executive was appointed. Furthermore, during the year, the new Board of the Company was elected on 12 August 2014 in the Extra Ordinary General Meeting of the Company after the completion of three years' term of the previous Board.

5. The Company has prepared a Code of Conduct called 'Statement of Ethics and Business Conduct' which includes certain policies and procedures, and has ensured that appropriate steps have been taken to disseminate it throughout the Company.

6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of the employment of the Chief Executive Officer (CEO), other executive and non-executive directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the Directors of their duties and responsibilities and for their orientation purpose they were informed about the recent developments / changes in applicable laws and regulations affecting the industry and the Code of Corporate Governance. The Directors are conversant of the relevant laws applicable to the Company, its policies and provisions of

Statement of Compliance

For the year ended 31 December 2014

memorandum and articles of association and are aware of their duties and responsibilities. One of the directors has acquired certification under directors training program conducted by Institute of Chartered Accountants of Pakistan (ICAP) during the year. In all two directors have acquired the certification. Further, two other directors are exempt from training by virtue of their minimum education and years of experience on the board of a listed company as stipulated in the Code of Corporate Governance. Training of the remaining directors are planned to be conducted within the period prescribed in the Code of Corporate Governance.

10. The Board has approved appointments of CFO and Company Secretary. No new appointment of the Head of Internal Audit was made during the year. The remunerations, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit and any changes thereto have been approved by the Board of Directors.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises five members, of whom one is independent director and four are non-executive directors, including Chairman of the Committee. Subsequent to the year end one non-executive director resigned from the Board of Directors and as such he is no more a member of the above Committee. Further, Mr. Rasheed Y. Chinoy was on 28 March 2015 appointed as the member of the above Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom three are non-executive directors including Chairman of the Committee. Subsequent to the year end one non-executive director resigned from the Board of Directors and as such he is no more a member of the above Committee. Further, Mr. Rasheed Y. Chinoy was on 28 March 2015 appointed as the member of the above Committee.

18. The Board has set up an effective internal audit function on full-time basis.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan (ICAP).

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of Company's securities, were determined and intimated to directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with except those that are not yet applicable.

M. Mahmood Ahmed
Chief Executive Officer

Karachi : 30 March 2015

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Chartered Accountants
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Karachi 75530 Pakistan

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Review Report to the Members on Statement of Compliance with Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of Singer Pakistan Limited ("the Company") for the year ended 31 December 2014 to comply with the requirements of Listing Regulations of Karachi and Lahore Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code 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 personnel and review of various documents prepared by the Company to comply with the Code.

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 Code requires 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 related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of 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 aspects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2014.

KPMG Taseer Hadi & Co.

Date: 30 March 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed balance sheet of Singer Pakistan Limited ("the Company") as at 31 December 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes in accounting policies as mentioned in note 2.7 to the financial statements with which concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2014 and of the loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

Date: 30 March 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani

Balance Sheet

As at 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
70,000,000 (2013: 70,000,000) ordinary shares of Rs. 10 each		**700,000**	700,000
Issued, subscribed and paid-up capital	4	**454,056**	454,056
Capital reserve		**5,000**	5,000
Revenue reserve		**117,837**	117,837
Accumulated (loss) / Unappropriated profit		**(237,828)**	38,830
Shareholders equity		**339,065**	615,723
Surplus on revaluation of property, plant and equipment - net of tax	5	**570,152**	296,594
Non-current liabilities			
Long term loans - secured	6	**81,875**	73,750
Liabilities against assets subject to finance lease	7	**8,626**	14,867
Employee retirement benefits - obligation	8	**19,931**	19,380
Deferred tax - net	9	**159,912**	168,086
Deferred income	10	**-**	464
		270,344	276,547
Current liabilities			
Trade and other payables	11	**499,619**	483,086
Mark-up accrued on short term running finance and long term loans		**45,934**	41,308
Short term running finance - secured	12	**1,305,600**	1,289,482
Current portion of long term loans	6	**86,546**	84,375
Current portion of liabilities against assets subject to finance lease	7	**6,797**	6,517
Current portion of deferred income	10	**464**	928
		1,944,960	1,905,696
		3,124,521	3,094,560
Contingencies and commitments	13		

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

Balance Sheet
As at 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1,032,370**	642,318
Intangible assets	15	**29,826**	33,596
Employee retirement benefits - prepayment	8	**-**	3,548
Long term deposits	16	**26,802**	31,962
		1,088,998	711,424
Current assets			
Stores, spares and loose tools		**6,613**	6,123
Stock-in-trade	17	**428,200**	631,308
Trade debts and other receivables	18	**1,317,837**	1,396,131
Advances, deposits, prepayments and other receivables	19	**26,580**	42,881
Taxation - net		**124,251**	113,360
Investments	20	**51,500**	57,900
Cash and bank balances	21	**80,542**	135,433
		2,035,523	2,383,136
		3,124,521	3,094,560

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

Profit and Loss Account

For the year ended 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
Sales		**1,798,626**	2,293,396
Earned carrying charges		**253,388**	374,703
Sales tax, excise duty, commissions and discounts		**(383,723)**	(445,589)
Net revenue	22	**1,668,291**	2,222,510
Cost of sales	23	**(1,272,862)**	(1,659,485)
Gross margin		**395,429**	563,025
Marketing, selling and distribution costs	24	**(311,062)**	(254,884)
Administrative expenses	25	**(58,808)**	(54,607)
Other operating expenses	26	**(248,692)**	(27,352)
		(618,562)	(336,843)
(Loss) / Profit from operations before finance cost		**(223,133)**	226,182
Finance cost	27	**(199,685)**	(184,576)
		(422,818)	41,606
Other income	28	**16,323**	13,586
(Loss) / Profit before taxation		**(406,495)**	55,192
Taxation	29	**120,776**	(18,933)
(Loss) / Profit after taxation		**(285,719)**	36,259
		--------- Rupee(s) ---------	
(Loss) / Earnings per share - basic and diluted	30	**(6.29)**	0.80

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive	Chief Financial Officer	Director

Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
(Loss) / Profit for the year		(285,719)	36,259
Other comprehensive income			
Item that will not be reclassified to profit and loss:			
Actuarial gain / (loss) on employee retirement benefit	8.3	5,975	(2,971)
Related tax effect		(1,894)	973
		4,081	(1,998)
Total comprehensive income for the year		(281,638)	34,261

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive	Chief Financial Officer	Director

Cash Flow Statement

For the year ended 31 December 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		**(406,495)**	55,192
Adjustment for:			
- Depreciation on property, plant and equipment		**38,716**	32,611
- Amortisation of intangible assets		**3,880**	2,312
- Finance cost		**199,685**	184,576
- Gain on sale of property, plant and equipment		**(830)**	(770)
- Amortisation of deferred income		**(928)**	(928)
- Provision for doubtful debts		**221,699**	4,672
- Provision for slow moving stock		**7,500**	1,127
- Provision for employee retirement benefits		**9,887**	6,737
		73,114	285,529
Working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		**(490)**	1,137
Stock - in -trade		**195,608**	78,191
Trade debts and other receivables		**(136,335)**	(238,050)
Advances, deposits, prepayments and other receivables		**9,231**	23,420
		68,014	(135,302)
Increase in current liabilities			
Trade and other payables		**16,533**	50,760
Net cash from operation		**157,661**	200,987
Income tax paid - net		**(40,796)**	(37,224)
Finance cost paid		**(192,983)**	(187,773)
Employee retirement benefits received / (paid)		**187**	(1,358)
Long term deposits - net		**5,160**	(1,397)
Net cash flows from operating activities		**(70,771)**	(26,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(12,473)**	(36,508)
Proceeds from disposal of property, plant and equipment		**5,664**	1,821
Investments matured / (placed) during the year-net		**6,400**	(12,919)
Net cash flows from investing activities		**(409)**	(47,606)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		**(10,125)**	(12,708)
Net borrowing / (repayment) of long term loans		**10,296**	(68,334)
Net cash flows from financing activities		**171**	(81,042)
Net decrease in cash and cash equivalents		**(71,009)**	(155,413)
Cash and cash equivalents at beginning of the year		**(1,154,049)**	(998,636)
Cash and cash equivalents at end of the year	31	**(1,225,058)**	(1,154,049)

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive	Chief Financial Officer	Director

Statement of Changes in Equity

For the year ended 31 December 2014

	Note	Issued subscribed and paid-up capital	Capital reserve	Revenue reserve	Unappropriated profit / accumulated (loss)	Total
		(Rupees in '000)				
Balance as at 1 January 2013		412,778	5,000	117,837	41,674	**577,289**
Transactions with owners, recorded directly in equity						
Issue of bonus shares for the year ended 31 December 2012 @ 10 % per share		41,278	-	-	(41,278)	**-**
Total comprehensive income for the year ended 31 December 2013						
Profit for the year		-	-	-	36,259	**36,259**
Net actuarial loss recognised directly in 'Other Comprehensive Income' - net of tax		-	-	-	(1,998)	**(1,998)**
		-	-	-	34,261	**34,261**
Transfer from surplus on revaluation of property, plant and equipment - net of tax	5	-	-	-	4,173	**4,173**
Balance as at 31 December 2013		454,056	5,000	117,837	38,830	**615,723**
Total comprehensive income for the year ended 31 December 2014						
Loss for the year		-	-	-	(285,719)	**(285,719)**
Net actuarial gain recognised directly in 'Other Comprehensive Income' - net of tax		-	-	-	4,081	**4,081**
		-	-	-	(281,638)	**(281,638)**
Transfer from surplus on revaluation of property, plant and equipment - net of tax	5	-	-	-	4,980	**4,980**
Balance as at 31 December 2014		**454,056**	**5,000**	**117,837**	**(237,828)**	**339,065**

The annexed notes 1 to 40 form an integral part of these financial statements.

Chief Executive — Chief Financial Officer — Director

Notes to the Financial Statements

For the year ended 31 December 2014

1. STATUS AND NATURE OF BUSINESS

Singer Pakistan Limited ("the Company") is incorporated in Pakistan as a public company limited by shares and is quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in retailing and trading of domestic consumer appliances and other light engineering products, besides manufacturing and assembling of the same. The registered office of the Company is located at Plot No. 39, Sector19, Korangi Industrial Area, Korangi, Karachi.

