2018 Annual Report

Signify Pakistan Limited

Formerly Philips Pakistan Limited

Our global brands are

PHILIPS interact

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Our purpose is to unlock the extraordinary potential of light for brighter lives and a better world

Signify is the world leader in lighting. We provide our customers with high-quality, energy-efficient lighting products, systems and services.
By turning light sources into data collection points, we can connect more devices, places and people through light, contributing to a safer, more productive and smarter world.

Customer first

Greater **together**

Game **changer**

Passion for results

Always act with integrity

Company Information

Board of Directors

Asad S. Jafar
Chairman & CEO

Aamir Jan Muhammad
Head of Finance & Business Partner

Goktug Gur
President & CEO Signify Middle East, Turkey and Pakistan

Israel Louis Ismail
Vice President, Head of Legal & Compliance, Growth Markets

Company Secretary

Zareen Intezar

Senior Management Team

Asad S. Jafar
Chairman & CEO
Signify Pakistan Limited

Aamir Jan Muhammad
Head of Finance & Business Partner

Auditors

EY Ford Rhodes
Chartered Accountants

Banks

Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
MCB Bank Limited

Legal Advisor

Abrar Hasan & Company

Registered Office

Bahria Complex-I, 6th Floor, Plot No. 23/A & 24/A, Lalazar, M.T. Khan Road, Karachi

Regional Sales Offices

Lahore:

Ground floor, Trafco House, IC/I, Canal Bank Road, Canal Park, Gulberg-II, Lahore

Rawalpindi:

112-B, 2nd Floor, Mallhi Plaza, Murree Road, Rawalpindi

Chairman & CEO message

2018 – A year of structural improvements in a challenging market

"I'm extremely proud of our employees for managing the many structural improvements we set in motion in 2018. We changed our name, further increased our leadership in LED and sharpened our focus on systems and services for the Internet of Things (IoT) - Asad S. Jafar, Chairman & CEO, Signify Pakistan Limited.

Dear stakeholder,

Looking back on 2018, I'm very pleased with the commitment to creating value for our customers that I've seen across our businesses, and with the progress of our simplification and cost reduction actions. They keep our transformation journey on the right track.

In 2018, Pakistan's economy continued to grow, reaching a GDP growth of 5.8 percent. This growth was driven by higher consumption demand, fueled by accommodative fiscal and monetary policies; resulting in widening macroeconomic imbalances. Moreover, the increased Regulatory duties on import of LED based lighting products coupled with increase in forex rates, resulted in an increase in the cost of products.

Due to higher duties and taxes and uncertainty in forex currency rates, we witnessed a shift of businesses to local assembly of lighting products. Keeping pace with the local market dynamics and to remain price competitive, We also initiated a plan for local assembly of certain lighting products.

Going forward, we foresee more localization of LED based lighting products and a further increase of LED share in the lighting industry. We are confident that being the market leader of lighting products and technologies in Pakistan, despite high cost of doing business, our foothold in LED and Professional lighting segment will improve over the current year.

During the year under review, the Company achieved sales of PKR 3.97 Billion against PKR 4.19 Billion achieved in the corresponding period last year. This decrease of PKR 220 Million (5.2%) in sales over last year was mainly due to 42% degrowth of conventional CFL and Fluorescent Tube Light Conventional Lamps business partly compensated by 25% growth in LED lighting and downlighters and 2.5% growth in Professional lighting business, in which local assembly of products also contributed to this growth.

The overall sales decline mainly coming from BG Lamps did not impact overall gross profit of the company as with declining volumes the impact of their margins also decreased
hence having a lower overall effect on the gross profit of the company. Release of old provision on conventional lamps, which were no more required, also positively impacted profitability of the company. Besides increase in gross margin over last year, better control over selling and administration expenses, despite rising inflation, the company manages to improve EBIT by 36.8% over last year 2017 and closed year at a positive EPS.

Being a responsible taxpayer of the country, Company contributed to the National Exchequer during the year around PKR 747 million (2017: PKR 880 million) to the Federal Board of Revenue (FBR) on account of direct and indirect taxes. This amount does not include custom and regulatory duties paid at the import stage.

Our commitment to sustainability

For the second year in a row, we've been recognized as the Industry Leader in the Electrical Components and Equipment category of the Dow Jones Sustainability Index. This highlights once again how sustainability is at the center of what we do.

In addition, thanks to the efforts and collaborations of our teams around the world, our operations achieved carbon neutrality keeping us on track to be entirely carbon neutral in 2020.

Our commitment to our customers

Customer first is a core value of our company. Last year we initiated a major multiyear journey, 'Road to Excellence', to achieve unequalled customer satisfaction. As part of this, we're improving our capabilities to deliver on our company performance. We'll accomplish this by continuously improving our processes and building on our quality culture. We'll continue to measure the satisfaction of our customers by Net Promoter Score.

Our thanks

On behalf of our Board of Directors and our leadership team I extend my heartfelt thanks to our employees, who daily show their dedication to innovative, high-quality and sustainable offers, serving our purpose: to unlock the extraordinary potential of light for brighter lives and a better world.

I also thank our customers for their trust and loyalty, which provides us ample motivation every day. And finally, I thank our shareholders for their confidence in us and in our strategy.

As we move towards completion of our transformation, Signify is uniquely positioned to lead the industry in the next phase of lighting for the future.

Asad Said Jafar
Chairman & CEO

Our strategic focus

Signify is the world market leader with recognized expertise in the development, manufacture and sale of innovative, energy-efficient lighting systems and services. We have pioneered many key breakthroughs in lighting over the past 127 years and have been a driving force behind several leading technological innovations.

We are in a leading position as the lighting industry transitions from conventional to LED lighting technologies, and now moves toward connected lighting. Our track record in innovation is strong and we invest heavily in R&D to stay at the forefront of technological developments. Our size and position across the value chain provide significant economies of scale, allowing us to leverage the development of innovative technologies, products and services.

Strategic priorities	Proof points 2018
Innovate in LED products commercially and technologically to outgrow the market – We strive for continued innovation in LED lighting products and tailored marketing approaches to outgrow the market.	LED lighting share increased from 65% to 71% of total sales
Lead the shift to systems, building the largest connected installed base – We believe that connected lighting is becoming increasingly important in the general lighting market. We play a leading role in the industry shift to lighting systems in both the professional and consumer markets.	Installed light points using our connected lighting products increased by 47% to 44 million connected light points
Capture adjacent value through new services business models – We seek to realize additional revenues from our installed base by offering new, value-added services. In doing so, we make people's lives safer, more productive, and more comfortable; businesses and cities more efficient and liveable; and the world more sustainable.	Released our Interact IoT platform, a launchpad for data-enabled services
Be our customers' best business partner locally, leveraging our global scale – We aim to capitalize on our long-standing local customer relations and global distribution network. Our global reach and client proximity allow us to deliver a product portfolio that addresses local market needs with both high volume products and differentiating propositions.	Our average DRM (Delivery Reliability Metric) improved by 240 basis points
Drive our operational excellence improvement journey – We aim to leverage operational excellence capabilities across the organization by implementing programs that are focused on minimizing waste, reducing defects and increasing the efficiency of our entire value chain while, at the same time, reducing our fixed costs.	Adjusted EBITA margin improved by 50 basis points1) to 10.1% Indirect costs reduced by EUR 224 million (currency comparable basis)
Optimize cash from conventional products to fund our growth – While the overall conventional market continues to decline, we expect to decrease less than the market, capture market share and optimize our free cash flow. Our manufacturing footprint rationalization and product portfolio simplification brings additional efficiency gains and cost reductions.	Continued strong free cash flow of Lamps at 22% of sales

Our lighting products, systems and services

For consumers

Signify enhances public spaces, work places, and homes. Our lighting products, systems and services enable our customers to enjoy a unique quality of light and make people's lives safer and comfortable; businesses and cities more energy efficient, productive and livable; and the world more sustainable.

Whether you're setting the mood in the living room or looking for task lighting in the kitchen, Philips has the lamps and luminaires you are looking for. With familiar bulb shapes, instant brightness and great design, you can create a comfortable environment in every room of your home.

Professional lighting products

When light is connected it makes cities smarter and helping municipalities to save energy, reduce operational costs and keep their citizens safer. We make offices better places to work, while enabling businesses to be more efficient and improving employee performance. And in shops and stores we're helping retailers to boost sales and improve customer loyalty.

Signify provides high-quality, energy-efficient lamps, luminaires and lighting electronics. We're supporting our customers in the transition from conventional to LED and connected lighting with the design and quality they expect from the world's leading professional lighting brands.

Interact is our IoT platform that enables connected lighting systems and software capabilities to bring both lighting and value -added IoT related applications to our customers. Interact APIs enables us to integrate connected lighting with other management systems and offer data-enabled services.

Key project wins in 2018

PSO Tender:

Rs. 165 Mn: Supply of 6500 Pcs of Canopy Lights.

Metro Bus Project:

Ext. Rwp/Isb – 3000 Plus Road & Floodlights

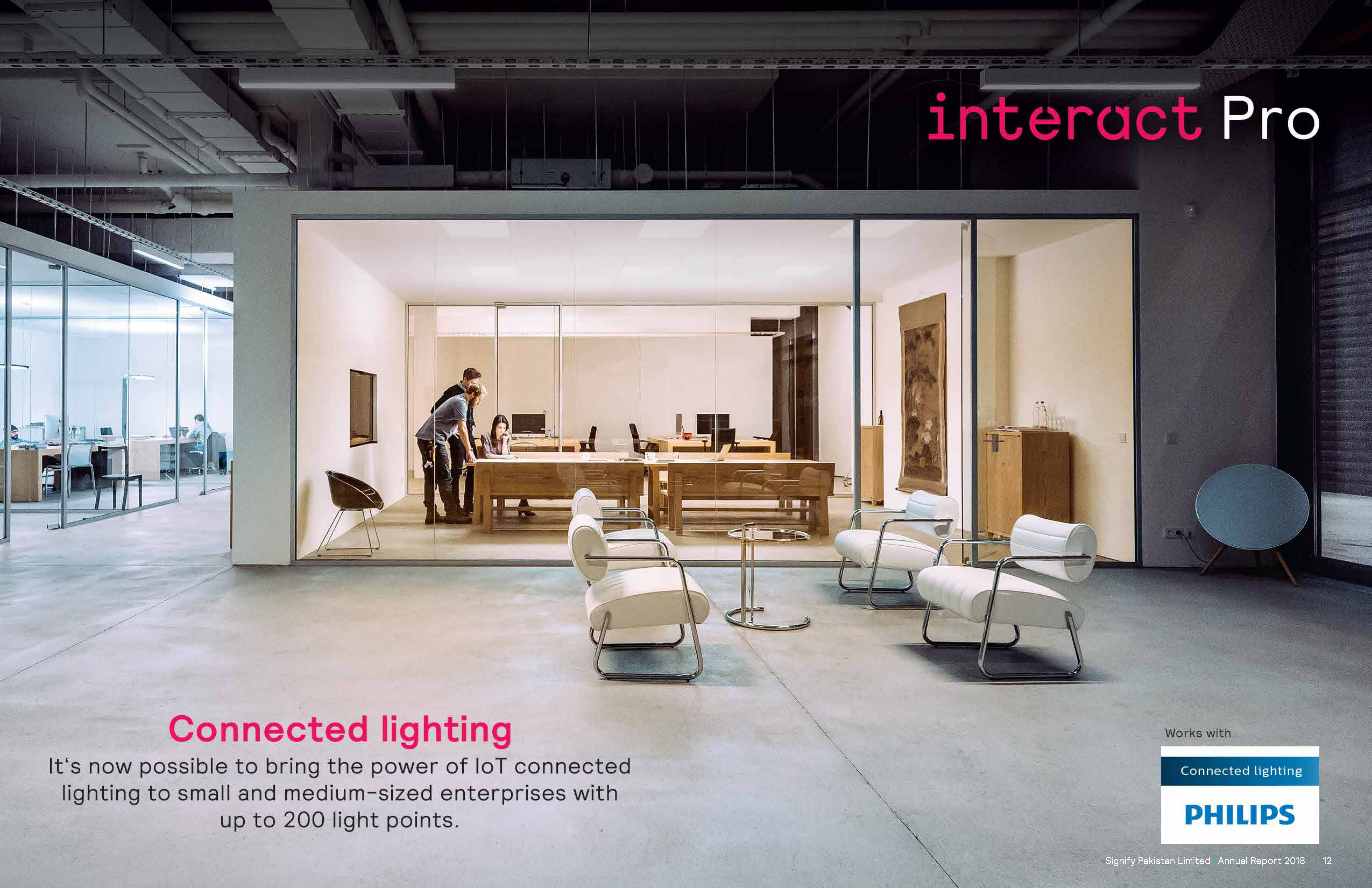
Metro Bus Project:

Karachi – Greenline & Orangeline – 6000 Plus Roadlights

Punjab Sports Board

Airport Gateway Beautification

Jubilee Insurance


interact Pro
Connected lighting
It's now possible to bring the power of IoT connected lighting to small and medium-sized enterprises with up to 200 light points.
Works with
Connected lighting
PHILIPS

The lighting company for the Internet of Things (IoT)

Our position as an industry leader in connected lighting for the Home and Professional segments makes Signify the lighting company for the Internet of Things (IoT). By extending our industry leadership into the IoT, we can unlock additional value by offering new apps and services to our customers.

This is part of our broader commitment to deliver Light Beyond Illumination, turning light sources into points of data to connect more devices, places, and people through light. In doing so, we make people safer, more productive, and comfortable; businesses and cities more energy efficient and livable; and the world more sustainable.

In 2018 we launched Light Fidelity (LiFi): high-speed broadband internet connectivity through light waves. As a highly stable and energy-efficient alternative to WiFi, it allows people to connect and communicate while maintaining a high quality of light. Innovations like this are possible because we bring over a century of lighting industry knowledge to visionary R&D.

Brighter Lives, Better World

Sustainability is at the heart of our purpose: to unlock the extraordinary potential of light for brighter lives and a better world. We do this by delivering light which is energy efficient, saves resources, and improves lives.

In 2016, we launched our 'Brighter Lives, Better World' program, setting ambitious targets for sustainable revenues and sustainable operations leading up to 2020. Brighter lives are created through our human-centric lighting, which helps people to see, feel and function better. Through the Signify Foundation, we provide people with access to light in remote and off-grid locations, where it enhances the social and commercial activity of communities currently still suffering from light poverty, which currently is around 1.1 billion people. In addition, we actively work to create a safe and a healthy workplace for our employees.

We create a better world through energy efficient and connected lighting, which reduces energy consumption by up to 80% compared to conventional lighting. With our 'Circular Lighting', we've adapted the way products are designed and taken to market, providing economic benefits to customers and environmental benefits to society. By transitioning to a circular economy, we're further increasing our net positive contribution to a better world.

The 17 UN Sustainable Development Goals (SDGs) lie at the heart of the 2030 Agenda for Sustainable Development adopted by all UN Members States. At Signify, we focus on the four SDGs where we can make the biggest impact through our Brighter Lives, Better World sustainability program: SDGs 7, 11, 12 and 13.

To help us progress toward our 2020 targets and our commitments to the SDGs, we're partnering with organizations, including GOGLA, South Pole, RE100, the Carbon Disclosure Project, The Climate Group, the World Green Building Council, the Responsible Business Alliance and the World Economic Forum.

We made good progress on our Brighter Lives, Better World program targets in 2018

Targets 2020	Proof points 2018	SDGs contribution
80% sustainable revenues	79% of revenues came from energy efficient products, services or systems	7: Affordable and clean energy 11: Sustainable cities and communities 12: Responsible consumption and production 13: Climate action
2 billion LED lamps & luminaires delivered	1,749 million delivered, effectively avoiding 43,701 kilotonnes of CO2 being emitted	13: Climate action
Carbon neutrality	Net carbon footprint of 146 kilotonnes of CO2, a year-on-year reduction of 49%	7: Affordable and clean energy 11: Sustainable cities and communities 13: Climate action
Zero waste to landfill	A reduction of 17% waste going to landfill, 82% of all manufacturing waste recycled	12: Responsible consumption and production
Safe & healthy workplace: TRC rate of <0.35	0.29 TRC rate, a reduction of 29% compared to 2017, 54 sites with more than 500 days injury free	12: Responsible consumption and production
Sustainable supply chain: Minimum performance rate of 90%	Supplier sustainability performance rate of 93%, 281 suppliers engaged on carbon reduction through the CDP Supply Chain program	12: Responsible consumption and production 13: Climate action

Value Creation Model

"Our aim is to create sustainable value for our stakeholders and society at large."

The value created by Signify goes beyond financial performance alone. Our approach is to optimize the use of financial, environmental and social resources. Through our activities and our way of doing business, we impact stakeholders and society at large. By expressing these impacts in monetary terms, stakeholders can consider the indirect economic, social, and environmental effects of our business more effectively.

Corporate Social Responsibility

Access to light

Sharing the power of light – Signify Foundation

Light is a fundamental part of our lives – a driving force for the development of humanity. At the flick of a switch, it transforms dark, empty voids into places where people can work, learn and create. Many of us take this gift for granted. But for millions of people in underserved communities, electric light is inaccessible. For these communities, the productive day ends at sunset. Mobility after dark is limited. Safety and security of the vulnerable is compromised. Children cannot study. Shops cannot do business. Emergency relief workers cannot help people.

