

# **SINGER®**

**SINGER PAKISTAN LIMITED**

**CONDENSED INTERIM FINANCIAL  
STATEMENTS (UN-AUDITED)**

**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER**

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**Note:** These Accounts are also available on Company's  
Website [www.singer.com.pk](http://www.singer.com.pk)

# SINGER PAKISTAN LIMITED

## DIRECTORS' REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

The Directors of the Company are pleased to present their report together with un-audited condensed interim financial statements of the Company for the nine months ended 30 September 2008.

We are pleased to report that during the period your Company maintained the healthy growth in terms of Sales by 27.9% and profit after taxation by 51.1%, despite disturbed business conditions, through timely business promotions.

Sales for the nine months increased to Rs. 1.596 billion from Rs. 1.248 billion, an increase of Rs. 348.28 million or 27.9% over corresponding period of last year. The major contribution in sales growth is attributed to appliances.

Gross profit increased to Rs. 322.59 million from Rs. 254.92 million, an increase of Rs. 67.67 million or 26.6% over corresponding period of last year. The main reason for increase in gross profit is higher sales and higher earned carrying charges. However, there is pressure on Gross Margin and our ability to increase prices in a soft and highly competitive market.

Marketing, selling and distribution costs increased by Rs. 17.53 million over the corresponding period of last year mainly due to increase in advertising and sales promotions.

Administrative expenses increased by Rs. 4.5 million due to inflation.

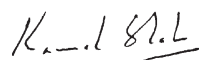
Profit from operations increased to Rs. 135.45 million from Rs. 94.07 million, an increase of Rs. 41.38 million over corresponding period of last year. However, finance costs increased by Rs. 24.13 million due to increased borrowings and mark-up rates.

Profit after taxation increased to Rs. 33.89 million as against Rs. 22.43 million over the same period of last year. Earnings per share for the nine months increased to Rs. 1.23 against Rs. 1.22 with increased shares capital.

Sales for the quarter ended 30 September 2008 increased to Rs. 477.46 million from Rs. 365.01 million, an increase of Rs. 112.45 million or 30.8% over corresponding period of last year. Profit after taxation for the quarter increased by 34.5% over corresponding period of last year.

The Management of the Company will focus on its key strategies of building up continued demand for its products through promotions, introduction of new products, modernization of its product line and improvement in productivity, but a lot will depend on the business environment in the country during rest of this year.

**On behalf of the Board**



**Kamal Shah  
Chairman**

Karachi: 29 October 2008

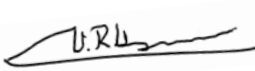
# SINGER PAKISTAN LIMITED

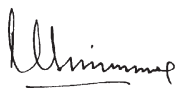
## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT 30 SEPTEMBER 2008

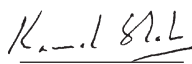
	Note	30 September 2008	31 December 2007
(Rupees in '000)			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 30,000,000 (2007: 25,000,000) ordinary shares of Rs. 10 each		<u>300,000</u>	<u>250,000</u>
Issued, subscribed and paid-up capital		275,668	245,038
Capital reserve		5,000	5,000
Revenue reserve		108,337	96,337
Unappropriated profit		<u>34,220</u>	<u>42,961</u>
		<b>423,225</b>	<b>389,336</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans - secured		<u>206,250</u>	186,459
Liabilities against assets subject to finance leases		42,891	35,124
Long term deposits		19,360	16,033
Employee retirement benefits - obligation		2,432	1,962
Deferred income		6,263	6,959
Deferred tax		<u>9,690</u>	<u>8,455</u>
		<b>286,886</b>	<b>254,992</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<u>368,610</u>	349,072
Mark-up accrued on short term running finance and long term loans		39,675	22,879
Short term running finance - secured		633,915	447,054
Current portion of long term loans		102,500	88,167
Current portion of liabilities against assets subject to finance leases		<u>14,998</u>	<u>11,126</u>
		<b>1,159,698</b>	<b>918,298</b>
Contingencies and commitments	5	<u>1,869,809</u>	<u>1,562,626</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	203,305	156,915
Intangible assets	7	4,217	4,666
Investment		6,804	6,894
Employee retirement benefits - prepayments		4,554	5,617
Long term deposits		<u>32,293</u>	<u>27,396</u>
		<b>251,173</b>	<b>201,488</b>
<b>CURRENT ASSETS</b>			
Stores and spares		<u>5,423</u>	5,433
Stock-in-trade		557,236	393,286
Trade debts	8	903,832	808,842
Advances, deposits and prepayments		28,529	25,782
Other receivables		4,817	7,036
Taxation - net		24,662	21,346
Cash and bank balances		<u>94,137</u>	<u>99,413</u>
		<b>1,618,636</b>	<b>1,361,138</b>
		<b>1,869,809</b>	<b>1,562,626</b>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Chief Operating Officer