The Company is a subsidiary of Singer (Pakistan) B.V., Netherlands, whereas its ultimate parent company is Retail Holdings N.V., Netherlands.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for leasehold land and buildings which are stated at revalued amounts less subsequent depreciation and impairment losses, if any.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees 'Rupees' or 'Rs.' which is also the Company's functional currency. All financial information presented in Pakistani Rupees have been rounded off to the nearest thousand of rupees unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised prospectively commencing form the period of revision. The areas where judgements and estimates made by the management that may have a significant effect on the amount recognised in the financial statements are included in the following notes:

- Provision for employee retirement benefit plans (note 3.3)
- Taxation (note 3.15)
- Residual value, market values and useful lives of Property, Plant and Equipment (note 3.1)
- Useful lives of intangible assets (note 3.2)
- Provision for impairment of trade debts and other receivables (note 3.6)
- Stock in trade and stores and spares and loose tools at net realisable value (notes 3.4 and 3.5)
- Provision for warranty claims (note 3.13)

2.5 Application of new and revised International Financial Reporting Standards (IFRSs)

The following are the amendments and interpretation of approved accounting standard which became effective for the current year:

Notes to the Financial Statements

For the year ended 31 December 2014

- IAS 32 – Financial Instruments : Presentation – (Amendment) – Offsetting Financial Assets and Financial Liabilities.

- IAS 36 – Impairment of Assets – (Amendment) – Recoverable Amount Disclosures for Non Financial Assets

- IFRIC 21 – Levies

  The adoption of the above did not have any effect on the financial statements of the Company for the current year.

2.6 Application of new and revised approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 'Employee Benefits' Employee contributions – a practical approach (effective for annual periods beginning on or after 01 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendment have not effect on the Company's financial statements.

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' –(effective for annual periods beginning on or after 01 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendment have not effect on the Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 01 January 2016. The adoption of this standard would have not effect on the Company's financial statements.

- IFRS 11 'Joint Arrangements' – (effective for annual periods beginning on or after 01 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets / operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting tobe applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 01 January 2016. The adoption of this standard would have not effect on the Company's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' – (effective for annual periods beginning on or after 01 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and / orunconsolidated structured entities, into one place. The adoption of this standard would have not effect on the Company's financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

- IFRS 13 'Fair Value Measurement' – (effective for annual periods beginning on or after 01 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard would have not effect on the Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statements' – (effective for annual periods beginning on or after 01 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments have no impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture'] – (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28 'Investments in Associates and Joint Ventures') – [effective for annual periods beginning on or after 01 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual periods beginning on or after 01 July 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

  - Amendments to IAS 16 and IAS 38. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 'Related Party Disclosures'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- Annual Improvements 2012-2014 cycles – (amendments are effective for annual periods beginning on or after 01 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended

Notes to the Financial Statements

For the year ended 31 December 2014

to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IAS 19 ‘Employee Benefits’. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 ‘Interim Financial Reporting’. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The adoption of the above amendments and interpretation are not likely to have an impact on Company’s financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

2.7 Change in accounting policy

Revaluation of Buildings

During the year company changed its accounting policy for the measurement of buildings from the cost model to revaluation model under IAS 16 "Property, plant & equipment". Above properties are now stated at revalued amounts less any accumulated depreciation and any impairment losses, if any. Revaluation has been carried out under the market value basis. Earlier it was stated at cost less any accumulated depreciation and any impairment loss.

Buildings were revalued by independent valuer in the last quarter of 2014 on 11 October, 10 November, 13 November, 18 November, 8 December 2014. The revaluation which resulted in surplus of Rs. 388.648 million has been transferred to surplus on revaluation account of property, plant & equipment.

The change in such an accounting policy has been applied prospectively, in accordance with the requirements of International Accounting Standard 8 dealing with 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had the above referred change not been made, the Company’s equity, non current assets and loss after tax in respect of revaluation of buildings as at reporting date would have been as below:

	31 December 2014 (Rupees in '000)
Impact on profit and loss account	
Decrease in expense for the year recognised in the profit and loss account	
- Cost of sales	738
- Marketing, selling and distribution cost	250
	988
Increase in tax expense for the year	(313)
Net effect in profit and loss account for the year	675
Impact on balance sheet	
Decrease in surplus on revaluation of fixed assets and property, plant and equipment	(388,648)
Decrease in related tax effect for the year	130,681
Net effect in balance sheet	(257,967)

Notes to the Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change in accounting policy as mentioned in note 2.7 to these financial statements.

3.1 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold land and buildings, (as fully explained in notes 2.7 and 14.1.1 to the financial statements) which are stated at the revalued amounts less subsequent depreciation and impairment losses and capital work in progress which are stated at cost less impairment losses, if any. Cost includes expenditure directly attributable to the acquisition of an asset.

Depreciation is charged to the profit and loss account 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 14.1 to the financial statements.

The assets' residual values and useful lives are reviewed, at each balance sheet and if expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate . Normal repairs and maintenance are charged to profit and loss account 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 profit and loss account currently. When revalued assets are sold, the amount included in surplus on revaluation of property, plant and equipment is transferred to retained earnings. The revaluations are also carried out at regular intervals so as to ensure that the recorded values of the relevant assets does not materially differ from their market values.

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.

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

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.

3.2 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over their estimated useful lives unless such lives are indefinite.

Costs that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognised as intangible assets.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Notes to the Financial Statements

For the year ended 31 December 2014

3.3 Employee retirement and other service benefits

Defined benefit plans:

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

b) The Company operates an unfunded gratuity scheme for its field staff. Benefits under the scheme are payable to staff on the completion of prescribed qualifying period of service. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit Method.

Amount recognised in balance sheet 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 profit and loss account currently. Current service costs together with net interest cost are also charged to the profit and loss account.

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

3.4 Stores, spares and loose tools

These are valued at lower of cost determined on first-in-first-out basis and net realisable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet 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.

3.5 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 lower of cost (comprising invoice value plus other charges incurred thereon) and net realisable value. 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 realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and selling expenses.

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.

3.6 Trade debts and other receivables

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 and other receivables is

Notes to the Financial Statements

For the year ended 31 December 2014

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.

3.7 Investments

These are held-to-maturity financial assets that are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Held to maturity investment comprise term deposit receipts.

3.8 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. 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.

3.9 Grants

Grants are included as deferred income and are recognised in profit and loss account on a systematic basis over the useful life of the asset (for which the grant has been received) to correspond it with the depreciation expense of the asset.

3.10 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

3.11 Liability against assets subject to finance lease

Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.12 Provisions

A provision is recognised in the balance sheet 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 balance sheet date and adjusted to reflect current best estimates.

3.13 Warranty obligations

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

3.14 Revenue recognition

- Revenue from sales of goods are recognised on delivery of goods to the buyers when the significant risks and rewards of ownership are transferred to the buyers.

- Revenue from services rendered is recognised in profit and loss account when the related services are performed.

- Carrying charges representing the difference between the cash sale price and hire purchase price are recognised in the profit and loss account using the effective interest rate method.

- Income on deposits with banks is recognised on accrual basis using the effective interest rate method.

Notes to the Financial Statements

For the year ended 31 December 2014

3.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognized directly in Equity.

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, and taxes paid under the Final Tax Regime and minimum tax payable. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred

Deferred tax is recognised using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation. A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax arising on surplus on revaluation of fixed assets is recorded directly in the surplus account.

3.16 Borrowing cost

Borrowing cost is recognised as an expense in the period in which it is incurred except to the extent of borrowing cost that is directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing cost, if any, is capitalised as part of the cost of the relevant asset.

3.17 Financial instruments

The Company recognises 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.

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.

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.

3.18 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognised in the balance sheet at their estimated fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.19 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the 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.

Notes to the Financial Statements

For the year ended 31 December 2014

3.20 Impairment

Financial assets

A financial asset is assessed at each balance sheet 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 profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit and loss account.

Non-financial assets

The carrying amounts of non-financial assets other than deferred tax assets and inventories, 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 profit and loss account, 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.

3.21 Foreign currency transactions

Foreign currency transactions are translated into Pakistan Rupees at exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in profit and loss account currently.

3.22 Dividends and appropriation of profit

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

3.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data (or loss per share as relevant) for its ordinary shares. 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

Notes to the Financial Statements

For the year ended 31 December 2014

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in '000)	
		Fully paid-up ordinary shares of Rs. 10 each		
11,461,568	11,461,568	Issued for cash	**114,616**	114,616
703,733	703,733	Issued for consideration other than cash	**7,037**	7,037
33,240,321	33,240,321	Issued as bonus shares	**332,403**	332,403
45,405,622	45,405,622		**454,056**	454,056

At 31 December 2013 Singer (Pakistan) B.V., Netherlands, which is wholly owned subsidiary of Retail Holdings N.V., Netherlands, held 31,909,024 (2013: 31,909,024) ordinary shares of Rs. 10 each.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

		2014	2013
		(Rupees in '000)	
Surplus on revaluation of leasehold land - as on 01 January		**447,443**	440,513
Surplus on revaluation of leasehold land recognised during the year	14.1.1	**30,502**	
Surplus on revaluation of building recognised during the year	14.1.1	**388,648**	-
Incremental depreciation transferred to retained earnings	*	**(7,502)**	(6,292)
		859,091	447,443
Deferred tax liability as on 1 January		**(150,849)**	(149,176)
Deferred tax on revaluation of leasehold land recognised during the year		**(10,330)**	(4,531)
Deferred tax on revaluation of building recognised during the year		**(130,681)**	-
Tax effect due to change in tax rate proportion		**398**	738
Adjustment on transfer of incremental depreciation to retained earnings	*	**2,523**	2,120
Deferred tax liability		**(288,939)**	(150,849)
Balance as at 31 December		**570,152**	296,594

Refer note 14.1.1 for details.