The Signify Foundation is dedicated to supporting underprivileged and underserved communities across the world by enabling access to light. When pursuing this mission, the Foundation maps and identifies key actors across the energy and light access value chains. From technology manufacturers, logistics and distribution agencies, to financing partners and training institutions, they are all key to enabling market ecosystems. The Signify Foundation's approach deviates from a pure philanthropic model to an enabler of system change empowering the community to meet local needs with local supply.

Its projects contribute to sustainable and affordable light access for all and are underpinned by the creation of gender inclusive livelihood opportunities.

Signify Foundation's projects promote the use of clean technology-based lighting systems that address the entire spectrum of the lighting needs of a community: home lighting, institutional lighting, public lighting and lighting for emergency relief. To light homes and public spaces, the Signify Foundation promotes the use of solar lighting systems which are safer, cleaner and have no recurring fuel costs compared to traditional kerosene lamps. Globally, Signify has a target of reaching 5 million lives with renewably powered lighting and supporting 5,000 people with technical and business skills development by 2020. Through our activities in 2018, we lit 1,540,000 lives and supported 2,656 entrepreneurs and technicians.

In 2018, the Signify Foundation funded 21 projects across its three focus areas:

Lighting Lives

Enabling access to relevant, affordable and sustainable lighting technology for off-grid and partial grid communities to help extend the productive day.

Lighting Entrepreneurs

Better lighting stimulates productivity and entrepreneurship. However, Lighting Lives can only have a long-term impact if communities have the skills to operate and maintain the lighting installation provided. In addition to this technical training, the Signify Foundation helps entrepreneurs develop business skills to enable the development and strengthening of channels of last mile distribution.

Humanitarian Lighting

When a humanitarian crisis strikes, light is critical in delivering emergency assistance. Without adequate illumination, aid workers cannot deliver care or supplies after nightfall. In these situations, light doesn't just assist relief efforts – it saves lives. By funding lighting technology for humanitarian projects, we aim to help aid workers and engineers to see clearly while increasing safety and security for those who are made even more vulnerable in disaster contexts.

Employee volunteering and giving – Corporate Social Responsibility at Signify

Signify also has its own corporate social responsibility program that promotes employee volunteering and employee giving through locally relevant initiatives across the geographies where we operate. In 2018, this included the retrofitting of lighting for schools in Pakistan where 17 Signify Pakistan volunteers delivered classes on energy efficiency and its potential as a climate change mitigator. Asad Jafar, Country Manager of Pakistan, says "It's a simple and effective way of bringing the message to these children who are future leaders and will be making key political and business decisions. It is an immensely satisfying team activity, where we get so much in return, a tremendous sense of pride in the company and comradery with each other."

At Signify, we also continue to invest in the Base of the Pyramid social venture, which works outside of the commercial framework of the organization with the objective of understanding and responding to the specific lighting needs of underserved communities. Continued responsiveness to user feedback led to the design and the release in 2018 of a first in class battery replaceable solar lantern, extending the life time of the product beyond its battery life. This innovation is part of a roadmap for solar lighting products that Signify intends to launch in the future to answer the needs of base of the pyramid communities.

Our People

Social Statement

"At Signify, we are leading the transformation in the new age of lighting. To successfully do that, we need the industry's best talent and leaders. Attracting talent, developing people and engaging all our employees around our purpose to 'unlock the extraordinary potential of light for brighter lives and a better world' is at the heart of all that we do. Creating that continuous learning organization, building talent from within and having an inclusive environment where we value diversity and reward performance are therefore essential focus areas in our people strategy. I am proud to be part of this company with such a compelling purpose and strong values aimed at responsible growth. This is how we will continue to lead in a competitive and evolving industry with highly engaged teams."
- Asad Jafar, Chairman & CEO Signify Pakistan.

At Signify, we provide an empowering workplace where people are passionate about taking light beyond illumination to create brighter lives and a better world. With our company purpose and values, we provide our people with a common direction about why we exist, what we value, and how we work. We determined our values by engaging people from across our organization. At Signify, we put our Customer First. We will always be Greater Together by collaborating across teams to build on our strengths and diversity, and work towards our shared goal. We want to be a Game Changer, by innovating to set ourselves apart and continue to lead in the market. We have Passion for Results by working smarter and faster to deliver excellence.

Talent Management

It is our people who make our strategy a reality. We believe that we will maintain our success by being a world-class talent-builder and promoting people from within. We do this by offering every employee attractive and relevant career development opportunities and by building the leadership pipeline across the organization.

Our approach to talent is to build and develop employees' functional and leadership skills continuously, while attracting new talent where critical capabilities are needed to strengthen our diverse talent pool to achieve our strategic objectives.

A strong global employer brand with local relevance in the digital age

Since 2018, after the launch of our new name Signify, we are strengthening our global employer brand through our Employee Value Proposition. We focus our strategic recruitment marketing investments on the most critical talent segments, to drive our transformation and growth. For example, a special focus was given to the target groups marketing, sales, technology, supply chain, students and alumni with a relevant messaging.

Additionally, Signify's new career website was successfully launched and attracted comparable number of candidates.

Employee engagement

Employee engagement is key to our competitive performance and is at the heart of our vision, promoting the best place to work for people who share our passion. Engaged employees are emotionally committed to our company. They help us meet our business goals, and contribute to a dynamic, high performance workplace.

We can only offer an environment in which all our people thrive by maintaining dialogue with our employees in order to understand their needs.

Our employees and managers take the time for this dialogue, directly shaping the work environment and our inclusive culture. As a result, high engagement levels not only help Signify to grow but help us to understand our employees' needs in depth and respond to these in turn.

Given that employee feedback and input is so critical, six years ago we introduced a quarterly survey currently known as the Team Survey, with the accompanying promotion of Team Dialogues with People Managers and their teams. This team survey has questions in line with our company purpose and values. This proved to be a positive driver of employee engagement to increase team effectiveness, and, as a result, we will continue to run the Team Survey on a quarterly basis to monitor engagement.

We have noted that we need to continue to improve in effectiveness and recognition. Initiatives to address our improvement areas are driven at a team level via our Team Dialogues, and in addition we continue to drive progress on these questions during our Quarterly Performance Reviews.

Diversity & Inclusion

At Signify, we believe in building a diverse and inclusive workplace. This means we celebrate and foster an environment in which all people's ideas, knowledge, perspectives, experiences and styles are highly valued. It also means that all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to Signify's success. Signify is a global company, embracing a global mindset and actively promoting and building capability in this area. To that purpose, Signify's leadership has followed a series of workshops on diversity in 2018.

In 2017, we created a network of Diversity & Inclusion champions in our organization consisting of a variety of employees across grades, gender, nationalities, and age representing the different markets, businesses and functions. In 2018, this network continued to promote our inclusive culture, by creating more awareness on local initiatives and sharing best practices around the world.

We continually monitor our gender diversity numbers and strive to have a healthy balance in our organization. We aspire to maintain a healthy pipeline of female talent among our overall employee population.

Leadership development

Since 2016, we have organized a series of leadership development programs at different levels (first-time managers, mid-level managers, leaders), focused on accelerating the development of our leaders. These programs are aimed at developing our existing leaders who already hold key positions, as well as building a pipeline of future ready leaders who can further take the company to paths of excellence and profitable growth.

Leadership development at Signify is also viewed through the lens of continuous learning embodying the 70-20-10 philosophy explained above, rather than being one-off programs. The latest partnership we have built with Harvard Business School to disseminate a world-class leadership development journey is a great example of ensuring continuous learning discipline in the minds of our top leaders across all levels.

Trainings and courses

To ensure our workforce is well equipped to perform and meet business requirements, each functional area has identified 'fit for future' competency on which the respective area will focus. Through the award-winning Harvard Manage Mentor leadership suite, employees also have access to 40 individual modules on personal development, business and management skills. Globally, in 2018, more than 4,600 learning modules and periodicals were offered through the LCoE, collaborating with the best content providers across the world. All learning offerings are now being designed in the form of learning journeys and learning paths to help our employees build excellence in any chosen topic.

Our dedication to always acting with integrity is supported through our learning programs and all employees are required to complete a mandatory course to ensure awareness of and compliance with the content of our General Business Principles.

While the culture of continuous active learning is catching-on in the organization, we also pay special attention to the development process linking to performance during the formal mid-year and end-year performance cycles. The Signify Learning Centre of Expertise (LCoE) offers several new key learning opportunities for employees to build on these periods of reflection and development planning. Our development methodology is built on the 70/20/10 philosophy, enabling learning on the job through challenging assignments on the job (70% of the time), providing coaching and mentoring through developmental relationships (20% of the time), and offering formally structured learning methods such as classroom teaching and online courses (10% of the time).

General Business Principles

Acting with integrity is the cornerstone for the success of our business and key to achieving our purpose. It is integral to the values that define us as a company. Acting with integrity means making the right choices when faced with ethical dilemmas and holding ourselves and each other to high standards of behavior.

We define integrity through our general business principles. They apply to each of us as individuals wherever we are in the company. They define our commitment to act with integrity with each other, with our customers, business partners, shareholders and the wider community in which we operate.

The general business principles have been adopted by the Board of Management. They are reviewed on a regular basis and revised where necessary. They apply to all employees of Signify N.V. and its controlled subsidiaries. The general business principles are not all-encompassing but formulate minimum standards of behavior.

The company has underlying policies that form an integral part of the GBP.

In order to increase the level of awareness and to create global engagement, the company has established a network of Compliance Officers in each market and country where the company has a presence, and on each significant site. Compliance Officers have also been appointed at Business Group and Functional level. The activities and responsibilities of this network are focused on providing expertise and support on GBP-related matters to managers and employees.

The GBP are supported by mechanisms that ensure standardized reporting, escalation and investigation of concerns. These mechanisms are based on the GBP Reporting Policy that urges employees and third parties to report any concerns they may have regarding business conduct in relation to the GBP, either through a Compliance Officer or through the Signify ethics line. The Signify ethics line enables employees and third parties to report a concern either by telephone or online via a web intake form. All concerns raised are registered consistently in a single database and are investigated in accordance with standardized investigation procedures.

Doing the right thing

Starts with reading the right thing

Our purpose is to unlock the extraordinary potential of light for brighter lives and a better world

Our Business System is how we work as a company

Our Quality System sets out how we do things to satisfy our customers

Our values:
Customer first, Greater together, Game changer, and Passion for results

General Business Principles always guide us on how to act with integrity

Directors' Profile

Asad S. Jafar

Chairman & CEO
Signify Pakistan Limited
(formerly Philips Pakistan Limited)
Joined Board on September 01, 2008

Member of Board of Trustees of Staff Provident Fund, Staff Gratuity Fund & Staff Pension Fund

Asad Said Jafar, is the Chairman & CEO of Signify Pakistan Limited (formerly known as Philips Pakistan), a role he was appointed to in 2009, has been a part of the company for the past two decades. Over the course of his professional career, Asad has held senior leadership positions across the Philips world, in Pakistan, Indonesia, Thailand and Singapore.

Asad is responsible for managing the company, formulating, executing long-term strategies, and ensuring emergence of the company as a robust market leading solutions provider. He brought to the forefront, the company's global mission of creating meaningful innovations for people which served as a driver of success in business.

A veteran supply chain professional, Asad was serving as Director, Supply Chain Management (SCM) for the ASEAN region for Philips before he took on the role of CEO for Philips Pakistan. As the Supply Chain Director, he implemented various modern SCM strategies that streamlined cumbersome business processes. He was responsible for the setting up of the ASEAN Luminaries Supply Group in Bangkok, Thailand which propelled a massive turnaround in the business. During his expatriate postings, he was also the Head of Supply Chain Management at Philips Indonesia.

In addition to his responsibility as the Country Leader for Signify Pakistan, Asad is associated with various prestigious external organizations. He was the president of Overseas Investors Chamber of Commerce and Industry (OICCI) for the year 2014. He serves on the Board of Directors of Engro Fertilizer.

He formerly also served on the Board of Directors of Pakistan Institute of Corporate Governance (PICG) and Engro Polymer & Chemicals Limited. He is a member of the Institute of Business Administration (IBA) Corporate Leaders Advisory Board (ICLAB) and also mentors MBA students as part of the Karachi School of Business & Leadership (KSBL) CEO Mentorship programme. Moreover, he also serves as the member of International Advisory Board at NED University of Engineering and Technology.

Asad's career began as a Management Trainee at ICI Pakistan Limited in 1988. His eight years at ICI allowed him to work in diverse engineering, manufacturing, project management and planning related roles. He holds a bachelor's degree in Electrical Engineering from NED University, Karachi and an MBA degree from Imperial College Business School, London, UK where he studied as a Britannia Chevening scholar.

Asad continues to consider learning a priority and has completed many management development programmes including the Leading a Business' program of Ashrides Business School, UK. He attended the 'Philips Simplicity Brand 1000'programme at Chicago Graduates School of Business as well as a Business Marketing Strategy program at Kellogg School of Management, Northwestern University, USA. He is often invited to address business professionals and student audiences at corporate and academic events.

Aamir Jan Muhammad

Head of Finance & Business Partner
Signify Pakistan Limited
(formerly Philips Pakistan Limited)
Joined Board on July 1, 2014

Member of Board of Trustees of
Staff Provident Fund,

Goktug Gur

President & CEO
Signify Middle East,
Turkey and Pakistan.
Joined Board on May 01, 2018

Aamir started his career with Philips Pakistan in July 1998 as Manager Accounts in our lighting division and worked with the company till August 2003.

He rejoined Philips in April 28, 2014 as the Head of Finance and Financial Controller Lighting Pakistan. Additionally, he also oversees the Compliance portfolio as a Country Compliance Officer, ensuring compliance with the General Business Principles (GBP), advising the management on GBP related matters, handling complaints and coordinating with regional team in investigations.

He has more than twenty-three years post qualification experience in the field of Finance, Accounts and General Management. Besides Philips, he has held senior positions in diversified industries in Pakistan and abroad such as General Motors – Saudi Arabia, Attock Cement Pakistan Limited, Pakistan Telecommunication Company Limited (PTCL), Group 4 Securicor (G4S) and Pathfinder Group of companies.

He played significant role in acquisition of G4S share in Pakistan as the Financial Advisor for Pathfinder Group of Companies and in arrangement of project financing for new cement production line of Attock Cement Pakistan limited.

Aamir was born in Karachi, Pakistan and is a Chartered Accountant from Institute of Chartered Accountant of Pakistan, with four years of Audit Training with A.F Ferguson & Co Chartered Accountants member firm of PwC network in Pakistan.

Goktug Gur is the President & CEO of Signify Middle East, Turkey and Pakistan.

He graduated from Yıldız Technical University, Department of Electrical Engineering in Turkey before obtaining his MBA at Marmara University, Turkey and the University of Maine, USA. In his 23-year career, he has delivered marketing and solution-oriented projects in the energy sector working across the Mediterranean, Central Asia and Middle East regions including Turkey.

Gur started his career at a foreign trade company and served at various executive positions in a globally specialized company between 1996 and 2013. He then served as the CEO of Philips Turkey from 2013 to 2016.

Goktug Gur was appointed as CEO, Philips Lighting Turkey on February 1, 2016. In March 2017 he has moved to Dubai-United Arab Emirates where he was appointed as Managing Director Turkey and Middle East (excluding KSA) at Philips Lighting. As of June 15, 2017 Gur leads the Middle East and Turkey operations and as Pakistan has been added in early 2018, he is now the President & CEO Signify Middle East, Turkey and Pakistan.

Israel Louis Ismail
Vice President, Head of Legal & Compliance,
Growth Markets
(Middle East & Turkey, Russia & Central Asia,
India Subcontinent, Africa, Japan & Asia Pacific)
Joined Board on July 24, 2008

Israel Louis Ismail is an Advocate & Solicitor of the Supreme Court of Singapore. He holds a LLB honors degree from National University of Singapore and has over 20 years of legal experience in top tier law firms and in-house roles.

Israel leads an international legal team across 6 Markets under the Growth Markets, providing legal services to Signify business in over 40 countries.

He is responsible for organizing and managing the legal support for the lighting business including the corporate divisions and ensuring that all legal needs of the business are met. Israel has been playing an active part in shaping the overall strategy and goals of the Philips Lighting Legal Function as well as ensuring that all key legal processes and initiatives are deployed effectively, and all controls maintained appropriately in his designated regions. Israel is also part of the Growth Market Management Team and the Legal Leadership Team.

In addition to the legal role, he also oversees the compliance activities including advising management on compliance related matters, rolling out training programs, handling complaints and investigations.
He has been a part of the Philips Group since July 2001.

Directors' Report

The Directors have pleasure in presenting a review on the financial results of the Company for the year ended December 31, 2018.

Economic Review

After four years of robust growth of Pakistan's economy touching its peak to 5.8% GDP growth in 2017, signs of slowdown of economy was witnessed in the year 2018. The year under review was a year of multiple events on political and economic front. New Government formed by PTI after winning elections and they took challenging decisions to control current account deficit and improve country's foreign currency reserves.