  
Director

  
Chief Executive

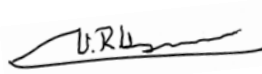
# SINGER PAKISTAN LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

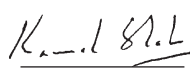
	Note	Three months ended 30 September 2008	Nine months ended 30 September 2008	Three months ended 30 September 2007	Nine months ended 30 September 2007
(Rupees in '000)					
Sales		477,458	1,596,002	365,011	1,247,719
Earned carrying charges		54,503	156,397	46,413	130,264
Sales tax / excise duty, commissions and discounts		(96,435)	(310,187)	(72,926)	(245,179)
<b>Net sales</b>	9	<b>435,526</b>	<b>1,442,212</b>	<b>338,498</b>	<b>1,132,804</b>
Cost of sales	10	(334,553)	(1,119,624)	(255,443)	(877,889)
<b>Gross profit</b>		<b>100,973</b>	<b>322,588</b>	<b>83,055</b>	<b>254,915</b>
Marketing, selling and distribution costs		(48,508)	(149,246)	(45,309)	(131,716)
Administrative expenses		(10,345)	(27,300)	(8,912)	(22,840)
Other operating expenses		(1,932)	(10,588)	(1,225)	(6,288)
<b>Profit from operations</b>		<b>40,188</b>	<b>135,454</b>	<b>27,609</b>	<b>94,071</b>
Finance costs		(32,318)	(87,164)	(22,464)	(63,038)
		7,870	48,290	5,145	31,033
<b>Other income</b>		<b>973</b>	<b>3,729</b>	<b>1,120</b>	<b>3,075</b>
<b>Profit before taxation</b>		<b>8,843</b>	<b>52,019</b>	<b>6,265</b>	<b>34,108</b>
<b>Taxation</b>					
- Current		(3,507)	(16,895)	(2,933)	(11,070)
- Deferred		490	(1,235)	1,000	(608)
		(3,017)	(18,130)	(1,933)	(11,678)
<b>Profit after taxation</b>		<b>5,826</b>	<b>33,889</b>	<b>4,332</b>	<b>22,430</b>
(Rupees)					
<b>Earnings per share - basic and diluted</b>	11	<b>0.21</b>	<b>1.23</b>	<b>0.24</b>	<b>1.22</b>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Chief Operating Officer

  
Director

  
Chief Executive

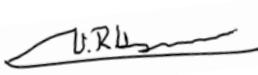
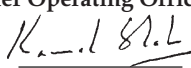
# SINGER PAKISTAN LIMITED

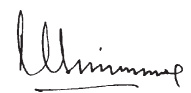
## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

	Note	Nine months ended 30 September 2008	Nine months ended 30 September 2007
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		52,019	34,108
<b>Adjustment for non-cash charges and other items:</b>			
- Depreciation & Amortisation		13,917	14,346
- Finance costs		87,164	63,038
- Amortisation on investment		90	90
- Gain on sale of property, plant and equipment		(208)	(13)
- Amortisation of deferred income		(696)	(696)
- Employee retirement and other service benefits		1,583	362
<b>Profit before working capital changes</b>		<b>153,869</b>	<b>111,235</b>
<b>Effect on cashflow due to working capital changes</b>			
(Increase) / decrease in current assets			
Stores and spares		10	(2,478)
Stock-in-trade		(163,950)	(65,850)
Trade debts		(94,990)	(54,927)
Advances, deposits and prepayments		(2,747)	(3,959)
Other receivables		2,219	(3,198)
Increase / (decrease) in current liabilities			
Trade and other payables		19,538	(41,080)
		(239,920)	(171,492)
Net cash used in operations		(86,051)	(60,257)
Income tax paid		(20,211)	(14,141)
Finance costs paid		(66,268)	(57,925)
Payment of staff retirement benefits		(50)	-
Security deposits received		3,327	2,943
Long term deposits paid		(4,897)	(6,292)
Net cash used in operating activities		(174,150)	(135,672)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property, plant and equipment		(38,739)	(23,660)
Acquisitions of intangible assets		(597)	(7,884)
Proceeds from sale of property, plant and equipment		486	419
Net cash used in investing activities		(38,850)	(31,125)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Additions in long term loans - net		34,124	90,306
Lease rentals paid		(13,261)	(8,763)
Net cash generated from financing activities		20,863	81,543
Net decrease in cash and cash equivalents		(192,137)	(85,254)
Cash and cash equivalents at beginning of the period		(347,641)	(326,321)
Cash and cash equivalents at end of the period	12	(539,778)	(411,575)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Chief Operating Officer  
  