*Net effect amounting to Rs. 4.98 million (2013:Rs. 4.17 million) has been transferred to equity

6. LONG TERM LOANS - secured

This represents long term loans from financial institutions under mark-up arrangements:

	Security	Installments payable	Repayment period	Amount of instalment (principal) (Rupees in '000)	Mark-up rate	2014	2013
						(Rupees in '000)	
Term loan 1	6.1	quarterly	2011-2014	3,125	3 Months KIBOR Plus 1.50%	**-**	12,500
Term loan 2	6.1	quarterly	2012-2015	6,250	3 Months KIBOR Plus 1.50%	**30,296**	50,000
Term loan 3	6.2	half-yearly	2011-2016	12,500	6 Months KIBOR Plus 1.50%	**50,000**	75,000
Term loan 4	6.2	quarterly	2012-2016	1,875	3 Months KIBOR Plus 1.50%	**13,125**	20,625
Term loan 5	6.2	quarterly	2014-2019	4,688	3 Months KIBOR Plus 1.75%	**75,000**	-
						168,421	158,125
Current portion of long term loans							
Term loan 1	6.1	quarterly	2011-2014	-	3 Months KIBOR Plus 1.50%	**-**	(12,500)
Term loan 2	6.1	quarterly	2012-2015	-	3 Months KIBOR Plus 1.50%	**(30,296)**	(25,000)
Term loan 3	6.2	half-yearly	2011-2016	-	6 Months KIBOR Plus 1.50%	**(37,500)**	(37,500)
Term loan 4	6.2	quarterly	2012-2016	-	3 Months KIBOR Plus 1.50%	**(9,375)**	((9,375)
Term loan 5	6.2	quarterly	2014-2019	-	3 Months KIBOR Plus 1.75%	**(9,375)**	-
						(86,546)	(84,375)
						81,875	73,750

Notes to the Financial Statements

For the year ended 31 December 2014

6.1 Equitable mortgage charge on owned shops of the Company and first pari passu charge on land, building, machinery an equipment located at its factory.

6.2 First pari passu charge on land, building, machinery and equipment located at its factory.

7. 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:

	2014			2013		
	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	**8,184**	**1,387**	**6,797**	8,214	1,697	6,517
Later than one year and not later than five years	**9,859**	**1,233**	**8,626**	17,448	2,581	14,867
	18,043	**2,620**	**15,423**	25,662	4,278	21,384

The above represents finance leases entered into with leasing companies and modarabas for plant and machinery, computers and vehicles. Monthly payments of leases bearing pre-determined mark-up rates include finance charge ranging from 9.77% to 13.65% (2013: 10.06% to 14%) per annum which are used as discounting factor.

Monthly payments of leases bearing variable mark-up rates include finance charge at KIBOR plus 1.5% to 2.25% (2013: KIBOR plus 1% to 2.75%) determined on quarterly / semi-annual basis for future rentals. The company intends to acquire the assets at the end of the lease term through adjustment of the lease security deposit.

8. EMPLOYEE RETIREMENT BENEFITS

	Note	**2014**	2013
		(Rupees in '000)	
Employee retirement benefits - prepayments			
- Pension fund	8.2	**-**	3,548
Employee retirement benefits - obligation			
- Gratuity fund - permanent employees	8.2	**7,870**	11,538
- Gratuity - field staff	8.2	**9,387**	7,842
- Pension fund	8.2	**2,674**	-
		19,931	19,380

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. 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. Gratuity is payable to field staff after at least 5 years of service with the company.

The details of employee retirement benefit based on actuarial valuations carried out by independent actuary as at 31 December, 2014 under the Projected Unit Credit method.

8.1 The principal assumptions used in the actuarial valuation are as fllows:

	2014	2013
	(Percentage)	
1) Discount rate per annum	**10.50%**	12.75%
2) Expected per annum rate of increase in future salaries	**7.0% - 10.00%**	7.0% - 10.75%
3) Expected rate of increase in pension	**Nil**	Nil

Notes to the Financial Statements

For the year ended 31 December 2014

		Note	Pension fund		Gratuity					
					Permanent employees (funded)		Field staff (unfunded)		Total	
			2014	2013	2014	2013	2014	2013	2014	2013
8.2	**Amounts recognised in balance sheet**		(Rupees in '000)							
	Present value of defined benefit obligation	8,4	**71,256**	61,869	**52,466**	49,535	**9,387**	7,842	**61,853**	57,377
	Fair value of plan assets	8.5	**(68,582)**	(65,417)	**(44,596)**	(37,997)	**-**	-	**(44,596)**	(37,997)
	(Asset) / liability in balance sheet		**2,674**	(3,548)	**7,870**	11,538	**9,387**	7,842	**17,257**	19,380
8.3	**Movement in net defined benefit (assets) / liability recognised in balance sheet**									
	Opening balance		**(3,548)**	(9,001)	**11,538**	9,750	**7,842**	6,733	**19,380**	16,483
	Cost recognised in profit or loss for the year	8.6	**726**	279	**4,803**	3,991	**4,358**	2,467	**9,161**	6,458
	Contribution / payments during the year		**3,000**	5,000	**-**	(5,000)	**(2,813)**	(1,358)	**(2,813)**	(6,358)
	Total amount of remeasurements recognised in other comprehensive income (OCI) - actuarial loss / (gain)	8.7	**2,496**	174	**(8,471)**	2,797	**-**	-	**(8,471)**	2,797
	Closing balance		**2,674**	(3,548)	**7,870**	11,538	**9,387**	7,842	**17,257**	19,380
8.4	**Movement in present value of defined benefit obligations**									
	Liability for defined benefit obligation at 1 January		**61,869**	59,814	**49,535**	41,891	**7,842**	6,733	**57,377**	48,624
	Benefits paid		**(5,816)**	(6,554)	**(8,980)**	(3,008)	**(2,813)**	(1,358)	**(11,793)**	(4,366)
	Current service cost		**1,152**	1,298	**3,418**	2,887	**4,358**	2,467	**7,776**	5,354
	Interest cost		**7,593**	6,933	**6,308**	4,964	**-**	-	**6,308**	4,964
	Re-measurements - actuarial loss on obligation		**6,458**	378	**2,185**	2,801	**-**	-	**2,185**	2,801
	Liability for defined benefit obligation at 31 December		**71,256**	61,869	**52,466**	49,535	**9,387**	7,842	**61,853**	57,377
8.5	**Movements in the fair value of plan assets**									
	Fair value of plan assets - beginning of the year		**65,417**	68,815	**37,997**	32,141	**-**	-	**37,997**	32,141
	Refund during the year		**(3,000)**	(5,000)	**-**	5,000	**-**	-	**-**	5,000
	Benefits paid		**(5,816)**	(6,554)	**(8,980)**	(3,008)	**-**	-	**(8,980)**	(3,008)
	Expected return on plan assets		**8,019**	7,952	**4,923**	3,860	**-**	-	**4,923**	3,860
	Re-measurements on assets - actuarial gain		**3,962**	204	**10,656**	4	**-**	-	**10,656**	4
	Fair value of plan assets - end of the year	8.9	**68,582**	65,417	**44,596**	37,997	**-**	-	**44,596**	37,997
8.6	**Expense recognised in profit or loss account**									
	Current service cost		**1,152**	1,298	**3,418**	2,887	**4,358**	2,467	**7,776**	5,354
	Net Interest cost		**(426)**	(1,019)	**1,385**	1,104	**-**	-	**1,385**	1,104
			726	279	**4,803**	3,991	**4,358**	2,467	**9,161**	6,458
	The expense is recognised in the following line items in the profit and loss account:									
	Cost of sales		**318**	136	**2,101**	1,948	**-**	-	**2,101**	1,948
	Marketing, selling and distribution costs		**272**	90	**1,799**	1,293	**4,358**	2,467	**6.157**	3,760
	Administrative expenses		**136**	53	**903**	750	**-**	-	**903**	750
			726	279	**4,803**	3,991	**4,358**	2,467	**9,161**	6,458
8.7	**Actuarial (gain) / loss recognised in OCI during the year**									
	Actuarial loss on obligation		**6,458**	378	**2,185**	2,801	**-**	-	**2,185**	2,801
	Return on plan assets net of interest income - (gain)		**(3,962)**	(204)	**(10,656)**	(4)	**-**	-	**(10,656)**	(4)
	Total actuarial loss / (gain) recognised in OCI		**2,496**	174	**(8,471)**	2,797	**-**	-	**(8,471)**	2,797
8.8	**Return on plan assets**									
	Actual return on plan assets		**11,981**	8,156	**15,578**	3,864	**-**	-	**15,578**	3,864

Notes to the Financial Statements

For the year ended 31 December 2014

8.9 Composition of plan assets

	Pension fund 2014	Pension fund 2013	Gratuity Permanent employees 2014	Gratuity Permanent employees 2013	Gratuity Field staff 2014	Gratuity Field staff 2013
	(Rupees in '000)					
Cash and cash equivalents (after adjusting current liabilities)	**11,727**	146	**6,213**	906	**-**	-
Debt instruments - Government Bonds / Securities						
i) Pakistan Invesment Bonds	**19,439**	27,427	**25,240**	24,993	-	-
ii) Special Saving Certificates	**35,393**	30,403	**9,982**	8,937	-	-
iii) Treasury Bills	**2,023**	7,441	-	-	-	-
iv) National Saving Bond	**-**	-	3,161	3,161	-	-
Total fair value of plan assets	**68,582**	65,417	**44,596**	37,997	**-**	-

8.10 Historical information

	2014	2013	2012	2011	2010
	(Rupees in '000)				
	Pension Fund				
Present value of the defined benefit obligation	**71,256**	61,869	59,814	53,621	48,298
Fair value of plan assets	**(68,582)**	(65,417)	(68,815)	(67,349)	(64,466)
Deficit / (surplus) in the plan	**2,674**	(3,548)	(9,001)	(13,728)	(16,168)
Experience adjustments arising on plan liabilities	**(5,785)**	(2,990)	994	1,077	2,209
Experience adjustments arising on plan assets	**(3,962)**	(204)	120	(1,449)	(1,390)
	Gratuity - funded				
Present value of the defined benefit obligation	**52,466**	49,535	41,891	41,580	68,654
Fair value of plan assets	**(44,596)**	(37,997)	(32,141)	(38,389)	(71,281)
Deficit / (Surplus) in the plan	**7,870**	11,538	9,750	3,191	(2,627)
	Gratuity - unfunded				
Present value of the defined benefit obligation	**9,387**	7,842	6,733	4,815	3,929

8.11 Sensitivity analysis on significant actuarial assumptions

	31 December 2014 Pension	31 December 2014 Gratuity
Actuarial liability	(Rupees in '000)	
Discount rate +1%	**66,020**	**46,211**
Discount rate -1%	**77,330**	**51,137**
Long term salary increases +1%	**72,628**	**51,400**
Long term salary increases -1%	**69,998**	**45,933**

8.12 The expected charge to profit and loss account for post employment benefit gratuity and pension plans for the year ending 31 December 2014 are Rs. 4.152 million and Rs. 1.508 million respectively.