Free floating of forex rates aligning with market policy created havoc in the currency rates and a lot of import based industries suffered huge losses. Interest rate hike, high inflation, reduction in Government spending, back to back mini budgets and uncertainty on going for IMF financing plan resulted in a shaking of confidence of business and consequently impacted economic growth during the year.

Based on the historical economic sentiments coupled with declining foreign currency reserves and widening trade deficit, we foresee there will be immense pressure to achieve GDP growth above 3% in the year 2019. Going forward, biggest challenge for present Government will be to manage fiscal and current account deficit which is putting pressure on the foreign currency reserves, effectively control and forecast macroeconomic indicators like inflation, interest rates, stability in foreign currency rates, maintaining sufficient forex currency reserves on the back drop of volatile oil prices and high imports and above all regaining of confidence of the business and people of the country by clear communication of future plans and timelines of execution of these plans with clarity and transparency.

Industry Review

During the year 2018, the transformation sprint from conventional lighting products to LED based products both in trade and professional lighting segment continued from the last year. This transformation is now shown some stability in Pakistan and LED based products are now estimated that representing approximately more than 70% of the lighting industry.

Philips being the lighting market leader and pioneer in the introduction of advanced lighting technologies is driving this transformation in the lighting industry globally and locally with a purpose to "make light for brighter lives and a better world". Keeping pace with the changing and more advanced technologies, Signify has ventured into robust internet of things (IOT) and connected lighting solutions for industry and home segment, which will pave its way in the high-end customers' areas in the near future.

During the year under review, the Government of Pakistan (GOP) increased Regulatory duties on import of LED based lighting products coupled with increase in forex rates, resulted in an increase in the cost of products. Due to higher duties and taxes and uncertainty in forex currency rates, we witnessed a shift of businesses to local assembly of lighting products. Keeping pace with the local market dynamics and to remain price competitive, we successfully local assembled and supplied lighting products to market during the year. Going forward, we foresee more localization of LED based lighting products and further increase of LED share in the Lighting industry. We are confident that being the market leader of lighting products and technologies in Pakistan, despite high cost of doing business, our foothold in LED and Professional lighting segment will improve over current year.

Financial Performance

During the year under review, the Company achieved sales of PKR 3.97 Billion against PKR 4.19 Billion achieved in the corresponding period last year. This decrease of PKR 220 Million (5.2%) in sales over last year was mainly due to 42% degrowth of conventional CFL and Fluorescent Tube Light Conventional Lamps business partly compensated by 25% growth in LED bulbs and downlighters and 2.5% growth in Professional lighting business in which local assembly of products also contributed to this growth. Following is the comparative summary of our financial performance:

Key Financial Highlights:

Particulars	*2017*	*2018*	*Increase/(Decrease) percentage*
Sales (PKR million)	4,193	3,973	(5.2%)
Gross Profit	918	975	6.2%
GP Percentage to Sales	21.9%	24.5%	2.6%
EBIT (PKR million)	152	208	36.8%
Profit before tax (PKR million)	145	190	31%
Profit / (loss) after tax (PKR million)	(117)	10	109%
Earnings / (loss) per share	(0.67)	0.06	109%

As presented in the comparative financial performance table above, during the year 2018, Company's revenue decreased by 5.2% over corresponding year 2017.

The overall sales decline mainly coming from BG Lamps did not impact overall gross profit of the Company as with declining volumes their margins are also decreasing and hence have a lower impact on total gross profit of the company. Release of old provision on conventional lamps, no more required, also positively impacted profitability of the company. Besides increase in gross margin over last year, better control over selling and administration expenses, despite of rising inflation, company manages to improve EBIT by 36.8% over last year 2017 and closed year at a positive EPS.

Contribution to National Exchequer

Being a responsible taxpayer of the country, Company contributed to the National Exchequer during the year around PKR 747 million (2017: PKR 880 million) to the Federal Board of Revenue (FBR) on account of direct and indirect taxes. This amount does not include custom and regulatory duties paid at the import stage.

Changes in the Board:

The Board would like to welcome the incoming Director Mr. Goktug Gur who joined the board on 13/7/2018. The Board also like to appreciate the services rendered by Ms. Patricia Yim Mei Fong who relinquished her position on March 12th 2018 as the Director of the Company.

At any time during the period 2018 following were directors of the Company:

1. Mr. Israel Louis Ismail
2. Mr. Goktug Gur
3. Ms. Patricia Yim Mei Fong
4. Mr. Asad S. Jafar
5. Mr. Aamir Jan Muhammad
6. Mr. Nadeem Aslam (Alternate Director of Ms. Patricia Yim Mei Fong)

Other Information:

As part of global change name, local Legal entity name of Company has changed from "Philips Pakistan Limited" to Signify Pakistan Limited on 25th January 2019.

With effect from 1st February 2019, the name of the Company's parent company has also changed from "Philips Lighting Holding BV' to "Signify Holding BV'.

PATTERN OF SHAREHOLDING

PART-I

1.1	Name of the Company	SIGNIFY PAKISTAN LIMITED (formerly: Philips Pakistan Limited)

PART-II

2.1. Pattern of holding of the shares held by the shareholders as at 31 12 2018

2.2. No of shareholders	Shareholdings	Total shares held
250	shareholding from 1 to 100 shares	6,121
103	shareholding from 101 to 500 shares	21,093
14	shareholding from 501 to 1000 shares	8,936
11	shareholding from 1001 to 5000	19,947
1	shareholding from 5001 to 173,800,000	173,705,045
	(Add appropriate slabs of shareholdings)	
379	Total	173,761,142

2.3	Categories of shareholders	share held	Percentage
2.3.1	Directors, Chief Executive Officer, and their spouse and minor children.	----	-----
2.3.2	Associated Companies, undertakings and related parties.	173,705,085	99.9677%
2.3.3	NIT and ICP	----	----

2.3.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	------	------
2.3.5	Insurance Companies	------	------
2.3.6	Modarabas and Mutual Funds	------	------
2.3.7	Share holders holding 10%	------	------
2.3.8	General Public		
	a. Local	54,757	0.0315%
	b. Foreign	------	------
2.3.9	Others (to be specified) - Joint Companies	1,300	0.0007%

Compliance Statement:

The directors confirm compliance with corporate and Financial Reporting Framework of the SECP code of governance for the following.

i) 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.

ii) Proper books of acounts of the company have been maintained.

iii) Appropriate Accounting Standards as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.

v) The system of internal control is sound in design and has been effectively implemented and monitored.

vi) There are no significant doubts upon the company's ability to continue as a going concern.

vii) There is no material departure from the best practices.

Auditors

The Auditors, M/s EY Ford Rhodes, Chartered Accountants will retire at the end of the Annual General Meeting and being eligible, have offered themselves for re-appointment for the year 2019. The Board has recommended their appointment as the Auditors for the ensuing year, subject to the approval of the members in the forthcoming Annual General Meeting.

Acknowledgment

The Board would like to convey its earnest gratitude to all the people involved with Philips Pakistan for enabling it to flourish and deliver a consistence performance over the years. Our people are entrusted to the Company and have showered their potential by overcoming challenges posed by the operating environment, We treasure their dedication and feel highly obliged.

We also acknowledge the valuable business support of our customers, suppliers, bankers and all other stakeholders who have shown continuous trust in our Company in the past 70 years.
One behalf of the Board of Directors

Asad Said Jafar
Chairman & CEO

Amir Jan Muhammad
Director

May, 09, 2019

Pattern of Shareholding as at 31 December 2018

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
250	1	100	6,121
103	101	500	21,093
14	501	1000	8,936
11	1001	5000	19,947
1	5001	1738,00,000	173,705,045
379			173,761,142

Categories of Shareholdres	Number	Shares Held	Percentage
Individuals	374	54,757	0.0315%
Joint Companies	4	1,300	0.0007%
* Associated Company	1	173,705,085	99,9677%
Total	379	173,761,142	100.00%

*Represets 99.9677% Shareholding of signify Holding B.V. (Formerly: Philips Lighting B.V.) and includes their nominee shareholders.

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INDEPENDENT AUDITORS' REPORT

To the members of Signify Pakistan Limited [formerly Philips Pakistan Limited]
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Signify Pakistan Limited [formerly Philips Pakistan Limited] (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
The engagement partner on the audit resulting in this independent auditors' report is Shariq Ali Zaidi.

Chartered Accountants

Place: Karachi

Date: 10 May 2019

Signify Pakistan Limited (formerly Philips Pakistan Limited)
Statement of Financial Position
As at 31 December 2018

	Note	2018	2017
		(Rupees in '000)	
Non-current assets			
Property and equipment	4	52,661	72,163
Total non-current assets		52,661	72,163
Current assets			
Stock-in-trade	5	628,860	698,754
Trade debts	6	697,991	551,793
Loans and advances	7	151,664	16,274
Trade deposits and short-term prepayments	8	61,492	56,849
Other receivables	9	352,602	162,244
Taxation - net	10	195,434	109,521
Cash and bank balances	11	321,283	465,018
Total current assets		2,409,326	2,060,453
Total assets		2,461,987	2,132,616

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman & CEO

Director & Chief Financial Officer

Signify Pakistan Limited (formerly Philips Pakistan Limited)
Statement of Financial Position

As at 31 December 2018

	Note	2018	2017
Share capital and reserves		(Rupees in '000)	
Authorized capital 180,000,000 (2017: 180,000,000) ordinary shares of Rs. 10 each		1,800,000	1,800,000
Issued, subscribed and paid-up capital	12	1,737,611	1,737,611
Capital reserves		12,419	12,419
Revenue reserves		(844,445)	(860,857)
Total equity		905,585	889,173
Total non-current liabilities - Staff retirement benefits	13	102,311	116,627
Current liabilities			
Trade and other paybles	14	1,045,270	891,338
Provisions	15	21,972	234,431
Short-term running finances	16	385,802	-
Unclaimed dividend		1,047	1,047
Total equity and liabilities		2,461,987	2,132,616
Contingencies and commitments	17		

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman & CEO

Director & Chief Financial Officer

Signify Pakistan Limited (formerly Philips Pakistan Limited)
Statement of Profit or Loss

For the year ended 31 December 2018

	Note	2018	2017
		(Rupees in '000)	
Turnover - net	18	3,972,838	4,192,738
Cost of sales	19	(2,997,584)	(3,274,765)
Gross profit		975,254	917,973
Administrative and distribution expenses	20	(588,686)	(692,636)
Other income	21	9,373	29,992
Finance costs	22	(17,469)	(6,485)
Other operating expenses	23	(188,989)	(103,793)
Profit before tax		189,483	145,051
Taxation	24	(175,350)	(261,814)
Profit / (loss) for the year		14,133	(116,763)
		(Rupee)	(Rupee)
Earnings / (loss) per share - basic and diluted	25	0.08	(0.67)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman & CEO

Director & Chief Financial Officer

Signify Pakistan Limited (formerly Philips Pakistan Limited)
Statement of Comprehensive Income

For the year ended 31 December 2018

	2018	2017
	(Rupees in '000)	
Profit / (loss) for the year	**14,133**	(116,763)
Other comprehensive income / (loss), net of tax		
Other comprehensive income / loss not to be reclassified to profit or loss in subsequent periods		
Remeasurement gains / (losses) on staff retirement benefits	**7,285**	(3,748)
Total comprehensive income / (loss) for the year	**21,418**	(120,511)

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman & CEO

Director & Chief Financial Officer

Signify Pakistan Limited (formerly Philips Pakistan Limited)
Statement of Changes in Equity

For the year ended 31 December 2018

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve			Total equity
		Share premium	General reserves	Accumulated losses	Total	
	(Rupees in '000)					
Balance as on 31 December 2016	1,737,611	12,419	221,050	(787,635)	(566,585)	1,183,445
Loss for the year	-	-	-	(116,763)	(116,763)	(116,763)
Other comprehensive loss, net of tax	-	-	-	(3,748)	(3,748)	(3,748)
Total comprehensive income for the year	-	-	-	(120,511)	(120,511)	(120,511)
Final dividend for the year ended 31 December 2016 @ 10% i.e. Rs. 1 per share	-	-	(173,761)	-	(173,761)	(173,761)
Balance as on 31 December 2017 (Audited)	1,737,611	12,419	47,289	(908,146)	(860,857)	889,173
Impact of initial application of IFRS 9 (note 3.4.2.3)	-	-	-	(5,006)	(5,006)	(5,006)
Balance as on 01 January 2018 (Restated)	1,737,611	12,419	47,289	(913,152)	(865,863)	884,167
Profit for the year	-	-	-	14,133	14,133	14,133
Other comprehensive income, net of tax	-	-	-	7,285	7,285	7,285
Total comprehensive income for the year	-	-	-	21,418	21,418	21,418
Balance as on 31 December 2018	1,737,611	12,419	47,289	(891,734)	(844,445)	905,585

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman & CEO

Director & Chief Financial Officer

Signify Pakistan Limited (formerly Philips Pakistan Limited)
Statement of Cash Flows
For the year ended 31 December 2018

	Note	2018	2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	27	**(226,069)**	(200,801)
Staff retirement benefits refunded / (paid)	13.1.2	**(24,510)**	158
Finance costs paid	22	**(17,469)**	(6,485)
Taxes paid	10	**(261,263)**	(248,522)
Net cash outflows from operating activities		**(529,311)**	(455,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
- property and equipment	4.1	**(1,222)**	(18,497)
- capital work-in-progress	4.2	**(17,662)**	(19,583)
Proceeds from disposal of property and equipment	4.3	**14,550**	4,655
Interest income on saving accounts	21	**4,108**	21,539
Net cash outflows from investing activities		**(226)**	(11,886)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid during the year		**-**	(173,761)
Net cash outflows from financing activities		**-**	(173,761)
Net decrease in cash and cash equivalents		**(529,537)**	(641,297)
Cash and cash equivalents at beginning of the year	26	**465,018**	1,106,315
Cash and cash equivalents at end of the year	26	**(64,519)**	465,018

The annexed notes 1 to 37 form an integral part of these financial statements.

Chairman & CEO

Director & Chief Financial Officer

1. LEGAL STATUS AND ACTIVITIES

1.1 Philips Pakistan Limited ("the Company") was incorporated in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) as a public limited company. Due to global change of name in year 2018, on 25 January 2019, the Company has also changed its name to 'Signify Pakistan Limited'. The new name is not incommensurate with the principle line of business of the Company but it reaffirms the powerful purpose of the Company to unlock the extraordinary potential of light for brighter lives and a better world. The Company is principally engaged in trading of electrical goods and will continue to use 'Philips brand', being the most trusted lighting brand in the world. The registered office of the Company is situated at 6th floor, Bahria Complex 1, M. T. Khan Road, Karachi.

1.2 The Company was a subsidiary of Koninklijke Philips NV. (Royal Philips), who had announced in September 2014 to separate Lighting and Health Tech/Consumer Lifestyle businesses into two standalone market-leading legal entities. The separation occurred on 01 February 2016 and following this global change, the shares of the Company owned by Royal Philips have been transferred to a Philips Lighting Holding B.V. (PLH) [subsequently changed to Signify Holding By. (SH)]. Consequently, effective from 01 February 2016, PLH becomes the parent company of Philips Pakistan Limited (now Signify Pakistan Limited). PHL is incorporated and organized under the laws of the Netherlands, having its registered office in Eindhoven, the Netherlands, with address at High Tech Campus 48, 5656 AE Eindhoven, the Netherlands.The name of CEO of PLH is Eric Edouard Rondolat.

1.3 The geographical locations and address of Company's business units are as under:

Location	Addresses
Registered office, Karachi.	6th floor, Bahria Complex 1, M. T. Khan Road.
Regional sales offices: Lahore	Ground floor, Trafco House, IC/1, Canal Bank Road, Canal Park, Gulberg-II.
Rawalpindi	112-B. 2nd floor. Malhi Plaza. Murree Road.

1.4 Summary of significant transactions and events

Following is the summary of significant transactions and events that have affected the Company's financial position and performance during the year:

- Utilisation of short-term running finances facilities during the year to meet working capital requirement (note 16).
- Trend of foreign exchange rates due to devaluation of Pakistan Rupee has contributed significantly to the profitability of the Company.
- Early adoption of IFRS 9 'Financial Instruments' (note 3.4.2).
- Adoption of Companies Act, 2017 (note 2).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in nomenclature of primary statements and change in respect of presentation and measurement of surplus on revaluation of property, plant and equipment and preference shares. Further, the disclosure requirements contained in the Fifth Schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRSs disclosure requirements and incorporation of additional amended disclosures including, but not limited to, change in threshold for identification of executives - notes 7 and 30, additional disclosure requirements for related parties notes 14.1 and 31, etc.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for:

- leasehold land and buildings on leasehold land that are stated at revalued amounts.
- staff retirement benefit obligations which have been measured at the present value.

3.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest thousand, unless otherwise stated.