Chief Executive

  
Director

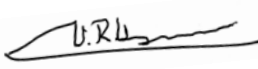
# SINGER PAKISTAN LIMITED


## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

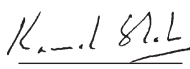
	Issued subscribed and paid up-capital	Capital reserves	Revenue reserves	Unappropriated profit	Total
(Rupees in '000)					
Balance as at 31 December 2006	133,173	5,000	84,337	32,986	255,496
Issue of bonus shares for the year ended 31 December 2006 @ 15 %	19,976	-	-	(19,976)	-
Transfer to revenue reserve	-	-	12,000	(12,000)	-
Net profit - total recognised income and expense for the nine months ended 30 September 2007	-	-	-	22,430	22,430
Balance as at 30 September 2007	153,149	5,000	96,337	23,440	277,926
Net profit - total recognised income and expense for the three months ended 31 December 2007	-	-	-	19,521	19,521
Issue of right shares in the ratio of 6 shares for every 10 shares held @ Rs. 10 per share	91,889	-	-	-	91,889
Balance as at 31 December 2007	245,038	5,000	96,337	42,961	389,336
Issue of bonus shares for the year ended 31 December 2007 @ 12.5%	30,630	-	-	(30,630)	-
Transfer to revenue reserve	-	-	12,000	(12,000)	-
Net profit - total recognised income and expense for the nine months ended 30 September 2008	-	-	-	33,889	33,889
<b>Balance as at 30 September 2008</b>	<b>275,668</b>	<b>5,000</b>	<b>108,337</b>	<b>34,220</b>	<b>423,225</b>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Operating Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Executive

# SINGER PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

### 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 manufacturing, assembling and sale of sewing machines, domestic consumer appliances and other light engineering products and trading in other electric and domestic consumer appliances. The registered office of the Company is situated in Karachi.

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

### 2. BASIS FOR PRESENTATION

These condensed interim financial statements have been presented in condensed form in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. They do not include all the information required for annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2007.

These condensed interim financial statements are unaudited and are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the company in preparation of these condensed interim financial statements are the same as those applied for the preparation of annual audited financial statements for the year ended 31 December 2007.

### 4. ESTIMATES AND JUDGMENTS

The significant judgments, estimates and assumptions used by the management in preparation of these financial statements are same as those applied to the annual audited financial statements for the year ended 31 December 2007.

### 5. CONTINGENCIES AND COMMITMENTS

#### Contingencies

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 arise in these cases. Guarantees have been extended by various commercial banks amounting to Rs. 0.966 million (31 December 2007: Rs. 0.966 million).

#### Commitments

	30 September 2008	31 December 2007
	(Rupees in '000)	
Software development	<u>26,130</u>	<u>19,037</u>
Outstanding letters of credit	<u>103,981</u>	<u>169,398</u>

# SINGER PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

### 6. PROPERTY PLANT AND EQUIPMENT

Following is the cost of property, plant and equipment that have been added during the nine months ended 30 September 2008:

	Additions	
	Nine months ended 30 September 2008	Nine months ended 30 September 2007
	(Rupees in '000)	
<b>Owned</b>		
Building on leasehold land	6,175	-
Leasehold improvements	18,415	17,575
Furniture and equipment	5,885	3,326
Computers	829	562
Vehicles	144	59
Plant and machinery	326	734
<b>Capital work in progress - net</b>	<b>25,605</b>	<b>1,545</b>
<b>Leased</b>		
Furniture and equipment	-	1,565
Computers	758	20,894
Vehicles	6,173	4,623
Plant and machinery	13,869	2,020

During the nine months ended 30 September 2008 vehicles having net book value of Rs. 0.277 million have been disposed off.

### 7. INTANGIBLE ASSETS

During the nine months ended 30 September 2008, additions of Rs.0.597 million were made to intangible assets.