	Pension	Gratuity permanent	Gratuity field staff
8.13 Number of employees covered in the scheme	77	267	534

9. DEFERRED TAX

	Note	2014	2013
		(Rupees in '000)	
Taxable temporary differences arising on:			
Revaluation of leasehold land and buildings	9.1	**288,939**	150,849
Accelerated tax depreciation and leased assets		**25,839**	42,862
		314,778	193,711
Deductible temporary differences arising on:			
Provision for slow moving stock-in-trade		**(4,349)**	(2,095)
Provision for doubtful debts and other receivables		**(68,754)**	(10,487)
Provision for warranty obligations		**(2,096)**	(2,850)
Provision for employee retirement benefits		**(2,976)**	(2,642)
Tax loss		**(69,212)**	-
Recoupable minimum tax		**(7,479)**	(7,551)
		(154,866)	(25,625)
		159,912	168,086

Notes to the Financial Statements

For the year ended 31 December 2014

9.1 The increase in deferred tax liability of Rs. 138.09 million (2013: Rs. 1.67 million) has been recognised directly in the surplus on revaluation of fixed assets. Remaining net increase of Rs. 146.26 million (2013: Rs. 9.12 million) has been recognised in the profit and loss account.

10. DEFERRED INCOME

	Note	2014	2013
		(Rupees in '000)	
Grant amount		**11,141**	11,141
Accumulated amortisation - opening		**(9,749)**	(8,821)
Amortisation during the year	28	**(928)**	(928)
		(10,677)	(9,749)
Unamortized balance of deferred income		**464**	1,392
Current portion of deferred income		**(464)**	(928)
Balance as at 31 December		**-**	464

This represents grant received from World Bank disbursed through Government of Pakistan under Montreal Protocol for phasing out Ozone Depleting Substance (ODS). The grant was utilised by the Company in acquiring Green Gas Plant for converting traditional gas used for refrigeration into green gas in compliance with Regulations of Environmental Protection Agency. Under these Regulations refrigerator manufacturers are required to convert their manufacturing facilities from ODS to green gas, which is ozone friendly.

11. TRADE AND OTHER PAYABLES

	Note	2014	2013
		(Rupees in '000)	
Creditors		**122,321**	51,185
Bills payable		**168,948**	137,444
Accrued liabilities		**68,143**	47,771
Due to associated companies	11.1		
- for royalty	11.2	**-**	97,138
- for goods		**3,332**	6,518
- others		**517**	517
		3,849	104,173
Advances from dealers		**1,167**	1,154
Retention from employees	11.3	**55,757**	52,449
Provision in respect of compensated absences		**2,099**	1,928
Provisions in respect of warranty obligations	11.4	**6,610**	8,459
Sales tax and excise duty - net		**66,120**	67,542
Workers' profits participation fund	11.5	**-**	4,938
Workers' welfare fund		**-**	1,126
Unclaimed dividends		**808**	808
Others		**3,797**	4,109
		499,619	483,086

11.1 The maximum aggregate amount due to associated companies at the end of any month during the year was Rs. 110.154 million (2013: Rs. 104.173 million).

11.2 Royalty amount has been reversed during the year, based on a consent given by Singer Asia Limited, a related party, who has also mentioned that this is a one time waiver.

11.3 This represents security deposits from field staff repayable on retirement, resignation or termination from service and carries interest at 5% (2013: 5%) per annum.

11.4 Warranty obligations

	Note	2014	2013
		(Rupees in '000)	
Balance at beginning of the year		**8,459**	8,179
Additional provision	24	**1,545**	4,058
Provision utilised during the year		**(3,394)**	(3,778)
Balance at end of the year		**6,610**	8,459

Notes to the Financial Statements

For the year ended 31 December 2014

		Note	2014	2013
			(Rupees in '000)	
11.5	**Workers' profits participation fund**			
	Balance at beginning of the year		**4,938**	4,777
	Allocation for the year	26	**-**	2,963
	Interest on funds utilised in the Company's business	27	**277**	254
			5,215	7,994
	Payments / adjustment during the year *		**(5,215)**	(3,056)
	Balance at end of the year		**-**	4,938

* Includes payment of Rs. 3.24 million (2013: Rs. 3.056 million)

12. SHORT TERM RUNNING FINANCE - secured

This represents short term running finance and murahaba finance facilities available from various banks aggregating to Rs. 1,312.1 million (2013: Rs. 1,417.1 million), carrying mark-up rates ranging from 10.64% to 12.18% (2013: 10.03% to 11.54%) per annum. These arrangements are secured by hypothecation of stock-in-trade, trade debts and charge on property, plant and equipment of the Company.

In addition, the company also have letter of credit facilities amounting to Rs. 840 million (2013: Rs. 1,160 million), out of which Rs. 197.79 million (2013: Rs. 181.29 million) had been utilised as at the year end.

13. CONTINGENCIES AND COMMITMENTS

13.1 There are certain pending lawsuits initiated by and against the Company concerning shop leases and ex-employees. However, based on the consultation with the legal advisors, management believes that no significant liability is likely to occur in these cases. Guarantees have been extended by banks on behalf of the Company amounting to Rs. Nil (2013: Rs. 0.181 million).

13.2 The Company has filed a Constitutional petition before the Sindh High court at Karachi, challenging the vires of Rule 58T of the Sales Tax Special Procedure Rules relating to 2 percent Extra Sales tax on certain home appliances. This was based on the advice of the tax and legal advisors that the said vires are not applicable on the Company. The case is pending before the Honourable Court. An interim order has been received in favour of the Company. The Company is confident that no liability is expected to occur in addition to the recorded liability.

The Company received a sales tax recovery order from the sales tax authorities amounting to Rs. 190.6 million, against which the Company has filed an appeal with the Commissioner Income Tax Appeals (CIT Appeals). CIT Appeals has deleted one item while the remaining matters have been 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.

13.3 Commitments under letters of credit as at 31 December 2014 amounted to Rs. 41.905 million (2013: Rs. 69.142 million).

13.4 Commitment in respect of capital expenditure as at 31 December 2014 amounted to Rs. 17.064 million (2013: Rs. 17.80 million) representing software development.

13.5 Forward exchange contract entered as of the year ended 31 December 2014 amounted to USD Nil (2013: USD 226,787) -Rs. Nil (2013: Rs. 24.258 million) at contracted rates.

13.6 Commitments in respect of Ijarah rentals payable in future period as at 31 December 2014 amounted to Rs. 7.019 million (2013: Nil) for vehicles and Plant & machinery.

	Note	2014	2013
		(Rupees in '000)	
Not later than one year		**1,472**	-
Later than one year and not later than five years		**5,547**	-
		7,019	-

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Operating fixed assets	14.1	**1,029,935**	641,984
Capital work-in-progress	14.2	**2,435**	334
		1,032,370	642,318

Notes to the Financial Statements

For the year ended 31 December 2014

14.1 Operating fixed assets

	2014											
	Lease-hold land	Buildings on lease-hold land	Leasehold improvements	Plant and machinery Owned	Plant and machinery Leased	Furniture and equipment Owned	Furniture and equipment Leased	Vehicles Owned	Vehicles Leased	Computers Owned	Computers Leased	Total
	(Rupees in '000)											
At 1 January 2014												
Cost / revaluation	447,667	44,042	110,005	123,539	24,420	42,928	1,360	14,949	21,205	52,923	1,863	884,901
Accumulated depreciation	-	(14,449)	(73,332)	(86,104)	(6,862)	(27,143)	(385)	(7,665)	(5,364)	(19,750)	(1,863)	(242,917)
Net book value	447,667	29,593	36,673	37,435	17,558	15,785	975	7,284	15,841	33,173	-	641,984
During the year 2014												
Additions	-	-	7,531	424	-	1,321	-	-	2,088	986	-	12,350
Revaluation	30,502	388,648	-	-	-	-	-	-	-	-	-	419,150
Transfer / Adjustment												
Cost	(5,947)	(15,570)	-	2,020	(2,020)	-	-	1,424	(1,424)	-	-	(21,517)
Depreciation	5,947	15,570	-	(819)	819	-	-	(712)	712	-	-	21,517
	-	-	-	1,201	(1,201)	-	-	712	(712)	-	-	-
Disposals												
Cost	-	-	-	(13,189)	-	-	-	(6,403)	-	(78)	-	(19,670)
Depreciation	-	-	-	11,585	-	-	-	3,202	-	50	-	14,837
	-	-	-	(1,604)	-	-	-	(3,201)	-	(28)	-	(4,833)
Depreciation charge for the year	(6,517)	(2,194)	(10,570)	(4,270)	(1,478)	(3,647)	(136)	(16)	(1,962)	(7,962)	-	(38,716)
Closing net book value	471,652	416,047	33,634	33,186	14,879	13,459	839	4,779	15,255	26,205	-	1,029,935
As at 31 December 2014												
Cost / revaluation	472,222	417,120	117,536	112,794	22,400	44,249	1,360	9,970	21,869	53,831	1,863	1,275,214
Accumulated depreciation	(570)	(1,073)	(83,902)	(79,608)	(7,521)	(30,790)	(521)	(5,191)	(6,614)	(27,626)	(1,863)	(245,279)
Net book value	471,652	416,047	33,634	33,186	14,879	13,459	839	4,779	15,255	26,205	-	1,029,935
Depreciation rate (% per annum)	1.45	3.0	10	8.33	8.33	10-20	10	20	20	10-20	20	
	2013											
At 1 January 2013												
Cost / revaluation	453,333	44,042	105,099	107,103	37,189	42,548	1,360	17,013	14,543	22,853	1,863	846,946
Accumulated depreciation	(12,592)	(13,226)	(64,013)	(77,578)	(9,497)	(23,586)	(249)	(8,696)	(3,768)	(15,239)	(1,800)	(230,244)
Net book value	440,741	30,816	41,086	29,525	27,692	18,962	1,111	8,317	10,775	7,614	63	616,702
During the year 2013												
Additions	-	-	4,906	2,567	1,100	380	-	37	6,662	30,070	-	45,722
Revaluation	13,222	-	-	-	-	-	-	-	-	-	-	13,222
Transfer / Adjustment												
Cost	(18,888)	-	-	13,869	(13,869)	-	-	-	-	-	-	(18,888)
Depreciation	18,888	-	-	(4,220)	4,220	-	-	-	-	-	-	18,888
	-	-	-	9,649	(9,649)	-	-	-	-	-	-	-
Disposals												
Cost	-	-	-	-	-	-	-	(2,101)	-	-	-	(2,101)
Depreciation	-	-	-	-	-	-	-	1,050	-	-	-	1,050
	-	-	-	-	-	-	-	(1,051)	-	-	-	(1,051)
Depreciation charge for the year	(6,296)	(1,223)	(9,319)	(4,306)	(1,585)	(3,557)	(136)	(19)	(1,596)	(4,511)	(63)	(32,611)
Closing net book value	447,667	29,593	36,673	37,435	17,558	15,785	975	7,284	15,841	33,173	-	641,984
As at 31 December 2013												
Cost / revaluation	447,667	44,042	110,005	123,539	24,420	42,928	1,360	14,949	21,205	52,923	1,863	884,901
Accumulated depreciation	-	(14,449)	(73,332)	(86,104)	(6,862)	(27,143)	(385)	(7,665)	(5,364)	(19,750)	(1,863)	(242,917)
Net book value	447,667	29,593	36,673	37,435	17,558	15,785	975	7,284	15,841	33,173	-	641,984
Depreciation rate (% per annum)	1.45	2.8	10	8.33	8.33	10-20	10	20	20	10-20	20	

14.1.1 Leasehold land and buildings of the Company was revalued by an independent valuer in the last quarter of 2014 which resulted in additional revaluation surplus of Rs. 30.502 million and Rs. 388.648 million respectively and has been disclosed in note 5 to the financial statements. The valuation was on the basis of the market value. Earlier revaluation was carried out only for leasehold land during the year ended 31 December 2013 and 2010 and the resulting surplus of Rs. 13.22 million and Rs. 453 million respectively was also taken to the 'Surplus on Revaluation of Property, Plant and Equipment account'. During the year the land was revalued on 7 November 2014 and buildings were revalued on 11 October 2014, 10 November 2014, 13 November 2014, 18 November 2014 and 8 December 2014.