3.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements is in conformity with approved accounting and reporting standards, which required management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from period of revision. In particular, information about judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on these financial statements, and estimates that results in material adjustment in the subsequent years are as follows:

(a) Property and equipment

The Company reviews the useful lives, methods of depreciation and residual values of operating fixed assets on the reporting date. Useful life is determined by the management based on expected usage of the assets, expected physical wear and tear, technical and commercial obsolescence and other similar factors. Any change in the estimates in future years might affect the carrying amounts of the respective items of operating fixed assets with a corresponding effect on the depreciation charge and impairment. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(b) Stock-in-trade

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(c) Provision for expected credit losses of trade debts and other receivables

The Company recognizes an allowance for expected credit losses (ECLs) for trade debts and other receivables carried at amortized cost at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. discounted at an approximation of the original effective interest rate. The Company uses a provision matrix to measure ECLs and the provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The calculation reflects the probability-weighted outcome based on the information that is available at the reporting date about past events and current conditions which may not be representative of customer's actual default in the future.

ECLs are recognized in two stages. For credit risk exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECLs). The Company considers a financial asset to be in default when the counterparty is unlikely to pay its credit obligations to the Company in full or when the financial asset is past due. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment. Allowances for expected credit losses are charged to statement of profit or loss, when determined.

(d) Provision for tax and deferred tax

The provision for taxation is accounted for by the Company after taking into account the relevant laws and decisions taken by appellate authorities. Instances, where the Companys view differs from the view taken by the tax authorities at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities I assets. With regard to deferred taxation, the Company applies various assumptions on future projections and applicability of different tax regime, as well as recoverability of various deferred tax assets.

(e) Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing, recognised losses and any related provision thereagainst. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred.

(f) Staff retirement benefits

The Company has adopted certain actuarial assumptions as disclosed in note 13 to these financial statements for valuation of present value of defined benefit obliqations and fair value of plan assets, based on actuarial advice.

(g) Provision for warranty and restructuring

The Company accounts for its warranty obligations when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

3.4 3.4 Changes in accounting standards, interpretations and pronouncements

3.4.1 3.4.1 Standards, amendments, interpretations and improvement adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except that the Company has adopted the following new/amended standards, interpretations and improvements to IFRSs which became effective for the current year:

IFRS 2	Share-based Payments: Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Improvements to accounting standards issued by IASB in December 2016

IAS 28	Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment by investment choice

The adoption of the above standards, amendments and improvements does not have any material effect on these financial statements.

3.4.2 Early adoption of IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' (IFRS 9) has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) for annual periods beginning on or after 01 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Subsequent to 31 December 2018, the Securities and Exchange Commission of Pakistan vide S.R.O 229 (1) / 2019 dated 14 February 2019 has modified the effective date for application of IFRS 9 to 'Reporting period / year ending on or after 30 June 2019'. However, the Company has early adopted FRS 9 i.e annual period beginning from 01 January 2018.

The nature and effect of the changes as a result of adoption of IFRS 9 are described below.

3.4.2.1 Classification and measurement of financial instruments

FRS 9 eliminated the previous IAS 39 categories of financial assets (a) loans and receivables;
(b) available-for-sale; (c) held-to-maturity, and (d) fair value through profit or loss, and replaced them with the classification categories (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (C) fair value through profit or loss (FVTPL). The IFRS 9 classification of a financial asset is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding, are measured subsequently at FVTOCI;

- equity instruments that are not held for trading, on initial recognition, the Company may irrevocably elect to present subsequent changes in their fair value in OCI. This election is made on an investment-by-investment basis; and

- all other debt investments and equity investments are measured subsequently at FVTPL.

The Company has assessed which business models apply to the financial assets held by them and has classified its financial instruments into the appropriate IFRS 9 categories. The IFRS 9 classification requirements had no impact on financial position of the Company as at 01 January 2018 and on the subsequent measurement of financial instruments as disclosed in notes 3.4.2.2 and 3.4.2.3 to these financial statements. In addition, IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

3.4.2.2 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise a loss allowance for ECLs on debt instruments measured subsequently at amortised cost or at FVTOCI, but not to other debt investments and equity investments that are measured subsequently at FVTPL and contract assets.

At each reporting date, the Company assesses whether financial assets is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses standard's simplified approach and calculates ECL based on life time ECL on its financial assets. For this purpose, the management conducts an exercise to assess the impairment of its financial assets using historical data and forward looking information.

The Company has used an exemption under IFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 amounting to Rs.5,006 million are recognised in retained earnings as at 01 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

3.4.2.3 Effects of early adoption of IFRS 9 on classiifcation, measurement and impairment

The effect of adoption IFRS 9 on the carrying amounts of financial assets as at 01 January 2018 relates solely to the new impairment requirements. The following table explains the original and new measurement categories under IAS 39 and IFRS 9, respectively for the Company's financial assets as at 01 January 2018.

Financial Asset	Original category under IAS 39	New category under IFRS 9	Allowances for impairment under IAS 39 - 31 December 2017	Effect of adoption/ application of IFRS 9	Expected credit losses under IFRS 9 - 01 January 2018
				(Rupees in '000)	
Trade debts - note 6.1	Loans and receivables	Amortised cost	64,882	4,738	69,620
Loans and advances - note 7.1	Loans and receivables	Amortised cost	-	20	20
Trade deposits - note 8.1	Loans and receivables	Amortised cost	-	247	247
Other receivables	Loans and receivables	Amortised cost	-	-	-
Cash and bank balances - note 11.2	Loans and receivables	Amortised cost	-	1	1
				5,006	

3.5 Property and equipment

Owned

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any) except for leasehold land and buildings on leasehold land which are stated at revalued amounts, which are the fair value at the date of revaluation less accumulated depreciation, if any, recognised subsequent to the date of revaluation.

Depreciation is charged to statement of profit or loss by applying the straight-line method. whereby the asset is written off over its estimated useful life, from the date the asset is available for use. Incremental depreciation charged for the year on revalued assets is transferred from surplus on revaluation reserve. Rates of depreciation are disclosed in note 4.1 to these financial statements.

Maintenance and repairs are charged to statement of profit or loss, as and when incurred. Renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to statement of profit or loss, as and when incurred.

Useful life is determined by the management based on expected usage of the assets, expected physical wear and tear, technical and commercial obsolescence and other similar factors. Useful lives, method of depreciation and residual values are reviewed, at each reporting date, and adjusted if expectations differ significantly from previous estimates. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is charged to statement of profit or loss. When revalued assets are sold, the relevant remaining surplus is transferred directly by the Company to its retained earnings.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount at the reporting date. A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in statement of profit or loss, the increase is recognised in statement of profit or loss. A revalLiation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Leased

The Company accounts for property and equipment acquired under finance lease by recording the asset and related liability. The amounts are determined on the basis of the discounted value of minimum lease payments or fair value whichever is lower. Financial charges are allocated to lease term in the manner so as to provide a constant periodic rate of charge on outstanding liability. Residual values and useful life are determined and reviewed in the same manner as is for owned assets. Depreciation is charged to statement of profit or loss applying the straight line method whereby, the depreciable amount of an asset is written down over its estimated useful life depending upon the class of assets.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating fixed assets when they are available for use.

3.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value less provision for impairment, if any. The cost is based on first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of work-in-process and manufactured goods includes direct material, wages and applicable manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The management reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values.

Provision for impairment is made against the cost of items which are likely to become obsolete. The evaluation is based on comparison of historical and forecasted sales.

3.7 Contract work-in-progress

Contract work-inprogress represents the gross unbilled amount / revenue expected to be collected from customers for contract work performed to date less allowances for expected credit losses, if any. It is measured at costs and profit recognized to date less progress billing and recognized losses, if any.

Construction contracts in progress is presented as part of trade debts in the statement of financial position for all contracts in which cost incurred and recognized profits exceed progress billings. Contracts for which progress billings and recognized losses exceed costs incurred and recognized profits are presented as deferred income I revenue. Advances received from customers are presented as a liability in trade and other payables. Retention money received in respect of contracts are presented as other receivables.

3.8 Impairment of non-financial assets

The carrying amount of the assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized immediately in the statement of profit or loss. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

3.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.9.1 Financial assets

3.9.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

3.9.1.2 Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

(a) Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows: and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss, when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI, if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling: and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange retranslation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in statement of comprehensive income. Upon derecognition, the cumulative fair value change recognised in statement of comprehesive income is recycled to statement of profit or loss.

(c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-byinstrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in statement of comprehensive income. Equity instruments designated at fair value through OCI are not subject to impairment assessment

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3.9.13 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

a) the Company has transferred substantially all the risks and rewards of the asset; or

b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.9.1.4 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debts and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience and current conditions.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off, when there is no reasonable expectation of recovering the contractual cash flows.

3.9.2 Financial liabilities

3.9.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

3.9.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

(b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(c) Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Trade and other payables are recognized initially at fair value plus directly attributable costs, if any, and subsequently measured at amortized cost,

(d) Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives that do not qualify for hedge accounting are recognized in the statement of financial position at estimated fair value with corresponding effect to statement of profit or loss.The Company did not hold any derivative financial instruments during the year ended and as at 31 December 2018 and 2017.

3.9.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.9.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand, bank balances net of bank overdraft, call deposits and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value. Short-term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management, are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.11 Borrowing costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset.

3.12 Taxation

Income tax expenses comprise of current and deferred tax, Income tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income in which case it is recognized in statement of comprehensive income.

Current

Provision for current taxation is computed on taxable income at the current rates of taxation, after taking into account tax credits and rebates available, if any, in accordance with the provision of the Income Tax Ordinance, 2001. It also includes any adjustment to tax payable in respect of prior years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided by using the liability method, on all temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deterred tax liabilities are recognised for all taxable temporary differences, while deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forwards of unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that ills no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax asset to be recovered.

Deferred tax relating to items recognised directly in the other comprehensive income or equity is recognised in the statement of comprehensive income or equity and not in statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. The major income of the Company falls under final tax regime, accordingly the Company has not recognised deferred tax on respective assets and liabilities in these financial statements.

3.13 Surplus on revaluation of property, and equipment

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in statement of profit or loss, the increase is recognised in statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

During the year, the Company has changed its accounting policy for presentation and measurement of surplus on revaluation of property and equipment, due to adoption of the Companies Act, 2017 (the Act), which became applicable for the first time for the preparation of the Company's annual financial statements for the year ended December 31, 2018. The above change in the accounting policy is applied retrospectively but it does not have any impact on these financial statements, as the Company currently does not have any assets carried at revalued amount. Accordingly, the comparative information is not required to be restated in accordance with the requirement of International Accounting Standard (IAS) 16 Property, Plant and Equipment' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors and the Company has not presented its statement of financial position as at the beginning of the earliest comparative period i.e., January 01, 2017, and related notes in accordance with requirement of IAS 1 'Presentation of Financial Statements' (Revised) (IAS 1).

3.14 Employee benefits

3.14.1 Defined benefit plan - Funded gratuity scheme

The Company operates an approved funded gratuity scheme for all its permanent employees which provides for a graduated scale of benefits dependent on the length of service of the employee on termination date, subject to a minimum qualifying period for entitlement of three years continuous service with the Company. Under the gratuity scheme, gratuity is payable on retirement, resignation or death and are dealt with in accordance with the Trust Deeds and Rules as follows:

Years of service:	**Entitlement of gratuity:**
In case of resignation or retirement:	
Less than five years	Nil
Five years to less than seven and a half years	75% of basic salary for each completed year of service
Seven and a half years and above	100% of basic salary for each completed year of service
In case of death:	
Less than one year	Nil
One year to less than fifteen years	Fifteen months' basic salary
Fifteen years and above	One month's basic salary for each completed year of service

Contributions are to be made on the basis of actuarial valuation carried out at every year end using the Projected Unit Credit Method. Remeasurements which comprise of actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or terminations.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in statement of profit or loss

3.14.2 Defined contribution plans

The Company operates the following contribution plans for all its permanent employees:

Defined contribution provident fund

The Company operates a defined contribution provident. Equal monthly contributions are made, both by the Company and the employees, to a separated fund at the rate of 10% of basic pay. when the entitlement begins i.e. after the probation period.

Defined contribution pension fund

The Company operates a defined contribution pension scheme. Monthly contributions are made at the rate of 10% of basic pay by the Company to the fund. The Company pays pension under the Rules as follows:

Years of service:	**Entitlement of pension:**
Less than three years	Nil
Three years to less than five years	50% of the accumulated balance
Five years and above	100% of the accumulated balance

3.14.3 Compensated absences

The Company accounts for liability of employees compensated absences in the period in which they are earned on the basis of unavailed leave balance of each employee subject to a limit of 28 days leaves at year end that can be carry forward maximum for one year as per the Company's poilicy.

3.15 Provisions

Warranty

A provision for warranty is recognized when the underlying products are sold. The provision is based on historical sales data and a weighting of possible outcomes against their associated probabilities in respect of warranty.

Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for.

Others

Provisions are considered where the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

3.16 Revenue recognition

- Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable. the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. These conditions generally coincide with delivery of products to customers.

- Service revenue is recognized over the contractual period or as services are rendered.

- Contract revenue includes the initial amount agreed in the contract plus any variations in the contract work, claims and incentive payments, if any, to the extent that it is probable that they will result in revenue and can be measured reliably. Revenue from contracts are recognized in accordance with the stage of completion method. The stage of completion is assessed by reference to the proportion that the contract costs incurred for work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract cost that are likely to be recoverable. An expected loss on a contract is recognized immediately in statement of profit or loss.

- Rental income is recognized in the statement of profit or loss on a straight-line basis over the term of the lease.

- Interest on saving accounts and and term deposits are recognized on a time proportion basis taking into account effective yield on the said assets.

3.17 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date. Exchange differences, if any, are taken to statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period, in which these are approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to the financial statements

3.19 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards and interpretations		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 15	Revenue from Contracts with Customers	01 July 2018
IFRS 16	Leases	01 January2019
IAS 1/IAS 8	Definition of Material (Amendments)	01 January 2020
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

The above standards, amendments, interpretations and improvements to the standards are not expected to have any material impact on the Companys financial statements in the period of initial application except for IFRS 15 and IFRS 16 for which the Company is currently evaluating the impact of said IFRSs.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

Standards		IASB Effective date (annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	01 January2016
IFRS 17	Insurance Contracts	01 January 2021

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

	Note	2018	2017
		(Rupees in '000)	

4. PROPERTY AND EQUIPMENT

	Note	2018	2017
Operating fixed assests	4.1	49,588	71,536
Capital work-in-progress	4.2	3,073	627
		52,661	72,163

4.1 Operating fixed assests

The following is a statement of operating fixed assests:

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at 01 January 2018	Additions / *transfers / (deletions)	As at 31 December 2018	As at 01 January 2018	Descreption charge for the year	on deletion	As at 31 December 2018	As at 31 December 2018	Annual rate of depreciation %
	(Rupees in '000)								
Office hut	571	-	571	571		-	571	-	10
Structural improvements	12,844	-	12,844	4,174	7,293	-	11,467	1,377	50
Factory equipment	733	-	733	652	75	-	727	6	20
office equipment	60,197	1,222 (12,603)	48,816	46,349	6,729	(12,070)	41,008	7,808	10-50
Vehicles	77,656	*15,216 (25,425)	67,447	28,719	12,721	(14,390)	27,050	40,397	14-25
2018	152,001	1,222 *15,216 (38,028)	130,411	80,465	26,818	(26,460)	80,823	49,588	

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at 01 January 2017	Additions / *transfers / (deletions)	As at 31 December 2017	As at 01 January 2017	Descreption charge for the year	on deletion	As at 31 December 2017	As at 31 December 2017	Annual rate of depreciation %
	(Rupees in '000)								
Office hut	571	-	571	571	-	-	571	-	10
Structural improvements	-	12,844	12,844	-	4,174	-	4,174	8,670	50
Factory equipment	733	-	733	452	200	-	652	81	20
office equipment	67,050	5,653 (12,506)	60,197	50,059	8,561	(12,271)	46,349	13,848	10-50
Vehicles	68,837	*22,523 (13,704)	77,656	25,674	12,709	(9,664)	28,719	48,937	14-25
2017	137,191	18,497 *22,523 (26,210)	152,001	76,756	25,644	(21,935)	80,465	71,536	

4.1.1 Included herein fully depreciated assets costing Rs.32.984 million (2017: Rs.22.141 million).

4.2 Capital work-in-progress

	Note	2018	2017
		(Rupees in '000)	
Advance to suppliers	4.2.1	3,073	627

4.2.1 The movement of capital work-in-progress is as follows:

	Note	2018	2017
Opening balance		627	3,567
Add: Advances given during the year		17,662	19,583
		18,289	23,150
Less: Transferred to operating fixed assets during the year	4.1	15,216	22,523
Closing balance	4.2.2	3,073	627

4.2.2 Represents advances given to supplier for purchase of vehicles, which were delivered to the Company subsequent to year end

4.3 The details of operating fixed assets disposed off during the year are as follows:

	Cost	Accumulated Depreciation	Net Book Value	Sale proceeds	Particulars of buyers
			(Rupees in '000)		
Office equipment					
Aggregate amount of assests disposed off having written down value less than Rs.500,000 each	12,603	12,070	533	329	Various
	12,603	12,070	533	329	
Vehicles					
CAR TOYOTA FORTUNER 2.7	4,257	1,729	2,528	2,661	Employee - Company Policy
Honda Civic Vtec Cvt vt16	2,363	849	1,514	1,588	Employee - Company Policy
Toyota Grande Car BBY-740	2,156	1,617	539	539	Employee - Company Policy
Toyota Grande Car BBZ-020	2,156	1,651	505	505	Employee - Company Policy
Toyota Corolla Altis BKG-112	1,688	290	1,398	1,451	Employee - Company Policy
Honda City BKT-962	1,537	264	1,273	1,321	Employee - Company Policy
Car Toyota Altis-138B Grand CVT	1,537	576	961	1,009	Employee - Company Policy
Aggregate amount of assets disposed off having written down value less than Rs.500,000 each	9,731	7,414	2,317	5,147	Various
	25,425	14,390	11,035	14,221	
2018	38,028	26,460	11,568	14,550	
2017	26,210	21,936	4,275	4,655	

5. STOCK-IN-TRADE

	Note	2018	2017
		(Rupees in '000)	
Raw material including material-in-transit Rs. Nil (2017: Rs. 2149 million)		34,965	31,093
Material advanced to vendors		19,062	11,072
		54,027	42,165
Finished goods including goods-in-transit Rs. 104,559 million (2017: Rs. 66.466 million)	5.1	596,674	680,107
Finished goods held with vendors		1,217	1,673
Provision for obsolete stock-in-trade	5.2	(23,058)	(25,191)
		574,833	656,589
		628,860	698,754

5.1 Stock-in-trade of Rs. Nil (2017: Rs. 6.977 million) is measured at net realizable value and has been written down to Rs, Nil (2017: Rs.5.758 million).