### 8. TRADE DEBTS

	30 September 2008	31 December 2007
	(Rupees in '000)	
Considered good		
Hire purchase		
- Retail	743,987	623,711
- Institutional	234,045	216,503
	978,032	840,214
Unearned carrying charges	(128,001)	(101,404)
	850,031	738,810
Dealers	53,801	70,032
	903,832	808,842
Considered doubtful	22,796	19,542
	926,628	828,384
Provision for doubtful debts	(22,796)	(19,542)
	903,832	808,842

# SINGER PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

	Three months ended 30 September 2008	Nine months ended 30 September 2008	Three months ended 30 September 2007	Nine months ended 30 September 2007
<b>9. NET SALES</b>	<b>(Rupees in '000)</b>			
Sales				
- Local	476,201	1,582,564	364,490	1,246,322
- Export	<u>1,257</u>	<u>13,438</u>	<u>521</u>	<u>1,397</u>
	<u>477,458</u>	<u>1,596,002</u>	<u>365,011</u>	<u>1,247,719</u>
Earned carrying charges	<u>54,503</u>	<u>156,397</u>	<u>46,413</u>	<u>130,264</u>
	<u>531,961</u>	<u>1,752,399</u>	<u>411,424</u>	<u>1,377,983</u>
Sales tax / excise duty	<u>(63,418)</u>	<u>(200,774)</u>	<u>(44,144)</u>	<u>(156,944)</u>
Commissions / discounts	<u>(33,017)</u>	<u>(109,413)</u>	<u>(28,782)</u>	<u>(88,235)</u>
	<u>(96,435)</u>	<u>(310,187)</u>	<u>(72,926)</u>	<u>(245,179)</u>
	<u>435,526</u>	<u>1,442,212</u>	<u>338,498</u>	<u>1,132,804</u>
<b>10. COST OF SALES</b>				
Opening stock - finished goods	353,015	241,330	230,518	168,659
Purchases - finished goods	120,784	541,077	80,859	372,773
Cost of goods manufactured	<u>233,074</u>	<u>709,537</u>	<u>191,559</u>	<u>583,950</u>
	<u>706,873</u>	<u>1,491,944</u>	<u>502,936</u>	<u>1,125,382</u>
Closing stock - finished goods	<u>(372,320)</u>	<u>(372,320)</u>	<u>(247,493)</u>	<u>(247,493)</u>
	<u>334,553</u>	<u>1,119,624</u>	<u>255,443</u>	<u>877,889</u>
<b>11. EARNINGS PER SHARE - basic and diluted</b>				
Profit after taxation	<u>5,826</u>	<u>33,889</u>	<u>4,332</u>	<u>22,430</u>
	----- (Number in '000) -----			
Weighted average number of ordinary shares	<u>27,567</u>	<u>27,567</u>	<u>18,378</u>	<u>18,378</u>
	----- (Rupees) -----			
Earnings per share - basic and diluted	<u>0.21</u>	<u>1.23</u>	<u>0.24</u>	<u>1.22</u>
<b>12. CASH AND CASH EQUIVALENTS</b>	<b>30 September 2008</b>	<b>30 September 2007</b>		
	<b>(Rupees in '000)</b>			
Cash and bank balances	94,137	74,183		
Short term running finances- secured	<u>(633,915)</u>	<u>(485,758)</u>		
	<u>(539,778)</u>	<u>(411,575)</u>		
<b>13. TRANSACTIONS WITH RELATED PARTIES</b>				
<p>The related parties comprises 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 transactions and outstanding balances with related parties are as follows:</p>				

# SINGER PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008

13.1 Transactions	Nine months ended 30 September 2008	Nine months ended 30 September 2007
Associates	(Rupees in '000)	
Purchase of goods, materials and services 13.3	<u>157,879</u>	<u>195,788</u>
Royalty 13.4	<u>12,879</u>	<u>11,124</u>
Markup income on term deposits	<u>665</u>	<u>-</u>
Accrued interest expense	<u>2,746</u>	<u>-</u>
Employee retirement benefits 13.5	<u>5,805</u>	<u>4,163</u>
Remuneration of key management personnel	<u>20,724</u>	<u>18,503</u>
13.2 Balances	30 September 2008	31 December 2007
Royalty payable	<u>34,330</u>	<u>34,841</u>
Accrued interest expense	<u>1,451</u>	<u>-</u>
Employee retirement benefits - net receivables	<u>(2,122)</u>	<u>(3,655)</u>
Payable against purchase of goods, materials and services	<u>6,382</u>	<u>8,355</u>

**13.3** Purchase of goods, materials and services are entered into on the basis of commercial terms and at market prices which are approved by the Board of Directors.

**13.4** 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.

**13.5** Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit funds and actuarial advice.

### 14. DATE OF AUTHORISATION

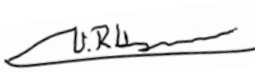
These financial statements were authorised for issue by the Board of Directors in their meeting held on 29 October 2008.

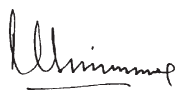
### 15. GENERAL

**15.1** The comparative figures have been arranged and reclassified wherever necessary for the purpose of comparison.

**15.2** Figures have been rounded off to nearest thousand unless stated otherwise.

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Chief Operating Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Executive

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