Had leasehold land and building been stated on historical cost basis, the net book value of revalued leasehold land and buildings as of 31 December, 2014 would have amounted to:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Leasehold land	350	130	220
Buildings	44,042	15,654	28,388

Notes to the Financial Statements

For the year ended 31 December 2014

14.1.2 During the year the depreciation rate on building was changed from 2.8% per annum to 3% per annum. However the change in estimate did not have a material effect.

14.1.3 Depreciation for the year has been allocated as follows:

	Note	2014	2013
		(Rupees in '000)	
Cost of sales	23.1	**14,447**	13,692
Marketing, selling and distribution costs	24	**21,226**	16,782
Administrative expenses	25	**3,043**	2,137
		38,716	32,611

14.1.4 Detail of property, plant and equipment disposed off during the year:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	(Rupees in '000)						
Vehicles							
- Suzuki Cultus	683	342	341	450	109	Tender	Sajid Qadri, Karachi
- Suzuki Cultus	680	340	340	460	120	Tender	Zahid Qadri, Karachi
- Suzuki Cultus	680	340	340	520	180	Tender	Muhammad Naeem, Karachi
- Suzuki Cultus	727	364	363	520	157	Tender	Muhammad Munaim, Karachi
- Suzuki Cultus	657	329	328	586	258	Tender	Muhammad Sultan, Karachi
- Suzuki Cultus	660	330	330	600	270	Tender	Ali Akhtar, Khi. (employee)
- Suzuki Liana	894	447	447	515	68	Tender	Talha Raees Khan, Karachi
- Suzuki Liana	905	452	453	520	67	Tender	Mrs. Saba Talha, Karachi
- Suzuki Bolan	517	258	259	441	182	Tender	Abdul Aziz Khan, Karachi
Written down value not exceeding Rs. 50,000 each	13,267	11,635	1,632	1,051	(581)	Negotiation	
2014	19,670	14,837	4,833	5,663	830		
2013	2,101	1,050	1,051	1,821	770		

14.2 Capital work-in-progress (CWIP)

	2014	2013
	(Rupees in '000)	
Balance as at 1 January	**334**	35,715
Additions during the year	**2,101**	2,002
Transfers to operating assets	**-**	(37,383)
Balance as at 31 December	**2,435**	334
Breakup of capital work in progress is as follows:		
- Advance for software	**334**	334
- Plant and machinery	**2,101**	-
	2,435	334

15. INTANGIBLE ASSETS

	2014	2013
Software		
At 1 January		
Cost	**49,616**	15,461
Accumulated amortisation	**(16,020)**	(13,708)
Net book value	**33,596**	1,753
During the year		
Additions / transfer - Net	**110**	34,155
Amortisation for the year	**(3,880)**	(2,312)
Closing net book value	**29,826**	33,596
At 31 December		
Cost	**49,726**	49,616
Accumulated amortisation	**(19,900)**	(16,020)
Net book value	**29,826**	33,596

15.1 Software is being amortised at the rate of 10% - 20% per annum (2013: 10% - 20% per annum).

Notes to the Financial Statements

For the year ended 31 December 2014

		Note	2014	2013
			(Rupees in '000)	
15.2	**Amortisation for the year has been allocated as follows:**			
	Marketing, selling and distribution costs	24	**3,492**	2,081
	Administrative expenses	25	**388**	231
			3,880	2,312
16.	**LONG TERM DEPOSITS**			
	Deposits			
	- shops and others		**25,256**	29,076
	- leases		**1,546**	2,886
			26,802	31,962
17.	**STOCK-IN-TRADE**			
	Raw materials			
	- in stores		**31,681**	45,769
	- in third party premises	17.1	**5,798**	16,583
	- in bonded warehouse		**45,118**	68,751
	- in transit		**39,356**	34,041
			121,953	165,144
	Work in process		**30,082**	38,399
	Finished goods			
	- own manufactured		**243,845**	357,644
	- purchased for resale		**46,037**	76,338
			289,882	433,982
	Provision for slow moving and damaged stock	17.2	**(13,717)**	(6,217)
			428,200	631,308

17.1 This represents raw materials lying at premises of certain vendors where these are processed to be used in the next stage of production.

17.2 The Company has recognised a provision of Rs. 7.50 million (2013: Rs. 1.127 million) for slow moving and damaged items during the year.

		Note	2014	2013
18.	**TRADE DEBTS AND OTHER RECEIVABLES**		(Rupees in '000)	
	Considered good - unsecured			
	Hire purchase	18.1		
	- Retail		**950,659**	1,121,115
	- Institutional		**218,261**	220,331
			1,168,920	1,341,446
	Unearned carrying charges		**(79,783)**	(52,809)
		18.1	**1,089,137**	1,288,637
	Dealers		**48,777**	107,494
			1,137,914	1,396,131
	Other Receivables	18.2	**179,923**	-
			1,317,837	1,396,131
	Considered doubtful		**207,520**	22,700
			1,525,357	1,418,831
	Provision for doubtful debts and other receivables	18.3	**(207,520)**	(22,700)
			1,317,837	1,396,131

18.1 The remaining instalment period of above trade debts are generally for a period ranging from 6 months to 12 months carrying interest ranging between 7% to 31%.

Notes to the Financial Statements

For the year ended 31 December 2014

18.2 Other receivables comprise of amounts recoverable from the current and former field employees amounting to Rs. 329.06 million out of which 149.14 million has been considered as doubtful. Provisionof Rs. 149.14 million has been made against this balance, net of securities and insurance claims available with the Company.

18.3 The Company has recognised a provision of Rs. 214.629 million (2013: Rs. 4.672 million) for doubtful debts and other receivables while an amount of Rs. 29.809 million (2013: Rs. Nil) was written off during the year against provision.

19. ADVANCES, DEPOSITS AND PREPAYMENTS AND OTHER RECEIVEABLES

	Note	2014	2013
		(Rupees in '000)	
Advances - considered good			
- Employees and executives	19.1	**826**	489
- Suppliers		**5,178**	3,338
		6,004	3,827
Deposits			
- Trade and leases		**1,865**	3,099
- Customs and others		**6,407**	9,075
		8,272	12,174
Prepayments		**6,575**	9,546
Other receiveables			
- Claims	19.3	**12,956**	22,946
- Accrued mark-up on investments		**488**	583
- Others		**1,635**	2,228
		15,079	25,757
Provision for doubtful claims	19.4	**(9,350)**	(8,423)
		26,580	42,881

19.1 The advances due from executives amount to Rs. 0.145 million (2013: Rs. 0.243 million).

19.2 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 0.470 million (2013: Rs. 1.005 million).

19.3 Claims comprise of claims from customs, insurance companies and product claims amounting to Rs. 12.96 million (2013: Rs. 22.94 million) against which provision of Rs. 9.35 million (2013: Rs. 8.42 million) is held.

19.4 Additional provision during the year was Rs. 7.07 million (2013: Rs. 1.612 million) while Rs. 6.14 million has been written off.

20. INVESTMENTS - held to maturity

This represents term deposit receipts in respect of amounts retained from employees as security. This carries mark-up ranging from 9.25% to 9.60% (2013: 7.35 % to 9.00%) per annum, maturing on various dates by 17 May 2015. This includes term deposit placement with a related party of Rs. 18.50 million (2013: Nil)

21. CASH AND BANK BALANCES

	2014	2013
	(Rupees in '000)	
Balances with banks in current accounts	**4,479**	11,949
Cash in hand	**76,063**	123,484
	80,542	135,433

In the previous year cash in transit amounting to Rs. 123.06 million were being separately classified (within cash and bank balance). This has now been included in cash in hand and as such the current year's balance amounting to Rs. 75.78 million have also been included in cash in hand.