		Note	2018	2017
			(Rupees in '000)	
5.2	Movement of provision for obsolete stock-in-trade is as follows:			
	Opening balance		25,191	10,125
	Charge for the year		-	15,066
	Reversal for the year		(2,133)	-
	Closing balance		23,058	25,191

6. TRADE DEBTS - unsecured

	Note	2018	2017
Considered good		697,991	551,793
Considered doubtful		79,443	64,882
		777,434	616,675
Less: Allowance for expected credit losses	6.1	79,443	64,882
		697,991	551,793

		Note	2018	2017
6.1	Movement of allowance for expected credit losses on trade debts is as follows:			
	Opening balance		64,882	12,813
	Allowance for expected credit losses for the year		9,823	52,069
	Impact of initial application of IFRS 9	3.4.2.3	4,738	-
	Closing balance		79,443	64,882

6.2 These are interest free and generally on a credit terms of 30 to 90 days except for turnkey project customers for whom credit period varies upto 6 months.

7. LOANS AND ADVANCES

	Note	2018	2017
		(Rupees in '000)	
Advances - unsecured, considered good			
- Suppliers		5	-
-Employees		1,411	1,447
- Executives*		1,123	367
- Shipping companies		4,142	2,696
- Custom authorities		145,021	11,764
		151,702	16,274
Less: Allowance for expected credit losses	7.1	38	-
		151,664	16,274

*The comparative figures have been restated to reflect the changes in the definition of Executive as per Companies Act, 2017.

		Note	2018	2017
			(Rupees in '000)	
	Movement of allowance for expected credit losses on advances is as follows:			
	Opening balance		-	-
7.1	Allowance for expected credit losses for the year		18	-
	Impact of initial application of IFRS	3.4.2.3	20	-
	Closing balance		38	-

8 DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2018	2017
Trade deposits - unsecured, considered good		54,551	54,400
Less: Allowance for expected credit losses	8.1	495	-
		54,056	54,400
Short-term prepayments		7,436	2,449
		61,492	56,849

8.1 Movement of allowance for expected credit losses on trade deposits is as follows:

	Note	2018	2017
		(Rupees in ‘000)	
Opening Balance		-	-
Allowance for expected credit losses for the year		248	-
Impact of initial application of IFRS 9	3.4.2.3	247	-
Closing balance		495	-

9. OTHER RECEIVABLES

	Note	2018	2017
Unsecured, considered good			
- Retention money		32,292	24,767
- Sales tax refundable		52,874	73,780
- Receivable from custom authorities	9.1	6,607	8,925
- Receivable from provident fund	9.2	-	14
- Receivable from related parties		191,906	7,813
- Cash margins	9.3	66,625	44,622
- Others		3,715	2,323
		354,019	162,244
Less: Allowance for expected credit losses		1,471	-
	9.4	352,602	162,244

9.1 9.1 During the year, the Company has received a show cause notice dated 27 February 2018 under Sales Tax Act, 1990 (the Act) on various matters for years 2013 to 2016 related to recovery of certain amounts. In response to said notice, the Company has submitted partial replies explaining the contentions of the Company for said matters. However, the DCIR proceeded to pass an Order dated 20 August 2018 raising a tax demand aggregating to Rs. 2,806 million under relevant sections 11, 33 and 34 of the Act. Being aggrieved, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] which was decided through the appellate order dated 12 October 2018 in the manner that certain matters aggregating to Rs. 223 million were deleted, other matters are remanded back aggregating to Rs. 1,840 million and the related default and penalty surcharge was deleted to the extent of relief allowed by the said order. As of the reporting date and to the date of authorization of these financial statements, no appeal effect proceedings have been initiated for the aforesaid matters remanded back by CIR(A) and the Company has also not filed any appeal before the Appellate Tribunal Inland Revenue (ATIR).

9.2 Represents Rs.Nil and Rs. 6.607 million (2017: Rs. 4.0 million and Rs. 4.925 million) recoverable from custom authorities on account of custom duty and income tax paid on exempt items.

9.3 Included herein receivables from the following group companies on account of services rendered by the Company:

	2018	2017
	(Rupees in ‘000)	
Philips Singapore PTE Limited	-	7,813
Philips Lighting Hong Kong Ltd	191,906	-
	191,906	7,813

9.3.1 The maximum aggregate amount outstanding during the year is as follows:

	2018	2017
Philips Singapore PTE Limited	-	7,813
Philips Lighting Hong Kong Ltd	191,906	-

9.3.2 The aging of related parties balances is as follows:

	2018	2017
Yet not due but impaired		
Philips Singapore PTE Limited	-	1
Philips Lighting Hong Kong Ltd	1,417	-

		Note	2018	2017
			(Rupees in '000)	
9.3.3	Related parties balances written off during the year is as follows:			
	Philips Singapore PTE Limited	23	3,074	-

9.4 Movement of allowance for expected credit losses on other receivables is as follows:

	Note	2018	2017
		(Rupees in '000)	
Opening balance			
Allowance for expected credit loss for the year		1,417	-
Closing balance		1,417	-

10. TAXATION - net

	Note	2018	2017
Opening tax refundable		109,521	122,813
Less: Provision for taxation	24	175,350	261,814
Add: Tax paid / deducted at source		261,263	248,522
Closing tax refundable		195,434	109,521

11. CASH AND BANK BALANCES

	Note	2018	2017
In hand:			
Cash		737	371
Cheques		319,955	302,214
		320,692	302,585
Balances with banks			
in current accounts		592	21,047
in saving accounts		-	141,386
	11.1	592	162,433
Less: Allowance for expected credit losses		1	-
	11.2	321,283	465,018

11.1 It carries mark-up rate ranging from 4.0% to 8% (2017: 4.0% to 4.5%) per annum.

11.2 Movement of allowance for expected credit loss on bank balances is as follows:

	Note	2018	2017
Opening balance		-	-
Impact of initial application of IFRS 9	3.4.2.3	1	-
Closing balance		1	-

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	2018	2017
Ordinary shares of Rs 10/- each			
169391,009 shares fully paid in cash		1,693,910	1,693,910
4,368,033 shares issued as fully paid bonus shares		43,680	43,680
2,100 shares fully paid for consideration other than cash	12.1	21	21
		1,737,611	1,737,611

12.1 As at 31 December 2018 99.97% shares (2017: 99.97%) are held by Philips Lighting Holding B.V, the parent company.

12.2 These are fully paid ordinary shares carry one vote per share and right to dividend.

13. STAFF RETIREMENT BENEFITS

13.1 Gratuity fund

The latest actuarial valuation for gratuity fund maintained by the Company for its permanent employees was carried out by the actuary as of 31 December 2018 using Projected Unit Credit Method and the principal assumptions used are as follows:

Significant actuarial assumptions	2018	2017
Financial assumptions		
Discount rate	13.25%	8.25%
Salary increase rate	13.25%	8.25%
Demographic assumptions		
Mortality rates (for death in service)	SLIC (2001-05-1)	SLIC (2001-05-1)
Rates of employee turnover	Moderate	Moderate

13.1.1 The amounts recognized in statement of financial position are as follows:

	Note	2018	2017
		(Rupees in '000)	
Present value of defined benefit obligation	13.1.3	114,949	135,253
Fair value of plan asset	13.1.4	(12,638)	(18,626)
Liability recognized in statement of financial position		102,311	116,627

13.1.2 Movement in the net defined benefit liability:

	Note	2018	2017
Opening balance		116,627	97,527
Charge for the year	13.1.5	17,479	15,195
Remeasurement (gains) / losses	13.1.6	(7,285)	3,748
Refund / (contributions paid) during the year		6,971	4,538
Benefits paid / payable		(31,481)	(4,381)
Closing balance		102,311	116,627

13.1.3 Movement in the Present value of defined benefit obligations:

	2018	2017
Opening balance	135,253	119,343
Charge for the year	18,503	17,091
Benefits paid / payable	(31,481)	(4,381)
Remeasurement (gains) / losses	(7,326)	3,200
Closing balance	114,949	135,253

13.1.4 Movement in the fair value of plan assests are as follows:

	2018	2017
Opening balance	18,626	21,816
Expected return on plan assets	1,024	1,896
Remeasurement losses	(41)	(548)
Benefits paid / payable	-	-
Contributions paid during the year	(6,971)	(4,538)
Closing balance	12,638	18,626

13.1.5 Amount recognised in the statement of profit or loss

Current services cost	7,879	7,411
interest cost	10,624	9,680
Expected return on plan assets	(1,024)	(1,896)
	17,479	15,195

13.1.6 Following amounts of remeasurements have been charged in the other comprehensive income in respect of these benefits

	Note	2018	2017
		(Rupees in '000)	
Remeasurement (gains) / losses on obligation			
Losses / (gains) due to change in financial assumptions		-	78
Losses / (gains) due to change in experience adjustments		(7,326)	3,122
Total remeasuremen losses on obligation		(7,326)	3,200
Remeasurement gains / losses on plan assets			
Losses / (gains) on plan assets		41	548
Total remeasurements (gains) / losses during the year		(7,285)	3,748
Total defined benefit cost recognized in profit and loss account and other comprehensive income		10,194	18,943

13.1.7 Analysis of present value of defined benefit obligation

Vested/non - vested		
Vested benefits	114,949	135,253
Type of benefits earned to date		
Accumulated benefit obligation	44,083	78,007
Amount attributed to future salary increases	70,866	57,246
	114,949	135,253

13.1.8 Composition of fair value of plan assets

	2018		2017	
	Fair value (Rupees)	%	Fair value (Rupees)	%
Term deposits receipts	-	0%	18,518	99.4%
Cash at banks	12,638	100%	108	0.58%
Fair value of plan net assets	12,638	100%	18,626	100%

13.1.9 Expected contributions to funds in the following year

	2019 (Rupees in '000)
Expected contributions to funds in the following year	20,564
The components of expected contribution for the next year:	
Current service cost	7,037
Interest expense on defined benefit obligation	15,444
Interest on plan assets	(1,917)
Net interest cost	13,527
	20,564

	2019 (Rupees in '000)
13.1.10 Maturity profile of the defined benefit obligation	
Distribution of timing of benefit payments (time in years)	
1	3,717
2	4,226
3	4,869
4	5,452
5	60,132
6-10	76,896

13.1.11 Sensitivity analysis on significant actuarial assumptions:	2018	2017
	(Rupees in '000)	
Discount rate + 50 basis points	110,585	130,468
Discount rate - 50 basis points	119,589	140,338
Salary increases + 50 basis points	119,700	140,476
Salary increases - 50 basis points	110,424	130,296
	Number	
Weighted average duration of the PBO	7.84	7.29

13.2 Provident fund - defined contribution plan

13.2.1 **Salaries, wages and benefits include Rs.9.322 million (2017: Rs. 9.537 million) in respect of provident fund contribution.**

13.2.2 **Investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified thereunder.**

13.3 Pension fund - defined contribution plan

13.3.1 **Salaries, wages and benefits include Rs.9.385 million (2017: Rs. 9.860 million) in respect of pension fund contribution.**

14. TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees in '000)	
Creditors	14.1	613,645	414,821
Accrued liabilities	14.2	414,547	461,023
Advances from customers		12,618	11,550
Dealers security deposits-non interest bearing		-	896
Zakat payable		-	12
Withholding tax payable		4,460	3,036
		1,045,270	891,338

14.1 Included herein Rs. 482.657 million (2017: Rs.363.972 million) due to the following group companies on account of purchases of goods, receiving services, etc.

Group companies:	Note	2018	2017
		(Rupees in '000)	
Philips Lighting B.V.		**148,716**	98,210
WMGD Pty Ltd T/as Dynalite		**204**	276
Philips Lighting NA Corp		**9,759**	15,920
Philips Lighting Belgium NV		**12,883**	-
PLS Operations - San Marcos		**8,930**	8,930
Signify Luminaires		**78,972**	13,678
Signify Electronics Technology		**161**	161
Philips Lighting Chilena S.A		**1,026**	-
Philips Lighting Korea Ltd.		**289**	-
Signify Luminaires (Chengdu) Co.,Lt		**23,674**	23,480
Philips Lighting Export BV		**20,711**	-
Philips Lighting Hungary Ltd.		**1,571**	3,188
PT Philips Indonesia		**956**	871
Ilti Luce S.R.L.		**676**	637
PLS Operations - Tupelo		**-**	8,851
Philips Lighting Italy S.P.A.		**16**	167
Philips Lighting Commercial		**15**	1,463
Philips Electronics and Lighting		**7,252**	10,125
Philips Lighting Poland Sp. Z.O.O.		**2,201**	11,195
Lighting Payroll the Netherlands		**249**	249
Signify Singapore Pte. Ltd.		**154,430**	76,994
Philips Electronics (Thailand) Ltd		**120**	1,900
Philips Lighting Aydinlatma Ticaret		**353**	4,453
Philips Electronics Vietnam Limited		**88**	119
Philips International B.V		**963**	-
Philips France		**-**	384
Philips Consumer Luminaires		**-**	165
Phillips Electronics Singapore		**7,607**	7,607
Signify Singapore Pte. Ltd Singapore		**709**	-
Philips Lighting India Limited		**-**	108
Philips Electronics Nederland B.V.		**-**	17,733
Philips Lighting Hong Kong Ltd		**126**	57,108
		482,657	363,972

14.2 The break-down of accrued liabilities are as follows:

	Note	2018	2017
Salaries and wages		**46,786**	70,946
Warranty provision	14.3	**52,442**	86,721
Distributors incentives		**105,399**	114,808
Marketing accruals		**99,919**	34,558
Utilities accruals		**270**	1,305
Freight accruals		**10,047**	15,560
Project related accruals	14.4	**60,491**	103,359
Others		**39,193**	33,766
		414,547	461,023

14.3 The movement of warranty provision is as follows:

	Note	2018	2017
		(Rupees in '000)	
Opening balance		86,721	116,249
Provision made during the year		59,171	81,574
Replacement made during the year		(93,450)	(111,102)
Closing balance		52,442	86,721

14.4 Represents accrued expenses in respect of contracts relating to various supply and installation projects.

15. PROVISIONS

15.1 Represents provisions against custom duty and legal cases contested by the Company.

15.2 The movement in provisions during the year are as follows:

	Note	2018	2017
		(Rupees in '000)	
Opening balance		234,431	151,674
Additional provision made during the year		12,641	89,528
Reversals during the year		(225,100)	(6,771)
Closing balance		21,972	234,431

16. SHORT-TERM RUNNING FINANCES

The Company had obtained various running finance facilities from commercial banks aggregating to Rs.500 million (2017: Rs. 500 million) carrying mark-up rate ranging from 6.8% to 11.4% per annum (2017: 6.75% to 7.28% per annum). These facilities will expire latest by 30 June 2019 and are secured by registered ranking hypothecation pari passu charge over the present and future stock-intrade, book debts of the Company and stand-by letter of credits aggregating to Rs.1,51 1.491 million. The unutilized amount of these facilities are Rs. 114.198 million.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 The details of legal cases filed against the Compnay are as follows:

Court	Factual description	Date of institution	Party	Relief Sought
Hight Court of Sindh	Counter suit filed by Dreamworld of non-performance of contract terms	August 2001	Dreamworld	Recovery of Rs. 83.472 million (2017: Rs.83.472 million) on non performance of contract terms.
High Court of Lahore	Suit filed by vendor against Company to restrain Company for encashment of insurance guarantee	November 2017	Western Engineering (vendor)	Recovery of Rs. 3 million (2017: Rs.3 million) for encashment of insurance gurantee
Hight Court of Sindh	Case filed by ex-employees against the Company on dispute over the final settlement	September 2009	Fayaz Ahmed (Ex-Employee)	Recovery of Rs. 2.2 million (2017: Rs. 2.2 million) for recovery of final settlement
Supreme Court of Pakistan	Civil petition for leave to appeal	January 2018	Collector of Sales Tax & Central Excise, Large Taxpayer Unit	Receovery of Rs. 1.9 million (2017: Rs.1.9 million) for sales tax on services from customer
Civil Court - Lahore	Civil recovery suit in demand of payments against good delivered	May 1991	Syed Ghulam Raza (a customer)	Recovery of Rs. 0.289 million (2017: 0.289 million) for demand of payments

The Company based on the opinion of its legal counsel believes that either they have no exposure to the Company or would be decided in the Company's favour.

	2018	2017
	(Rupees in '000)	
17.1.2 Letter of guarantees issued by banks on behalf of the Company	**56,339**	61,403

17.1.3 Income tax and sales tax matters, as more fully explained in notes 9.1, 24.3 to 24.8 to these financial statements.

	2018	2017
	(Rupees in '000)	
17.1.2 Commitments		
Letters of credits	**6,109**	5,257

As of 31 December 2018, the Company has the facility limit for opening letters of credit and guarantees of Rs.760 million (2017: Rs.760 million).

18. TURNOVER - net

	2018	2017
	(Rupees in '000)	
Turnover - gross	**4,777,433**	5,138,432
Trade discount	**(254,899)**	(305,395)
Sales Tax	**(549,696)**	(640,299)
	3,972,838	4,192,738

18.1 Included herein are toll manufacturing sales of Rs. 497.178 million (2017: Rs.387.88 million) and contract revenue recognised to date-net of Rs.18.841 million (2017: Rs.152.549 million).

19. COST OF SALES

	Note	2018	2017
		(Rupees in '000)	
Opening finished goods	5	**681,780**	432,973
Purchase of goods		**2,416,407**	3,057,797
Cost of goods manufactured	19.1	**345,450**	250,075
		3,443,637	3,740,845
Closing finished goods	5	**(597,891)**	(681,780)
		2,845,746	3,059,065
Direct expenses:			
Warranty provisions	14.3	**59,171**	81,574
Charge of provision for obsolete stock-in-trade - net	5.2	**(2,133)**	15,066
Outward freight		**94,800**	119,060
		151,838	215,700
		2,997,584	3,274,765

19.1 Sales and cost of sales of goods manufactured related to vendors manufacturing are as follows:

	Note	2018	2017
Sales		**497,178**	387,880
Opening material:			
Raw material	5	**31,093**	49,557
Material advanced to vendors	5	**11,072**	12,794
		42,165	62,351
Purchase of raw material		**253,000**	117,056
Vendors value addition		**104,312**	112,833
		357,312	229,889
Closing material:			
Raw material	5	**(34,965)**	(31,093)
Material advanced to vendors	5	**(19,062)**	(11,072)
		(54,027)	(42,165)
Cost of goods manufactured		**345,450**	250,075
Gross profit		**151,728**	137,805

20. ADMINISTRATIVE AND DISTRIBUTION EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Salaries, wages and other benefits	20.1	**249,916**	259,404
General Service Unit Agreement ('GSUA")	20.2	**65,483**	55,233
Outsourcing expense		**41,065**	40,247
Publicity		**65,667**	125,676
Security		**1,372**	1,450
Depreciation	4.1	**26,818**	25,644
Fuel and power		**3,841**	7,510
Repairs and maintenance		**6,344**	13,320
Regional costs	20.3	**47,906**	55,166
Rent, rates and taxes		**19,614**	23,228
Travelling		**27,781**	42,536
Postage and stationary		**5,202**	8,583
Telephone and communication		**10,117**	11,396
Insurance		**5,562**	6,843
Auditors' remuneration	20.4	**2,237**	2,100
Legal and professional		**7,469**	6,580
Others		**2,292**	7,720
		588,686	692,636

20.1 Salaries, wages and other benefits includes bonus to employees of Rs.14.240 million (2017: Rs.19.414 million) and incentive given to Chief Executive by the parent company, which is recoverable from the Company of Rs. 5.554 million (2017: Rs.6.099 million).

20.2 On 01 January 2014, the Company had entered into a agreement with Philips Electronics Nederland B.V., a Philips group company (related party), for business support services within the Philips Group. However, after the split of Philips group businesses into Lighting and Health Tech business, the Company had entered into a new agreement with Philips Lighting B.V., a Philips group company (related party) on February 1,2016, for business support services within the Philips Group. The objective is to ensure the availability of optimal expertise and capabilities at the right cost level, while providing globally consistent services. This agreement shall remain in force for an initial period of one year, thereafter it shall automatically continue for another period of twelve months unless written notice of its termination is given by one party to other at least six months before the end of the initial period or such extended period.

In order to ensure continuity of the Company's business operations, the Company is interested to take advantage of and secure access to the aforementioned rights, know-how and experience and acknowledge the necessities of paying an appropriate consideration.

20.3 Represents regional costs charged by group companies i.e. Philips Lighting Export B.V., Dubai (2017: Philips Singapore Pte Ltd.) on account of bugeting, monthly results review services, Accounting Operations, Tax and HR related services provided to the Company.

20.4 Auditor's remuneration

	2018	2017
	(Rupees in '000)	
Audit fees - statutory	**1,650**	1,650
Fee for special certifications and other services	**75**	75
Sindh sales tax	**138**	138
Out-of-pocket expenses	**374**	237
	2,237	2,100

21. OTHER INCOME

	Note	2018	2017
		(Rupees in '000)	
Income from financial assests:			
interest income on saving accounts		4,108	21,539
Income from non-financial assests:			
Scrap sales		237	2,517
Gain on sale of operating fixed assests		2,982	381
Others		2,046	5,554
		5,265	8,452
		9,373	29,991

22. FINANCE COSTS

Bank / gurantee charges and others		17,469	6,485

23. OTHER OPERATING EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Exchange loss - net		174,405	51,364
Allowance for expected credit losses for the year			
- trade debts	6.1	9,823	52,069
- advances	7.1	18	-
- trade deposits	8.1	248	-
- other recievables	9.4	1,417	-
Other receivables written off - group companies		3,074	-
Others		4	360
		188,989	103,793

24. TAXATION

	Note	2018	2017
Current		197,496	240,430
Prior		(22,146)	21,384
	24.8	175,350	261,814

24.1 Income tax assessment of the Company have been completed up to and including tax year 2018 (i.e. income year ended 31 December 2017). In accordance with the provisions of Section 120 of Income Tax Ordinance 2001 (the Ordinance), returns of income filed for tax years 2004 to 2018 are treated as assessment orders issued by the commissioner of income tax.

24.2 Included herein super tax of Rs.20.388 million relating to the tax year 2018 imposed for rehabilitation of temporarily displaced persons under Section 4B of the Income Tax Ordinance, 2001 through Finance Act, 2018.

24.3 In year 2012, the tax year 2010 was selected for audit by the tax authorities under Section 214C of the Income Tax Ordinance, 2001. In the year 2016, the tax authorities concluded the audit for tax year 2010 and issued assessment order dated 22 June 2016 whereby raising a demand of Rs.36.8 million. The Company under protest requested the income tax department to adjust the demand out of refunds available for tax years 2008, 2009 and 2011. The said request was made without prejudice to the appeal filed by the Company before [CIR(A)] which was heard on 05 September 2016 and later on 6 March 2018. Later, on 4 April 2018, CIR(A) passed an order, whereby:

(a) disallowance of trade discounts, provision for retirement benefits and stock write-off has been deleted;
(b) toll manufacturing charges was disallowed to the extent of tax short-deducted;
(c) disallowance of restructuring provision remanded back for re-examination; and
(d) disallowance of lease rental was confirmed.

The Company has filed an appeal on 04 July 2018 before Appellate Tribunal Inland Revenue (ATIR) in respect of matters not decided in their favour. Similarly, the tax department has also filed an appeal before the ATIR on matters that were either decided in favour of the Company or remanded back by CIR(A). Currently, both the appeals are pending for hearing before ATIR.

24.4 In year 2016, the tax officer issued a notice under Section 176 of the Income Tax Ordinance, 2001 (the Ordinance) for monitoring of withholding taxes for tax year 2011. The said notice was replied and relevant information were provided. Consequently, a show cause notice was issued in February 2017 by the officer and thereafter an order was passed in March 2017 under Section 161/205 Ordinance in respect of non-deduction of withholding tax on discounts given to distributors / customers through invoices under Section 156 of the Ordinance.

Further, additional trade discounts given to distributors / customers through credit notes, publicity expense and direct selling expenses have been treated by Officer Inland Revenue (OIR) as "Prize" under Section 156 of the Ordinance and thus subjected to withholding of tax at the rate of 20%. Later, the OIR had created a demand of Rs. 20.792 million under Section 161 and Rs. 22.824 million under Section 205 of the Ordinance respectively. Being aggrieved, the Company has filed an appeal against the order of the OIR before Commissioner Inland Revenue (Appeals) [CIR(A)]. The CIR(A) vide combined appellate orders dated 2 October 2017 (received on 01 March 2018) has held in respect of invoice trade discount, the CIR(A) agreeing with our arguments has held that the OIRs action was not sustainable and thus recovery of tax under Section 161 of the Ordinance on trade discount on invoices has been deleted. In respect of additional trade discounts given to distributors / customers through credit notes, publicity expense and direct selling expenses, CIR (A) confirmed action of OIR i.e. discounts and expenses incurred fall under the scope of Section 156 of the Ordinance as "prizes". Further, in respect of default surcharge CIR(A) has held that since default in withholding of tax is confirmed therefore the levy of default surcharge to such extent is also confirmed. Later, the Company has filed an appeal on 25 April 2018 before Appellate Tribunal Inland Revenue (ATIR) against the order of learned CIR (A), which is currently pending for hearing.

24.5 In year 2017, the Company received notices dated 25 January 2017 and 14 December 2017 for monitoring of withholding taxes for tax year 2016, in response to which detailed response has been submitted. Later, on 29 June 2018 an order was passed by OIR under Sections 161 and 205 of the Ordinance for recovery of taxes not withheld on discounts allowed by the Company amounting to Rs. 33.4 million and Rs. 10 million, respectively. In said order, OIR has treated the above discounts as "prizes" and levied tax at the rate of 20 percent under Section 156 of the Ordinance. The Company under protest had deposited Rs. 10 million to obtain stay from the recovery of the above tax demand till the decision of the appellate forums. Further, appeal against the aforesaid order has also been filed with the CIR(A), which is currently pending for hearing.

24.6 During the year, a show cause notice dated 14 December 2018 was issued by tax officer under Section 182 of the Ordinance for levying a penalty for non-furnishing of monthly withholding tax statement by the Company for the month of January 2018 related to tax year 2019. Thereafter, the Company has immediately e-filed the statement and submitted an explanation to tax officer and requested for non-imposition of penalty, as e-filing was due to inadvertence and unintentional. However, tax officer has passed an order dated 21 December 2018 and a penalty of Rs. 0.8 million was imposed. Subsequently on 07 January 2019, the Company has filed an appeal before CIR(A) to contest the above imposed penalty, which is currently pending for hearing.

24.7 In respect of tax matters disclosed in note 24.3 to 24.6, the Company based on the views of its tax advisor believes that sufficient grounds are available on the basis of which appeals have been preferred and we feel that there are reasonable arguments in support of grounds taken before the respective appellate authorities, accordingly, no provision has been made in these financial statements.

		2018	2017
		(Rupees in '000)	
24.8	Accounting profit before tax	**189,483**	145,051
	Tax @ 29% (2017 : 30%)	**54,950**	43,515
	Tax effect of income assessed under final tax regime	**175,380**	235,081
	Prior year tax charge	**(22,146)**	21,384
	Minimum tax liability	**-**	5,349
	Others	**(32,834)**	(43,515)
		175,350	261,841
	Effective tax rate	**93%**	180%

24.9 The Company's assessments for taxation are being assessed under final tax regime for trading activities and normal tax regime for toll manufacturing activities. The proportion of income relating to normal tax regime is insignificant as compared to overall activities of the Company. Accordingly, the Company has not recognised any deferred tax on deductible and taxable temporary differences in these financial statements.

25. (LOSS) / EARNINGS PER SHARE – BASIC AND DILUTED

	2018	2017
	(Rupees in '000)	
Profit / (loss) for the year	**14,133**	(116,763)
	(Number of shares in '000)	
Weighted average number of shares outstanding during the year	**173,761**	173,761
	(Rupees)	
Earnings / (loss) per share	**0.08**	(0.67)

There is no dilutive effect on basic earnings per share of the company

26. CASH AND CASH EQUIVALENTS

	Note	2018	2017
		(Rupees in '000)	
Cash and cash equivalents comprise of:			
Cash and bank balances	11	**321,283**	465,018
Short-term running finances	16	**(385,802)**	–
		(64,519)	465,018

27. CASH USED IN OPERATIONS

	Note	2018	2017
Profit before taxation		**189,483**	145,051
Adjustments for non-cash and other items:			
Depreciation	4.1	**26,818**	25,644
Provision for doubtful debts	6.1	**9,823**	52,069
(Reversal) / charge of provision for obsolete stock-in-trade - net	5.2	**(2,133)**	15,066
Provision for staff retirement benefits	13.1.2	**17,479**	15,195
Interest income on saving accounts	21	**(4,108)**	(21,539)
Gain on sale of property and equipment	21	**(2,982)**	(381)
Finance costs	22	**17,469**	6,485
Exchange loss - net	23	**(174,405)**	(51,364)
Working capital changes	27.1	**(303,513)**	(387,027)
		(226,069)	(200,801)

27.1 WORKING CAPITAL CHANGES

	2018	2017
(Increase) / decrease in current assets:		
Stock-in-trade	**72,027**	(228,622)
Trade debts	**(160,759)**	75,381
Loans and advances	**(135,411)**	2,156
Deposits and short-term prepayments	**(4,892)**	1,992
Other receivables	**(190,357)**	(32,084)
	(419,392)	(181,177)
Increase / (decrease) in current liabilities:		
Trade and other payables	**328,338**	(288,608)
Provisions	**(212,459)**	82,757
	(303,513)	(387,027)

28. NUMBER OF EMPLOYEES

	2018	2017
At the end of the year Permanent	**63**	74
Average number of employees: Permanent	**66**	72

29. LONG-TERM SUPPLY AND INSTALLATION CONTRACTS

	2018	2017
	(Rupees in '000)	
Contract revenue recognised to date - gross	**21,326**	176,807
Contract revenue recognised to date - net of sales tax	**18,841**	152,549
Contract costs recognised to date	**10,144**	117,852
Gross profit realised to date	**11,182**	58,955
Advance received	**-**	-
Retention money receivable	**32,292**	41,933
Progress billings	**21,326**	176,807
Gross amount due from / (to) customers	**-**	-

29.1 The estimates of contract costs are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

The stage of completion is also assessed by reference to surveys of work performed depending on the nature of the contract. When the outcome of a construction contract can not be estimated reliably, the contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in statement of profit or loss.

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for the year charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives are as follows:

	Chief Executive		Directors		Executives (note 28.2)	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Managerial remuneration	14,654	14,382	12,314	14,916	54,047	54,410
Retirement benefits	2,687	2,659	2,535	2,767	10,300	9,975
Perquisites:						
- medical expenses	9	10	37	123	1,212	3,188
- housing	8,499	8,342	7,576	9,358	25,796	26,583
- conveyance	350	337	959	800	11,806	8,351
- bonus	2,319	7,279	2,238	4,678	9,859	16,399
Company's contribution to provident fund	1,465	1,438	1,231	1,492	5,405	5,421
Group insurance	162	153	136	158	598	602
Club subscriptions	136	263	65	61	-	-
Incentive by parent	5,554	6,100	-	-	-	-
	35,835	40,963	27,091	34,353	119,023	124,928
Number of persons	1	1	2	2	41	41

30.1 In addition, the chief executive, directors and executives are provided with free use of cars and certain household items in accordance with their entitlement. The chief executive and directors have also been provided with telephone facility at their residences.

30.2 The comparative figures have been restated to reflect the changes in the definition of Executive as per Companies Act, 2017.

31 TRANSACTIONS WITH RELATED PARTIES

31.1 Related parties comprise of parent company and its affiliates (i.e. related group companies), companies where directors hold common directorship, key management personnel and their close family members and staff retirement benefit funds. All transactions with related parties are entered into agreed terms including transactions with related parties on account of purchases and general sales agreement charges have been entered into and recorded at amounts agreed with counter parts and transactions with key management personnel were as per the terms of their employment.