22. NET REVENUE

	2014	2013
Sales		
- Local	**1,798,626**	2,293,042
- Export	**-**	354
	1,798,626	2,293,396
Earned carrying charges	**253,388**	374,703
	2,052,014	2,668,099
Sales tax and excise duty	**(222,186)**	(276,373)
Commissions and discounts	**(161,537)**	(169,216)
	(383,723)	(445,589)
	(1,668,291)	(2,222,510)

Notes to the Financial Statements

For the year ended 31 December 2014

23.	COST OF SALES	Note	2014	2013
			(Rupees in '000)	
	Opening stock - finished goods			
	- own manufactured		**357,644**	393,963
	- purchased for resale		**76,338**	62,276
			433,982	456,239
	Purchases		**177,464**	354,189
	Cost of goods manufactured	23.1	**951,298**	1,283,039
			1,562,744	2,093,467
	Closing stock - finished goods			
	- own manufactured		**(243,845)**	(357,644)
	- purchased for resale		**(46,037)**	(76,338)
			(289,882)	(433,982)
			1,272,862	1,659,485
23.1	**Cost of goods manufactured**			
	Opening stock of raw materials		**165,144**	128,699
	Purchases		**807,906**	1,024,500
			973,050	1,153,199
	Closing stock of raw materials		**(121,953)**	(165,144)
	Raw material consumed		**851,097**	988,055
	Salaries, wages and other benefits	23.1.1	**98,294**	100,168
	Stores and spares consumed		**27,467**	21,962
	Depreciation on property, plant and equipment	14.1.3	**14,447**	13,692
	Royalty (reversal) / charge	11.2	**(96,951)**	26,944
	Fuel and power		**17,992**	20,225
	Insurance		**16,017**	12,478
	Rent, rates and taxes		**2,302**	417
	Repairs and maintenance		**2,452**	2,422
	Travelling and conveyance		**1,715**	2,367
	Communication		**309**	315
	Printing and stationery		**340**	488
	Provision for slow moving and damaged stock - net	17.2	**7,500**	1,127
			942,981	1,190,660
	Work-in-process			
	Opening stock		**38,399**	130,778
	Closing stock		**(30,082)**	(38,399)
			8,317	92,379
	Cost of goods manufactured		**951,298**	1,283,039

23.1.1 These include provision of Rs. 2.21 million (2013: Rs. 4.561 million) in respect of employee retirement benefits.

24.	MARKETING, SELLING AND DISTRIBUTION COSTS	Note	2014	2013
	Publicity and sales promotion		**62,455**	44,503
	Salaries and benefits	24.1	**83,137**	66,471
	Rent, rates and taxes		**65,806**	54,705
	Utilities		**22,091**	20,941
	Warranty obligations	11.4	**1,545**	4,058
	Depreciation on property, plant and equipment	14.1.3	**21,226**	16,782
	Amortisation of intangible assets	15.2	**3,492**	2,081
	Travelling and conveyance		**19,938**	19,094
	Communication		**11,808**	9,519
	Printing and stationery		**8,250**	7,304
	Repairs and renovations		**-**	48
	Training and sundries		**10,314**	9,378
			311,062	254,884

Notes to the Financial Statements

For the year ended 31 December 2014

24.1 These include provision of Rs. 6.25 million (2013: Rs. 5.493 million) in respect of employee retirement benefits.

		Note	2014	2013
25.	**ADMINISTRATIVE EXPENSES**			
			(Rupees in '000)	
	Salaries and benefits	25.1	**42,256**	38,586
	Rent, rates and taxes		**1,205**	1,669
	Utilities		**3,240**	3,240
	Communication		**4,262**	4,133
	Travelling and conveyance		**2,402**	2,975
	Depreciation on property, plant and equipment	14.1.3	**3,043**	2,137
	Amortisation of intangible assets	15.2	**388**	231
	Printing and stationery		**2,012**	1,636
			58,808	54,607

25.1 These include provision of Rs. 0.95 million (2013: Rs. 1.757 million) in respect of employee retirement benefits.

		Note	2014	2013
26.	**OTHER OPERATING EXPENSES**			
	Legal and professional charges		**16,628**	13,134
	Provision for doubtful and other assets	18.2	**221,699**	4,672
	Auditors' remuneration	26.1	**900**	963
	Donation		**-**	30
	Exchange loss - net		**(681)**	4,464
	Operating lease rental paid		**759**	-
	Workers' profits participation fund	11.5	**-**	2,963
	Workers' welfare fund		**-**	1,126
	Other receivables written off		**9,387**	-
			248,692	27,352
26.1	**Auditors' remuneration**			
	Audit fee		**660**	600
	Certification and review of interim financial information		**140**	265
	Out of pocket expenses		**100**	98
			900	963
27.	**FINANCE COST**			
	Mark-up on long term loans		**21,155**	20,265
	Mark-up on short term running finance under mark-up arrangements		**164,551**	153,577
	Interest on workers' profits participation fund	11.5	**277**	254
	Finance lease charges		**2,076**	2,548
	Interest on employee deposits		**4,970**	2,498
	Bank charges		**6,656**	5,434
			199,685	184,576
28.	**OTHER INCOME**			
	Income from financial assets			
	Interest on deposit accounts		**4,874**	3,933
	Income from non-financial assets			
	Gain on disposal of property, plant and equipment	14.1.4	**830**	770
	Amortisation of deferred income	10	**928**	928
	Warranty income		**9,691**	7,955
			16,323	13,586
29.	**TAXATION**			
	Current	29.1	**20,332**	18,988
	Prior		**7,679**	(11,290)
	Deferred		**(148,787)**	11,235
			(120,776)	18,933

Notes to the Financial Statements

For the year ended 31 December 2014

29.1 Repayments minimum tax of Rs. 16.54 million and amount of Rs. 3.79 million representing the tax under the final tax regime.

29.2 The 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 year 2006, 2007, 2008, 2009, 2010 and 2011. Income tax refund orders under section 170 (4) were received for the tax years 2009, 2010 and 2011. Income tax refund was released for the tax year 2009. However, the ACIR amended the deemed assessed orders under section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2009, 2010, 2011 and 2012 and demanded additional income tax amount of Rs. 19.98 million. However, the Company has filed an application for the rectification of orders for the Net tax demand of Rs. 1.05 million (after adjustment of the refund of related years) under section 221 of the Income Tax Ordinance, 2001. Appeals have been filed to CIR(A) against these orders.

During the current year, the Additional Commissioner Inland Revenue CIR(A) order under section 221 of the Income Tax Ordinance, 2001 dated 31 March 2014 rectified the above order dated 31 December 2013. Through the rectified order, the tax authority raised tax demand against these years amounting to Rs. 2.025 million. The company has filed an appeal against the rectified order. The tax adviser and the company's management is of the view that the matter is expected to be decided in favour of the company.

Audit of tax year 2008 of the company under section 177 of the Income Tax Ordinance, 2001 had already been completed and an order under section 122(1) was issued. The Company filed application for rectification of order under section 221 of the Income Tax Ordinance, 2001. However, no order rectifying the issue has been issued till date. An appeal has also been filed with the CIR(A).

In respect of certain other tax years, the Company has filed appeals with appellate authorities for various disallowances and short credits of the taxes paid. However, no adverse liability is expected to occur in any of the above cases.

29.3 Numerical reconciliation between average effective tax rate and applicable tax rate

	2014	2013
	(Percent)	
Applicable tax rate	**33.0**	34.0
Prior year	**1.8**	(20.5)
Permanent differences, tax effect of income assessed under Final Tax Regime	**(5.1)**	20.8
Effective tax rate	**29.7**	34.3

30. (LOSS) / EARNINGS PER SHARE - basic and diluted

The calculation of (loss) / earnings per share (basic and diluted) is based on (loss) / profit attributable to owners of ordinary shareholders of the Company.

There is no dilutive effect on the basic (loss) / earnings per share of the Company, which is based on:

	2014	2013
	(Rupees in '000)	
(Loss) / profit for the year	**(285,719)**	36,259
	Number of Shares (in '000)	
Weighted average number of ordinary shares	**45,406**	45,406
	(Rupee)	
(Loss) / earnings per share - basic and diluted	**(6.29)**	0.80

31. CASH AND CASH EQUIVALENTS

	2014	2013
Cash and bank balances	**80,542**	135,433
Short term running finance - secured	**(1,305,600)**	(1,289,482)
	(1,225,058)	(1,154,049)

Notes to the Financial Statements

For the year ended 31 December 2014

32. PROVIDENT FUND RELATED DISCLOSURE

The Company operates approved contributory provident fund for all the employees eligible under the scheme. Details of net assets and investments out of this fund are as follows:

		2014 (Unaudited)	2013
		(Rupees in '000)	
Size of the fund - net assets		**69,282**	85,765
Cost of the investment made		**62,156**	55,280
Fair value of the investment made		**68,048**	86,503
Percentage of the investment made (of the size of funds)	Percentage	**98.2%**	100.9%

The breakup of fair value of investments is:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Bank balances	**491**	**0.73**	16,347	18.90
Pakistan Investment Bond (PIBs)	**53,373**	**78.43**	40,628	46.96
Term Deposit Receipt	**14,184**	**20.84**	29,528	34.14
	68,048	**100.00**	86,503	100.00

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 227 of the Companies Ordinance, 1984 and the rules formulated thereunder.

33. FINANCIAL INSTRUMENTS

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.1 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. Concentration of credit arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by the changes in economics, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance for developments affecting a particular industry.

The Company's customers mainly comprise of individuals. The Company’s exposure to credit risk is dependent on the individual characteristics of each customer. However management also considers the demographics of the Company’s customer base.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company’s standard payment and delivery terms and conditions are offered. The Company's evaluation includes consideration of financial position of customer and obtaining references. Customers that fail to meet the Company’s credit evaluation criterion may transact with the Company on cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, aging profile, and existence of previous financial difficulties. In case of hire purchase sales, the title of the goods is transferred to the customer after the payment of final installment by the customer.

Notes to the Financial Statements

For the year ended 31 December 2014

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	
	2014	2013
	(Rupees in '000)	
- Long term deposits	**26,802**	31,962
- Trade debts and other receivables	**1,317,837**	1,396,131
- Deposits and other receivables	**13,513**	28,925
- Investments (including mark-up there on)	**51,988**	58,483
- Balances with banks	**4,479**	11,949
	1,414,619	1,527,450

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. The Company's credit risk is distributed over several individual customers buying for domestic household needs and several dealers. No single customer accounts for 10% or more of the Company's total revenue.

Trade debts and other receivable of Rs. 338.09 million (2013: 67.99 million) are past due over 180 days (from the dued date) of which Rs. 207.52 million (2013: Rs. 22.70 million) have been provided. Dues from 1 to 180 days (from the dued date) but not provided balance amounts to Rs. 446.18 million (2013: Rs. 108.86 million). Remaining balance of Rs. 741.08 million (2013: Rs. 1,241.98 million) is not yet due. At 31 December 2014, provision relates to numerous individual customers which 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.

Balances with banks are held with banks, which bear high credit ratings. These ratings carried out mostly by the local credit rating agencies range between A to A-1+ for short term ratings and in case of long term ratings it ranges between A to AAA.

None of the financial assets of the Company are secured.

33.2 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 12 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.

The following are the contractual maturities of the financial liabilities (based on the remaining period as of the year-end), including estimated interest payments:

	2014				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to two years**	**Two to five years**
	(Rupees in '000)				
Financial liabilities					
Long term loans - secured	**168,421**	**(186,835)**	**(96,163)**	**(43,797)**	**(46,875)**
Liabilities against assets subject to finance lease	**15,423**	**(18,043)**	**(8,184)**	**(4,890)**	**(4,969)**
Trade and other payables	**425,191**	**(425,191)**	**(425,191)**	**-**	**-**
Mark up accrued on short term running finance and long term loan	**45,934**	**(45,934)**	**(45,934)**	**-**	**-**
Short term running finance - secured	**1,305,600**	**(1,491,366)**	**(1,491,366)**	**-**	**-**
	1,960,569	**(2,167,369)**	**(2,066,838)**	**(48,687)**	**(51,844)**

Notes to the Financial Statements

For the year ended 31 December 2014

	2013				
	Carrying amount	Contractual cash flows	One year or less	One to two years	Two to five years
	(Rupees in '000)				
Financial liabilities					
Long term loans - secured	158,125	(182,081)	(98,781)	(77,192)	(6,108)
Liabilities against assets subject to finance lease	21,384	(25,662)	(8,214)	(8,214)	(9,234)
Trade and other payables	404,582	(407,204)	(407,204)	-	-
Mark up accrued on short term running finance and long term loan	41,308	(41,308)	(41,308)	-	-
Short term running finance - secured	1,289,482	(1,320,752)	(1,320,752)	-	-
	1,914,881	(1,977,007)	(1,876,259)	(85,406)	(15,342)

33.3 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.

33.3.1 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:

	2014	2013	**2014**	2013
	(USD in '000)		**(Rupees in '000)**	
Trade and other payables	**1,054**	887	**106,422**	93,410

The following significant exchange rates have been applied:

	Average rate		**Reporting date Spot rate**	
	2014	2013	**2014**	2013
USD to PKR	**100.76**	101.28	**100.97**	105.31

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, as a result of net foreign exchange gain on translation of foreign currency trade payables.

	2014	2013
	(Rupees in '000)	
Effect on profit and loss accounts	**10,642**	6,165

The weakening of the PKR by 10% against US Dollar would have had an equal but opposite impact on the post tax profits.

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

33.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments is as follows:

Financial assets	Note	**2014**	2013
		(Rupees in '000) Carrying amount	
Fixed rate instruments			
Trade debts and other receivable	18	**1,089,137**	1,288,637
Investments	20	**51,500**	57,900

Notes to the Financial Statements

For the year ended 31 December 2014

	Note	2014	2013
		(Rupees in '000) Carrying amount	
Financial liabilities			
Fixed rate instruments			
Retention from employees	11	**55,757**	52.449
Variable rate instruments			
Long term loans - secured	6	**168,421**	158,125
Liabilities against assets subject to finance lease	7	**15,423**	21,384
Short term running finance - secured	12	**1,305,600**	1,289,482

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 profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit and loss	
	100 bp increase	100 bp decrease
	(Rupees in '000)	
As at 31 December 2014		
Cash flow sensitivity-variable rate instruments	**(14,895)**	**14,895**
As at 31 December 2013		
Cash flow sensitivity-variable rate instruments	(14,690)	14,690

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

33.3.3 Interest rate sensitive financial assets and financial liabilities

	2014		
	Carrying amount	Exposed to yield / interest risk One year or less	Non-interest bearing financial instruments
	(Rupees in '000)		
Financial assets			
Long term deposits	**26,802**	**-**	**26,802**
Trade debts other receivables	**1,317,837**	**1,089,137**	**228,700**
Deposits other receivables	**13,513**	**-**	**13,513**
Investments	**51,988**	**51,988**	**-**
Cash and bank balance	**80,542**	**-**	**80,542**
	1,490,682	**1,141,125**	**349,557**
Financial liabilities			
Long term loans - secured	**(168,421)**	**(168,421)**	**-**
Liabilities against assets subject to finance lease	**(15,423)**	**(15,423)**	**-**
Trade and other payables	**(425,191)**	**(55,757)**	**(369,434)**
Mark up accrued on short term running finance and long term loan	**(45,934)**	**-**	**(45,934)**
Short term running finance - secured	**(1,305,600)**	**(1,305,600)**	**-**
	(1,960,569)	**(1,545,201)**	**(415,368)**
	(469,887)	**(404,076)**	**(65,811)**

Notes to the Financial Statements

For the year ended 31 December 2014

	2013		
	Carrying amount	Exposed to yield / interest risk One year or less	Non-interest bearing financial instruments
	(Rupees in '000)		
Financial assets			
Long term deposits	31,962	-	31,962
Trade debts other receivables	1,396,131	1,288,637	107,494
Deposits and other receivables	28,925	-	28,925
Investments	58,483	58,483	-
Cash and bank balance	135,433	-	135,433
	1,650,934	1,347,120	303,814
Financial liabilities			
Long term loans - secured	(158,125)	(158,125)	-
Liabilities against assets subject to finance lease	(21,384)	(21,384)	-
Trade and other payables	(404,582)	(52,449)	(352,133)
Mark up accrued on short term running finance and long term loan	(41,308)	-	(41,308)
Short term running finance - secured	(1,289,482)	(1,289,482)	-
	(1,914,881)	(1,521,440)	(393,441)
	(263,947)	(174,320)	(89,627)

Effective interest / mark-up rates for the financial assets and financial liabilities are as follows:

	2014 **Percentage**	2013 Percentage
Financial assets		
Trade debts	**7% - 31%**	7% - 30%
Investments	**9.25% - 9.6%**	7.35% - 9%
Financial liabilities		
Long term loans - secured	**11.68% - 11.93%**	10.53% - 11.07%
Liabilities against assets subject to finance lease	**9.77% - 13.65%**	10.06% - 14%
Trade and other payables	**5%**	5%
Short term running finance - secured	**10.64% - 12.18%**	10.06% - 11.54%

33.3.4 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.

33.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

34. CAPITAL RISK MANAGEMENT

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary shareholders. There were no major changes in the Company's approach to capital management during the year.

The Company is not exposed to externally exposed capital requirements.

Notes to the Financial Statements

For the year ended 31 December 2014

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the 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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(Rupees in '000)							
Managerial remuneration	**4,010**	3,135	**4,873**	5,256	**19,591**	13,739	**28,474**	22,130
Contribution to provident fund	**334**	261	**388**	438	**1,585**	1,125	**2,307**	1,824
Reimbursable expenditure	**328**	259	**491**	556	**6,089**	4,995	**6,908**	5,810
Housing	**1,159**	923	**1,304**	1,504	**8,636**	6,408	**11,099**	8,835
Leave fare assistance and others	**1,777**	1,161	**655**	1,024	**2,070**	3,505	**4,502**	5,690
	7,608	5,739	**7,711**	8,778	**37,971**	29,772	**53,290**	44,289
Number of persons *	**1**	1	**1**	2	**24**	18	**26**	21

35.1 In addition to the above, the Chief Executive, Directors and Executives are provided with free use of the Company maintained cars, 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.

35.2 In addition, aggregate amount charged in the financial statements for payments on account of fee to five (2013: four) non-executive directors was Rs. 2.425 million (2013: Rs. 0.790 million) and payments on account of remuneration to non-executive Chairman was Rs. 2.035 million (2013: Rs. 2.035 million).

* The number of persons does not include those who resigned / retired during the year but remuneration paid to them is included in the above amounts.

36. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of parent company Singer (Pakistan) B.V., Netherlands, ultimate parent company Retail Holdings N.V., Netherlands, related foreign group companies, local associated companies, directors of the Company, companies where directors also hold directorships, key management personnel and employee retirement benefit funds. The aggregate value of transactions and outstanding balances as at 31 December with related parties other than those which have been disclosed else where in these financial statements are as follows:

	Note	Transaction value		Balance payable / (receivable)	
		2014	2013	**2014**	2013
		(Rupees in '000)			
Royalty	36.1& 11.2	**(96,951)**	26,944	**-**	97,138
Purchase of goods and materials		**12,067**	10,900	**3,332**	6,518
Sale of goods and materials		**-**	354	**-**	-
Services obtained		**6,986**	3,225	**4,639**	-
Dividend on non-remittable shares		**-**	-	**517**	517
Investment on term deposit placement and accrued interest thereon		**18,505**	-	**(18,505)**	-
Employee retirement benefits	36.3	**5,026**	12,315	**10,540**	7,990
Remuneration to key management personnel	36.4	**44,230**	38,969	**-**	-

36.1 The Company accrues royalty to Singer Asia Limited, Cayman Islands (a subsidiary of Retail Holdings N.V., Netherlands) based on sales of the Company in accordance with the royalty agreement duly registered with the State Bank of Pakistan.

36.2 Purchases and sales of goods, materials and services obtained are entered into at agreed market prices.

36.3 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 8). Contributions to the provident fund are made in accordance with the service rules.

36.4 Remuneration to the key management personnel are in accordance with their terms of employment.

Notes to the Financial Statements

For the year ended 31 December 2014

37. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity (Units)	2014 Actual production (Units)	2013 Actual production (Units)
Sewing machines	50,000	**11,867**	25,719
Gas appliances	25,000	**12,037**	10,191
Refrigerators / Deep freezers	25,000	**24,372**	29,776
Colour Televisions / Flat panels	22,500	**5,871**	6,922
Microwave oven	10,000	**1,742**	3,249
Split Air conditioners	10,000	**4,109**	4,230

Capacity reflects units expected to be produced on the basis of normal production hours. The under utilisation of capacity is mainly attributed to market conditions and competition.

38. AVERAGE NUMBER OF EMPLOYEES

The total number of employees as at year-end were 1,022 (2013: 1,380) and average number of employees were 1,201 (2013: 1,371).