The details of transactions with related parties and related balances are as follows:

Name, relationship, transactions and balances	Note	2018	2017
		(Rupees in '000)	
Transactions during the year:			
Parent Company - Philips Lighting Holding B.V.			
General Services Unit Agreement (GSUA)	31.2	65,483	55,233
Purchase of goods	31.2	301,572	287,531
Group companies (note 31.2)			
Purchases of goods / services received during the year	31.2	1,527,618	2,250,403
Salary charged during the year		-	7,813
Staff retirement benefits fund			
Contribution to / (refund from) gratuity fund		6,971	(4,538)
Contribution to employees provident fund		9,323	9,537
Contribution to employees pension fund		9,385	9,860
Key management personnel (note 31.3)			
Salaries and other short-term benefits		54,551	66,689
Post employement benefits		5,501	5,601
Balances with related parties at year end:			
Parent Company - Philips Lighting Holding B.V.			
Payable against GSUA charges		115,976	100,960
Group companies (note 31.2)			
Other receivables	9	191,906	7,813
Creditors	14.1	482,657	363,972
Staff retirement benefits balances			
(Payable to) / receivable from provident fund		(2,801)	14
Payable to pension fund		118	1,083
Payable to staff retirement benefits - gratuity		102,311	116,627

31.2 The following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place:

Name and basis of relationship	Percentage of shareholding	Registered addresses	Country of incorporation	Nature of Transactions	2018	2017
Parent Company: Philips Lighting Holding B.V.	–	High Tech Campus 45 5656 AE Eindhoven	Netherlands	GSUA (IT charges) *Purchase of goods	65,483 301,572	55,233 287,531
Group Companies: ILTI LUCE S.R.L.	–	Lungo Dora P. Colleta 113/9-10153 TORINO, Italia	Italia	*Purchase of goods	39	(19)
Lighting Payroll the Netherlands	–	High Tech Campus 45 5656 AE Eindhoven	Netherlands	*Purchase of goods	–	249
Philips Electronics (Thiland) Ltd	–	1768, 26th floor, Thai Summit Tower,	Thailand	*Purchase of goods	345	2,803
Philips Electronics Vietnam Ltd	–	Amata Commercial Zone, Long Binh Ward, Bien hoa city, Dong	Vietnam	*Purchase of goods	941	308
Philips Lighting Aydinlatma Ticaret	–	Saray Mah. Dr. Adnan Buyukdeniz Cd. No:13, 34768 Umraniye, Istanbul, Turkey	Turkey	*Purchase of goods	(4,633)	4,453
Philips Lighting Belgium NV	–	Steenweg op Gierle 417 2300 Turnhout, Belgium	Belgium	*Purchase of goods	92,263	–
Philips Lighting BV Dubai	–	Al Sufouth, 2 Knowledge Village Dubai	United Arab Emirates	*Purchase of goods	767	–
Philips Lighting Chilena S.A CL	–	AV. Andres bello 2115 Santiago	Chile		1,026	–
Philips Lighting Commercial	–	Level 8, Menara Axis, No. 2 Jalan 51A/223 46100 Petaling Jaya, Selangor D.E	Malaysia	*Purchase of goods	1,354	3,906
Philips Lighting Hong Kong Ltd	–	Enterprise Square, Hong Kong	Hong Kong	*Purchase of goods	894,226	1,718,083
Philips Lighting Hungary Ltd.	–	Szabadsag ut 107. 7090 Tamasi, Hungri	Hungary	*Purchase of goods	(2,047)	2,167
Philips Lighting Italy S.p.A.	–	Via E. T. Moneta 40 20161 Milano	Italy	*Purchase of goods	(167)	3,375
Philips Lighting Korea Ltd KR	–	Yongsan-Ku, Seoul , Koria	Republic of Korea	*Purchase of goods	289	–
Philips Lighting NA Corp	–	3 Burlington Woods Drive Burlington, MA, USA	United States of Amercia	*Purchase of goods	10,019	19,733
Philips Lighting Poland SP. Z O. O.	–	Pila, ul. Kossaka 150 O/Ketrzyn ul. Chrobrego 8	Poland	*Purchase of goods	15,068	29,561
PLS Operations - San Marcos	–	1611 Clovis R Barker Road San Marcos, TX	United States of Amercia	*Purchase of goods	–	3,049
PT Philips Indonesia	–	95-100 JL Buncit Raya kav Jakarta	Indonesia	*Purchase of goods	34,128	13,209
Signify LUMINAIRES	–	2nd floor, Builiding 1805 HUYI Highway, MALU town Jiading District, Shanghai	China		65,294	90,881
Signify Luminaires Chengdu Co Ltd	–	No.91 Tianyan Road Hi-Tech West District CHENGDU, China	China	*Purchase of goods	193	205,671
Signify Philippines, Inc	–	10th floor sunlife centre	Philippines	*Purchase of goods	17	10,103
Signify Singapore Pte. Ltd	–	622 Lorong 1 Toa Payoh	Singapore	*Purchase of goods	369,382 –	86,790 55,166
WMGD Pty Ltd T/as Philips Dynalite	–	Unit 6, 691 Gardeners Road Mascot NSW 2020, Australia	Australia	*Purchase of goods	471	1,185
Genlyte Thomas Group LLC	–	776 S Green St Tupelo, Mississippi, USA	USA	*Purchase of goods	1,071	–
PT. Signify Commercial Indonesia	–	5-19 JL Berbek Industry I Surabaya, Indonesia	Indonesia	*Purchase of goods	–	(275)
Signify France	–	LE Vivier RN 20 Nord Lamotte-Beubron, France	France	*Purchase of goods	(334)	5
Philips Lighting Export BV Dubai	–	301/302 3/F choueiri building, konwlede village	Dubai-UAE	*Purchase of goods	6,344	–
					1,527,618	**2,250,403**

* These are net off adjustment of credit notes received.

31.3 The details of key management personnal are as follows:

Name of the key management personnel	Role / designation
Asad Said Jafar	Chief Executive Officer
Aamir Jan Mohammad	Chief Financial Officer
Zareen Intezar	Company Secretary
Nadeem Aslam	Director

32. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

32.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. No changes were made in the objectives, policies or processes and assumptions during the year ended 31 December 2018.

32.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. 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 ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

32.2.1 Trade debts, deposits and other receivables

The Company's exposure to credit risk is influences mainly by the individual characteristics of each customer. The management also continuously monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

The Board of Directors has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment, and delivery terms and conditions are offered. The Company's review includes external ratings. when available.

The Company's maximum exposure to credit risk at the reporting date is as follows:

32.2.2 Financial Assests	Note	2018	2017
		(Rupees in '000)	
Trade det - net	6	697,991	551,793
Loans and advances	7	151,702	16,274
Deposits	8	54,551	54,399
Other receivables	9	354,019	162,245
Bank Balances	11	592	162,433
		1,258,855	947,144

Financial Assests	2018	2017
Not Past due	1,181,364	882,262
Past.due	77,492	64,882
	1,258,855	947,144

32.2.3 The aging of trade debts (on gross basis) at the reporting date was:

	2018			2017		
	Gross	Allowance for ECL	Net	Gross	Allowance for ECL	Net
			(Rupees in '000)			
Not Past due	**643,367**	**1,188**	**642,179**	**471,558**	**1,129**	**470,429**
Past due						
Not more than 03 months	23,178	810	22,368	67,339	1,602	65,737
More than 03 months but less than 06 months	2,625	567	2,058	5,235	812	4,423
More than 06 months but less than 01 year	-	-	-	7,661	1,195	6,466
More than 01 year	108,264	72,140	36,124	64,882	64,882	-
	134,067	73,517	60,550	145,117	68,491	76,626
	777,434	74,705	702,729	616,675	69,620	547,055

32.2.4 The Company impairs trade debts as defined in accounting policies disclosed in note 3.9.1,4 to these financial statements

32.2.5 The Company has no exposure to credit risk by geographic region wise for trade debts as at 31 December 2018, as the Company sells its goods only in Pakistan.

32.2.6 The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Agency		Rating - Short/long term		2018	2017
	2018	2017	2018	2017	(Rupees in '000)	
Standard Charterd Bank (Pakistan) Limited	PACRA	PACRA	A1+ / AAA	A1+ / AAA	592	141,932
MCB Bank Limited	PACRA	PACRA	A1+ / AAA	A1+ / AAA	-	19,069
Deutsche Bank Limited	Moody's	Moody's	P-2 / A3	P-1 / Aa3	-	1,432
					592	162,433

32.2.7 Concentration of credit risk

The sector wise analysis of gross trade debts is as follows:

	2018	2017
	(Rupees in '000)	
Distributors	**463,231**	479,471
Government authorities	**93,823**	83,823
Modern retail	**11,308**	17,293
Hospital	**2,934**	3,772
Chemical	**9,503**	6,467
Construction	**9,584**	9,976
Petroleum industry	**176,128**	2,797
Banking	**6,992**	2,667
Hotel industry	**3,277**	3,673
Textile	**654**	5,395
Cement industry	**-**	1,341
	777,434	616,675

The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts.

32.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as and when they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as and when they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressful conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying amount	Contractual cash flows	Less than one year	1 - 2 years	2 - 3 years
31 December 2018	-----------(Rupees in '000)-----------				
Trade and other payables	1,050,163	1,050,163	1,050,163	-	-
short-term running finances	385,802	385,802	385,802	-	-
	1,435,965	1,435,965	1,435,965	-	-
31 December 2017					
Trade and other payables	1,102,644	1,102,644	1,102,644	-	-
Short-term running finances	-	-	-	-	-
	1,102,644	1,102,644	1,102,644	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

32.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk comprise of three types of risks: currency risk, interest rate risk and other price risk.

32.4.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions based on currencies other than Pakistan Rupees. The Company is exposed to currency risk on purchases and GSUA liability that are in currencies other than Pakistan Rupees. The Company manages currency risk by making timely payments. The Company exposure to currency risk in Pakistan Rupees at the year end are as follows:

	2018			2018		
	EURO	USD	SGD	EURO	USD	SGD
Financial liabilities -Statement of Financial Position	---------- (Rupees in '000) ----------					
Trade and other payables	10	2,695	5	281	3,447	65

Sensitivity analysis

	Average rate for the year		Spot rate at year end	
	2018	2017	2018	2017
Exchange rates applied during the year and at year end are as follows:				
EURO 1	144.36	119.86	159.74	131.91
USD 1	122.36	105.49	139.80	110.35
SGD 1	93.21	76.68	102.47	82.58

Every 5% increase or decrease in exchange rate, with all other variables held constant, will increase or decrease profit before tax for the year by Rs. 18.946 million (2017: Rs.22.319 million).

32.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of statement of financial position date, the Company is only exposed to interest rate risk on short-term running finances obtained from banks. Increase / decrease in floating interest rate by 1% will increase or decrease profit before tax for the year by Rs. 3.858 million (2017: Nil).

33. FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability can be settled, between knowledgeable willing parties in an arms length transaction. The carrying amounts of all the financial instruments reflected in these financial statements approximate to their fair value as at reporting date.

Fair value hierarchy

Financial Instruments carried at fair value are categorized as follows:
Level 1: Quoted market price.
Level 2: Valuation techniques (market observable)
Level 3: Valuation techniques (non- market observables)

As of statement of financial position date, the Company does not have any financial assets carried at fair value that required categorization in Level 1. Level 2 and Level 3.

34. CAPITAL MANAGEMENT

The Company defines the capital that its manages as the Company's total equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern. The Company has support from its parent concern to assist it in capturing market share and maintaining its sustainability. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the year ended 31 December 2018.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. The Company monitors capital using a debt equity ratio, which is net debt divided by total capital plus net debt. Equity comprises of share capital and reserves. The gearing ratio as at 31 December 2018 and 31 December 2017 are as follows:

	2018	2017
	(Rupees in '000)	
Short-term running finances	385,802	-
Total debts	385,802	-
Less: Cash and bank balances	321,283	465,018
Net debt	64,519	(465,018)
Share capital	1,737,611	1,737,611
Capital reserves	12,419	12,419
Revenue reserves	(844,445)	(860,857)
Total equity	905,585	889,174
Total capital	970,104	424,155
Gearing ratio	7%	-

35. CORRESPONDING FIGURES

Corresponding figures have been re-arranged in line with the requirements of Fifth Schedule to the Companies Act, 2017.

Reclassification form component	Reclassification to component	Notes - Year 2017	(Rupees in '000)
Statement of financial position			
Current assets			
- Trade deposits and prepayments (retention money)	- Other receivables	8	17,165
Current liabilities			
- Trade and other payables	- Unclaimed dividend	14	1,047
Statement of profit or loss			
- Salaries, wages and other benefits	- Legal and professional	18	718
	- Outsourcing expenses	18	32,126
	- Security	18	1,372

36. DATE OF AUTHORISATION

These financial statements were approved and authorised by the Board of Directors of the Company in their meeting held on MAY 9th 2019.

37. NON-ADJUSTING EVENTS

The Board of Directors of the Company in their meeting held on ____MAY 9th 2019.______ have recommended cash dividend @ ____Nil____ amounting to Rs. ___Nil___ million on the existing paid-up value of the ordinary share capital for approval of the shareholders in the annual general meeting to be held on ______MAY 30th 2019._____.

Chairman & CEO

Director & Chief Financial Officer

Notice of 65th Annual General Meeting

NOTICE is hereby given that the sixty fifth (65th) Annual General Meeting of Signify Pakistan Limited (Formerly Philips Pakistan Limited) will be held on **Thursday, May 30th 2019 at 11:00 a.m.** at Bahria Complex-1, 6th Floor, Plot No. 23/A & 24/A, Lalazar, M.T. Khan Road, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' reports thereon.

2. To appoint the Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

3. To consider and if thought fit, approve the following amendments to Articles 88 and 160 of the articles of association of the Company and for this purpose to pass the following resolution as and by way of a special resolution:

"RESOLVED as and by way of a Special Resolution THAT the Articles of Association of the Company be and are hereby altered in the following manner:

(1) by deleting the first paragraph of the existing Article 88; and

(2) by amending the existing Article 160 by replacing the words 'Philips Lighting Holding BV' as appearing therein with the words 'Signify Holding BV' and by replacing the words 'Philips' as appearing therein with the words 'Signify' as appearing therein"

A Statement under section 134(3) of the Companies Act 2017 read together with SRO 423(I)/2018 dated 3 April 2018 is being sent to the shareholders with the notice of meeting.

By the order of the Board.

Zareen Intezar
Company Secretary

Karachi, May 9th , 2019

Notice of 65th Annual General Meeting

NOTES:

(1) Share Transfer Books of the Company will remain closed from May 24th till May 30th 2019 (both days inclusive).

(2) A Member of the Company entitled to attend and vote may appoint another Member as his/her proxy to attend and vote instead of him/her at the meeting. Proxy Forms in order to be effective must be deposited at the Company's Registered Office not less than 48 hours before the time of the Meeting.

Statement under Section 134 (3) of the Companies Act 2017 read together with SRO. 423(I)/2018 dated 3 April 2018

Set out below are the material facts concerning the special business to be transacted at the 65th Annual General Meeting of the Company to be held at Bahria Complex-1 , 6th Floor , Plot nos 23/A 24/ A Lalazar , M. T Khan Road , Karachi on **Thursday, May 30th 2019 at 11:00 a.m.:**

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article 88

Comparative analysis of existing clause with the proposed alteration:

Existing Article 88	Proposed Alteration
The qualification of a Director, in addition to his being a Member, where required, shall be his holding shares of the value of Rs. 5,000 (Rupees five thousand) at least in his own name, relax able in case of Directors representing interest holding shares of the requisite value. The holder or holders of ordinary shares of a nominal value of not less than Rs. 5,000 may give written notice to the Board of Directors that a person named in such notice being a Director, is the representative of the signatories of such notice and so long as such notice has not been withdrawn the Directors so named shall not require any qualification. A Director may act before acquiring his qualification but shall in any case acquire his qualification with in two months of being appointed a Director.	[Deletion of paragraph 1]

The remuneration of a Director for attending meetings of the Board shall from time to time be determined by the Directors. The remuneration of the Directors for performing extra services shall be determined by the Directors from time to time. Any Director may by notice in writing waive his remuneration for any period. Provided that no remuneration for attending meetings of the Board or Committee shall be paid to the regularly paid Chief Executive and full time working directors. Subject to the approval of the Board of Directors every Director shall be entitled to be repaid all travelling and hotel expenses incurred by him respectively in or about the performance of his duties as Director including the costs of travelling to and from Board Meeting.	The remuneration of a Director for attending meetings of the Board shall from time to time be determined by the Directors. The remuneration of the Directors for performing extra services shall be determined by the Directors from time to time. Any Director may by notice in writing waive his remuneration for any period. Provided that no remuneration for attending meetings of the Board or Committee shall be paid to the regularly paid Chief Executive and full time working directors. Subject to the approval of the Board of Directors every Director shall be entitled to be repaid all travelling and hotel expenses incurred by him respectively in or about the performance of his duties as Director including the costs of travelling to and from Board Meeting.

Reasons for change:

Given the present structure of the Company, the board of directors are of the view that the share qualification requirement no longer serves its purpose and therefore the requirement should accordingly be removed.

Statement by the Board

The Board of Directors confirm that the proposed alterations are in line with the applicable provisions of the Companies Act 2017.