39. RECLASSIFICATIONS

Following corresponding figures have been reclassified for better presentation:

From	To	(Rupees in '000)
Balance Sheet		
Long term deposit liability	Retention from employees - current liability	40,506
Profit and loss account		
Marketing, selling and distribution cost	Other operating expenses	
Provision for doubtful debts	Provision for doubtful debts	4,672

40. GENERAL

These financial statements were authorised for issue in the meeting of the Board of Directors held on 30 March 2015

Chief Executive	Chief Financial Officer	Director

Pattern of Shareholding

As at 31 December 2014

As per requirement of Code of Corporate Governance

Description	No. of Shares
Associated Companies, Undertakings and Related Parties	
Singer (Pakistan) B.V. Holding Company	31,909,024
Jahangir Siddiqui & Sons Ltd	220
Chairman	
Mr. Kamal Shah	83,511
Chief Executive and Directors	
Mr. Mahmood Ahmed	249
Mr. Gavin J. Walker (Nominee of Singer (Pakistan) B.V.)	244
Mr. Badaruddin F. Vellani	2,330
Mr. Abdul Hamid Dagia	605
Mr. Jahangir Siddiqui	589
Mr. Fareed Khan	182
Mr. Bashir Ahmed	4,864
Director's Spouse	
Mrs. Kamal Shah	108,361
Executives	4,114
Public Sector Companies and Corporations, Banks / Financial Institutions, Insurance Companies, Modarabas & Pension Funds etc	8,306,712
Shareholders holding five percent or more voting interest	
Singer (Pakistan) B.V. - Holding Company	31,909,024
Jahangir Siddiqui & Co. Limited	7,897,860

Pattern of Shareholding

As at 31 December 2014

Pattern of Holding of Shares held by the Shareholders

Number of Shareholders	Shareholding From	Shareholding To	Total Number of Shares Held
281	1	100	6,535
260	101	500	74,914
143	501	1000	116,987
295	1001	5000	664,989
31	5001	10000	233,026
11	10001	15000	133,840
8	15001	20000	140,767
4	20001	25000	95,319
5	25001	30000	141,074
1	30001	35000	32,854
1	35001	40000	36,969
1	50001	55000	53,277
1	60001	65000	65,000
1	80001	85000	81,181
1	90001	95000	94,600
1	105001	110000	108,361
1	300001	305000	302,200
1	370001	375000	373,996
1	530001	535000	534,297
1	730001	735000	734,800
1	1570001	1575000	1,573,752
1	7895001	7900000	7,897,860
1	31905001	31910000	31,909,024
1052			**45,405,622**

Categories of Shareholders

S. No.	Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage %
1	Associated Companies, Undertakings and Related Parties	2	31,909,244	70.28
2	Joint Stock companies	17	8,004,464	17.63
3	General Public			
	-Local	1026	5,187,313	11.42
	-Foreign	4	2,353	0.01
4	Banks, Development Finance Institutions, NBFIs, Mutual Funds & Modarbas	3	302,248	0.66
	TOTAL	**1052**	**45,405,622**	**100.00**

Form of Proxy

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

I/We ______________________________
of ______________________________
being a member of **Singer Pakistan Limited** hereby appoint ______________________________
____
of ______________________________
or failing him ______________________________
of ______________________________
as my proxy in my absence to attend, speak and vote for me on my behalf at the Fifty Fourth Annual General Meeting of the Company to be held on Wednesday, 29 April 2015 and at any adjournment thereof.
As witness my / our hand this ____________ day of ______________ 2015.

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.

↑ Perforation here

AFFIX
CORRECT
POSTAGE

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

Fold here

Fold here

Fold here

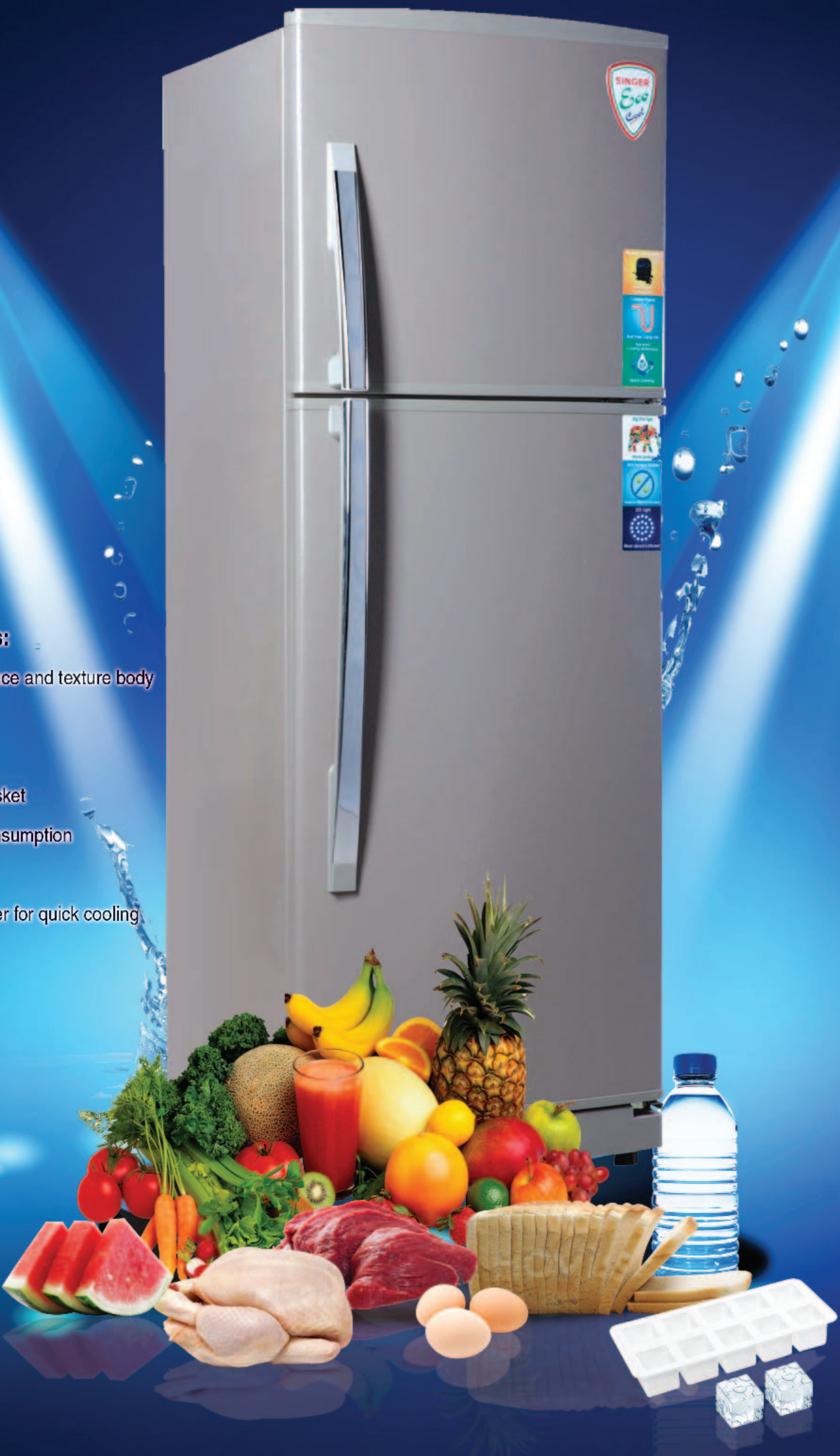
Fold here

Back Inside

Notes

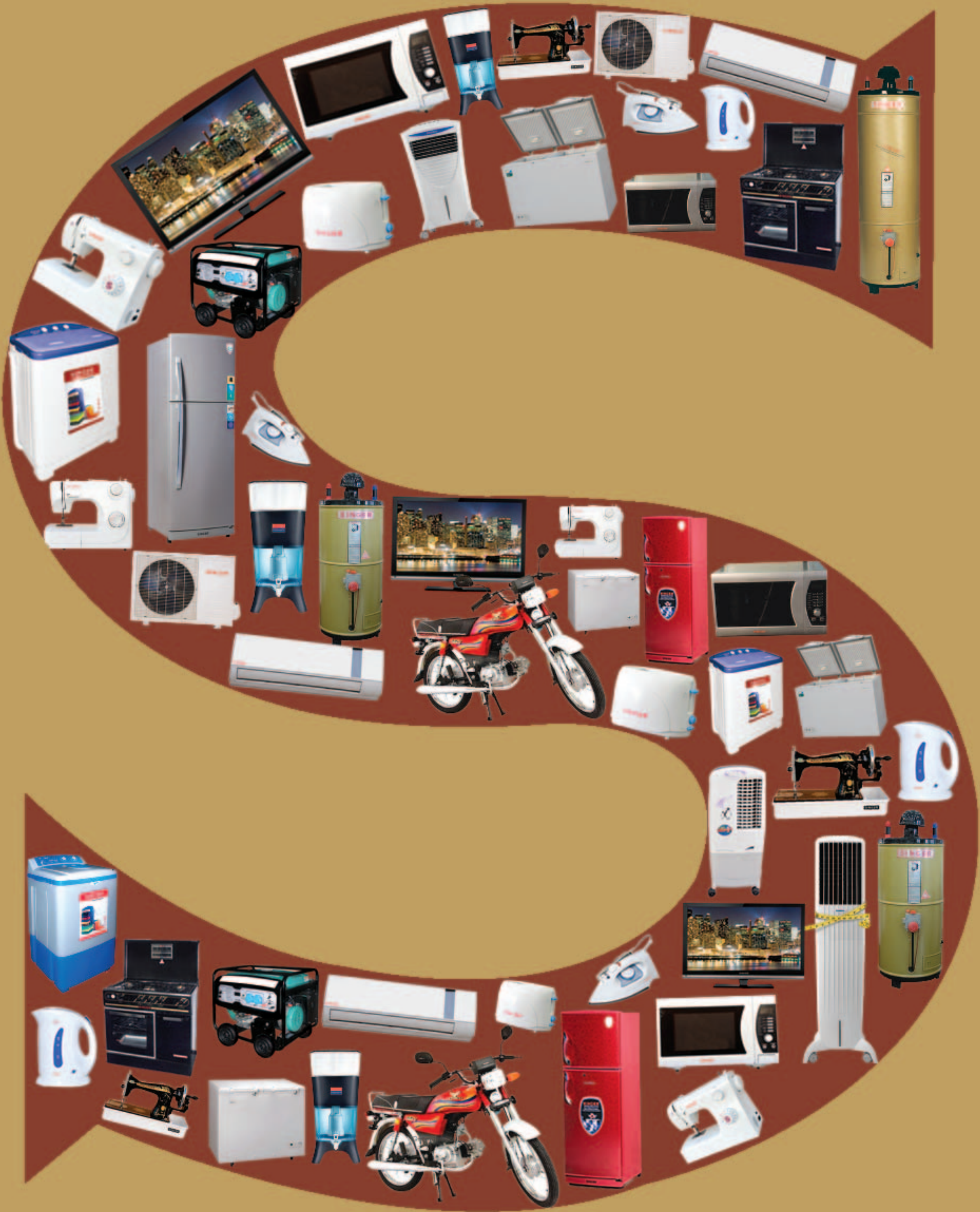
Notes

ECO Cool ALD 122 Refrigerator



Specifications:

- Scratch resistance and texture body
- Led light
- Big storage
- Anti Fungus gasket
- Low electric consumption
- Copper piping
- Roll bond freezer for quick cooling



SINGER PAKISTAN LIMITED
Plot No. 39, Sector-19, Korangi Industrial Area, Karachi-74900, Pakistan
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Website: www.singer.com.pk

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