Article 160

Comparative analysis of existing clause with the proposed alteration:

Existing Article 160	Proposed Alteration
The name of the Company is Signify Pakistan Limited. The Company is entitled to use the word Signify as part of its corporate name by virtue of an agreement entered into with Philips Lighting Holding BV. The Company shall be obliged to change its name by deleting from it the word Philips on the first request of Philips Lighting Holding BV	The name of the Company is Signify Pakistan Limited. The Company is entitled to use the word Signify as part of its corporate name by virtue of an agreement entered into with Signify Holding BV. The Company shall be obliged to change its name by deleting from it the word Signify on the first request of Signify Holding BV and by

and by replacing it by a word or words not in any way similar to the word Philips and the Directors shall call an extraordinary general meeting of shareholders for this purpose. In such meeting the shareholders of the Company shall vote in favour of such resolution.	replacing it by a word or words not in any way similar to the word Signify and the Directors shall call an extraordinary general meeting of shareholders for this purpose. In such meeting the shareholders of the Company shall vote in favour of such resolution.

Reasons for change:

With effect from 1st February 2019, the name of the Company's parent company has changed from 'Philips Lighting Holding BV' to 'Signify Holding BV' In this regard, the management of the Company has recommended that Article 160 of the Articles of Association of the Company should be amended in order to reflect such change. For this purpose, the Board of Directors has recommended that these amendments be approved by way of a special resolution, as required by the Companies Act 2017.

The text of the resolution required for amending the Articles of Association of Company is set forth in the notice convening the Annual General Meeting which resolution will be proposed and passed as a Special Resolution.

Statement by the Board

The Board of Directors confirm that the proposed alterations are in line with the applicable provisions of the Companies Act 2017.

65th Annual General Meeting

Form of Proxy

I / We ____

of ____

being a member of Signify Pakistan Limited (Formerly Philips Pakistan Limited) hereby appoint

Mr./Ms ______________________ of ______________________

as my proxy to attend and vote for me and on my behalf at the Annual General Meeting of the Company to be held on Thursday, May 30th 2019 and/or any adjournment thereof.

As witness my / our hand(s) this ____________ day of ____________ 2019

Signed by: ______________________

Name: ______________________

Address: ______________________

____

____

Share holder No.

Note:

1) The Member is requested to write down his / her Name and Address.
2) For the appointment of the above Proxy to be valid this instrument of proxy (and if applicable the power of attorney or other authority under which it is signed or a notarially certified copy thereof) must be received by the Company at least 48 hours before the time fixed for the Meeting.
3) Any alteration made in this instrument of proxy should be initialed by the person who signs it.
4) In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
5) A Company may execute this instrument of Proxy either under its seal or under the hand of an officer or attorney duly authorized by it.
6) The person to whom this Proxy is given need not be a Member of the Company.

signify

65ویں سالانہ جنرل میٹنگ

پراکسی فارم

میں/ہم ____

سے ____

بحیثیت رکن سیگنیفائی پاکستان لمیٹڈ جناب محترم/محترمہ ____________________________

کوبطور پراکسی نامزد کرتے ہیں کہ وہ میری حیثیت میں سالانہ جنرل میٹنگ مورخہ 30 مئی بروز جمعرات، 2019ء میں موجود ہوں اور میرے ووٹ کا استعمال کریں/ یا کوئی التوا کرسکیں۔

بطور گواہ میرے/ہمارے ہاتھ بروز ________ بتاریخ ____________ 2019ء

شیئر ہولڈر

دستخط کنندہ: ____________________________

نام: ____________________________

پتہ: ____________________________

شیئر ہولڈر نمبر:

نوٹ

1: ممبر سے درخواست کی جاتی ہے کہ وہ اپنا نام اور پتہ لکھیں

2: مندرجہ بالا پراکسی کی تقرری کے لئے ضروری ہے کہ یہ انسٹرومنٹ برائے پراکسی درست ہو (اور اگر پاور آف اٹارنی یا کوئی اور اتھارٹی جس پر دستخط ہوں یا نوٹری کی تصدیق شدہ کاپی) سالانہ جنرل میٹنگ سے 48 گھنٹے پہلے تک کمپنی کو موصول ہوجانی چاہیں۔

3: اس انسٹرومنٹ برائے پراکسی میں کسی بھی قسم کی تبدیلی وہی کرسکتا ہے جو دستخط کنندہ ہوگا۔

4: مشترکہ ہولڈرز ہونے پر سینئر کے ووٹ جو وہ خود دیں گے یا پراکسی ان کے لئے دے گی، وہ تسلیم کیا جائے گا اور باقی کے ووٹ نہیں۔ اس کے لیے سنیارٹی ناموں کی اس فہرست کے حساب سے وضع جائے گی جو ممبران کے رجسٹر میں ہوگی۔

5: کمپنی اس انسٹرومنٹ برائے پراکسی کو اپنی مہر، افسر یا اٹارنی کے ذریعے استعمال کرسکتی ہے جس نے اتھارائزڈ کیا ہو۔

6: جس شخص کو یہ پراکسی دی جاتی ہے یا دی گئی ہے اس کے لئے کمپنی کا ممبر ہونا ضروری نہیں۔

iii) مالیاتی گوشواروں کی تیاری میں مستقل مناسب اکاؤنٹنگ پالیسیاں اپنائی گئی ہیں۔

iv) مالیاتی گوشواروں کی تیاری میں پاکستان میں نافذ اکاؤنٹنگ کے عالمی معیارات اپنائے گئے۔

v) اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور موثر طریقے سے نافذ و مانیٹر کیا گیا ہے۔

vi) کمپنی کے آگے بڑھتے رہنے کی صلاحیت میں کسی قسم کے شبہات نہیں ہیں۔

vii) بیسٹ پریکٹسز سے کسی قسم کا میٹیریل اجتناب نہیں۔

آڈیٹرز:

آڈیٹر میسرز EY Ford Rhodes, چارٹرڈ اکاؤنٹنٹس سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائینگے اور اہلیت کے ناطے سال 2019 کیلئے انہوں نے دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ نے انہیں دوبارہ آڈیٹر مقرر کرنے کے حوالے سے تجویز پیش کی ہے جو کہ آنے والے سالانہ اجلاس عام میں اراکین کی منظوری سے مشروط ہے۔

اعتراف:

بورڈ ان تمام افراد کا تہہ دل سے شکریہ ادا کرنا چاہتا ہے جو کہ فلپس پاکستان کو گزشتہ کئی برسوں سے پھلنے پھولنے اور مستقل نمایاں کارکردگی پیش کرنے کے قابل بنانے میں شریک رہے۔ ہمارے لوگ کمپنی کی فلاح و بہبود پر یقین رکھتے ہیں اور آپریٹنگ ماحول میں درپیش مسائل پر قابو پا کر انہوں نے اپنی صلاحیتوں کا اظہار کیا ہے۔ ہم ان کی لگن کی قدر کرتے ہیں اور ان کے احسان مند ہیں۔

ہم اپنی کاروباری معاونت کیلئے اپنے صارفین، سپلائرز، بینکرز اور ان تمام دیگر شراکت داروں کا بھی شکریہ ادا کرتے ہیں جنہوں نے گزشتہ 70 برسوں سے ہماری کمپنی پر اپنا اعتماد برقرار رکھا ہے۔

بورڈ ڈائریکٹرز کی طرف سے

اسد۔ ایس۔ جعفر
چیئرمین و سی ای او

عامر جان محمد
ڈائریکٹر

2.3.4 بینکس، ترقیاتی مالیاتی ادارے نان بینکنگ ترقیاتی ادارے	-----	----
2.3.5 انشورنس کمپنیاں	-----	----
2.3.6 مضاربہ ومیوچل فنڈز	-----	----
2.3.7 شیئرز ہولڈرز ہولڈنگ 10%	-----	-----
2.3.8 عام عوام		
a مقامی	54,757	0.0315%
b غیر ملکی	-----	-----
2.3.9 دیگر (واضح کردہ) مشترکہ کمپنیاں	1,300	0.0007%

تعمیلی بیان:

ڈائریکٹرز مندرجہ ذیل کیلئے ایس ای سی پی کوڈ آف گورننس کے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں۔

i) یہ مالیاتی گوشوارہ کمپنی کی انتظامیہ کی جانب سے تیار اور پیش کیا گیا ہے جس میں اس کے امور، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کے حوالے سے شفاف معلومات فراہم کی گئی ہیں۔

ii) کمپنی نے مناسب بک آف اکاؤنٹس برقرار رکھی ہوئی ہیں۔

شیئر ہولڈنگ کا نمونہ:

1۔ کمپنی کا نام	سگنیفائی پاکستان لمیٹڈ
(1)	سابقہ: فلپس پاکستان لمیٹڈ

2.1۔ حصص یافتگان کے پاس 31-12-2018 تک موجود حصص کی ہولڈنگ کا نمونہ

2.2۔ حصص یافتگان کی تعداد	شیئر ہولڈنگ	مجموعی حصص کی تعداد
250	1 تا 100 حصص رکھنے والے	6,121
103	101 تا 500 حصص رکھنے والے	21,093
14	501 سے 1000 حصص رکھنے والے	8,936
11	1001 تا 5000 حصص رکھنے والے	19,947
1	5001 تا 173,800,300 حصص رکھنے والے	173,705,045
	(حصص یافتگان کے مناسب سیلبس شامل کریں)	
379		173,761,142

2۔ حصص یافتگان کی اقسام	موجود حصص	فیصد
3		
2.3 ڈائریکٹرز، چیف ایگزیکٹیو افسرز اور	-----	-----
1 انکے شریک حیات و چھوٹے بچے		
2.3 منسلک کمپنیاں، وظائف	173,705,085	99.9677%
2 اور متعلقہ پارٹیاں		
2.3 این آئی ٹی اور آئی سی پی	-----	-----
3		

36.8 فیصد کی شرح سے بہتر بنانے میں کامیاب رہی اور سال کا اختتام مثبت فی حصص آمدن پر کیا۔

قومی خزانے میں حصہ داری:

ملک کے ایک ذمہ دار ٹیکس دہندہ ہونے کے ناطے، کمپنی نے ایف بی آر کو براہ راست و بالواسطہ ٹیکسوں میں مد میں سال کے دوران 747 ملین روپے (سال 2017 میں 880 ملین روپے) قومی خزانے میں جمع کرائے۔ اس رقم میں درآمدی سطح پر ادا کی جانے والی کسٹم اور ریگولیٹری ڈیوٹی شامل نہیں ہے۔

بورڈ میں تبدیلیاں:

بورڈ نئے آنے والے ڈائریکٹر مسٹر گوکتگ گر Mr. Goktug Gur کو خوش آمدید کہتا ہے جنھوں نے 13-07-2018 کو بورڈ میں شمولیت اختیار کی۔ بورڈ مس پیٹریکا یم می فو نگ کی خدمات کا بھی اعتراف کرتا ہے جو 12 مارچ 2018 کو کمپنی کی ڈائریکٹر کی حیثیت سے اپنے عہدے سے سبکدوش ہوئیں۔

سال 2018 کی مدت کے دوران کسی بھی وقت کمپنی کے ڈائریکٹرز کے نام درج ذیل ہیں:

(1) مسٹر اسرائیل لوئس اسماعیل

(2) مسٹر گوکتگ گر

(3) مس پیٹریکا یم می فو نگ

(4) مسٹر اسد، ایس، جعفر

(5) مسٹر عامر جان محمد

(6) مسٹر ندیم اسلم (مس پیٹریکا یم می فو نگ کے متبادل ڈائریکٹر)

دیگر معلومات:

عالمی سطح پر نام کی تبدیلی کے ساتھ کمپنی کے مقامی قانونی وجود کا نام 25 جنوری 2019 سے ''فلپس پاکستان لمیٹڈ'' سے تبدیل کر کے ''سگنیفائی پاکستان لمیٹڈ'' کر دیا گیا ہے۔

یکم فروری 2019 سے کمپنی کی پیرنٹ کمپنی کا نام بھی "Philips Lighting Holding BV' سے تبدیل کر کے "Signify Holding BV'. کر دیا گیا ہے۔

Signify

اہم مالی جھلکیاں

تفصیلات	2017	2018	اضافہ / کمی فیصد
سیلز (ملین روپے)	4,193	3,973	(5.2%)
مجموعی منافع	918	975	6.2%
سیلز کے مطابق مجموعی منافع کی شرح	21.9%	24.5%	2.6%
قبل از انکم ٹیکس آمدن (ملین روپے)	152	208	36.8%
قبل از ٹیکس منافع (ملین روپے)	145	190	31%
نفع/ نقصان بعداز ٹیکس (ملین روپے)	(117)	10	109%
آمدن (نقصان) فی حصص	(0.67)	0.06	109%

مندرجہ بالا پیش کیے گئے تقابلی جائزے کے مطابق سال 2018 میں کمپنی کی آمدنی میں سال 2017 کے مقابلے میں 5.2 فیصد کی کمی دیکھی گئی۔

مجموعی طور پر سیلز کی گراوٹ کی اہم وجہ یہ رہی کہ BG لیمپس کمپنی کے مجموعی منافع میں خوشگوار تاثر نہ چھوڑ سکے اور انکے والیمز میں کمی کے ساتھ ساتھ انکے مارجنز میں بھی کمی رہی جس نے کمپنی کے مجموعی منافع پر کم اثرات مرتب کیے، روایتی لیمپس پر پرانی منظوری کے اجراء اور مزید ضرورت نہ ہونے نے کمپنی کے منافع پر مثبت اثرات ڈالے۔ گزشتہ سال کے دوران مجموعی مارجن میں اضافے کے علاوہ بڑھتی ہوئی مہنگائی کے باوجود سیلنگ اور انتظامی اخراجات پر بہتر کنٹرول کے ذریعے کمپنی سال 2017 کے دوران اپنی قبل از انکم ٹیکس آمدن کو

پر مبنی مصنوعات کا شیئر لگ بھگ 75 فیصد تک ہو گیا ہے۔ لائٹنگ مارکیٹ کے لیڈر اور جدید لائٹنگ ٹیکنالوجی متعارف کرانے کے حوالے سے ''فلپس'' مقامی و عالمی سطح پر لائٹنگ صنعت میں تبدیلی کی راہ ہموار کر رہی ہے اور ''بہتر دنیا و روشن زندگیوں کیلئے روشنی فراہم کریں'' کے اصولوں پر کاربند ہے۔ تبدیلیوں اور مزید جدید ٹیکنالوجیز کے ساتھ ہم آہنگی برقرار رکھتے ہوئے سگنیفائی نے صنعتوں و ہوم سیگمنٹ کیلئے مضبوط انٹرنیٹ آف تھنگز (IOT) اور کنیکٹڈ لائٹنگ سالوشنز کے ساتھ اشتراک کیا ہے جو کہ مستقبل قریب میں ''ہائی اینڈ کنزیومر'' ایریاز میں اس کی راہیں متعین کرے گا۔

زیرِ جائزہ سال کے دوران غیر ملکی کرنسیوں کی شرح تبادلہ میں اضافے کے ساتھ ساتھ حکومت پاکستان کی جانب سے ایل ای ڈی پر مبنی لائٹنگ مصنوعات کی درآمدی پر درآمدی ڈیوٹی میں اضافہ کیا گیا جس کے نتیجے میں ان مصنوعات کی لاگت میں بھی اضافہ دیکھا گیا۔ بلند ٹیکسوں اور ڈیوٹیز اور غیر ملکی کرنسیوں کی شرح تبادلہ میں غیر یقینی کے باعث ہم نے کاروبار کی لائٹنگ مصنوعات کی مقامی اسمبلنگ میں تبدیلی دیکھی۔ مقامی مارکیٹ کی حرکیات اور قیمتوں کے اعتبار سے مسابقتی رہنے کے باعث ہم نے کامیابی کے ساتھ مقامی اسمبلنگ کی اور اس برس کے دوران مقامی مارکیٹ میں لائٹنگ مصنوعات فراہم کیں۔ آگے چل کر ہم ایل ای ڈی پر مبنی لائٹنگ مصنوعات کی مزید لوکلائزیشن اور لائٹنگ کی صنعت میں ایل ای ڈی کے شیئر میں مزید اضافے کی پیش گوئی کر سکتے ہیں۔ ہم پر اعتماد ہیں کہ پاکستان میں لائٹنگ مصنوعات و ٹیکنالوجیز کے شعبے میں مارکیٹ لیڈر کی حیثیت سے پیداواری لاگت میں اضافے کے باوجود جاری سال کے دوران ایل ای ڈی اور پروفیشنل لائٹنگ سیگمنٹ میں ہماری پیشقدمی میں مزید بہتری آئیگی۔

مالی کارکردگی:

زیرِ جائزہ سال کے دوران کمپنی نے 3.97 ارب روپے کی سیلز حاصل کی جبکہ گزشتہ برس کے دوران کمپنی کی سیلز اس کے مقابلے میں 4.19 ارب روپے رہی تھی۔ گزشتہ برس کے مقابلے میں کمپنی کی سیلز میں 220 ملین روپے (5.2) فیصد کمی کی بنیادی وجوہات میں روایتی CFL اور Fluorescent ٹیوب لائٹ روایتی لیمپس کے کاروبار میں 42 فیصد گراوٹ شامل ہے جس میں بعد ازاں ایل ای ڈی بلب اور ڈاؤن لائٹرز کی شرح نمو میں 25 فیصد اور پروفیشنل لائٹنگ کے کاروبار میں 2.5 فیصد کی شرح نمو کے ساتھ قدرے بہتری آئی جبکہ اس بہتری میں مقامی طور پر اسمبل ہونے والی مصنوعات نے بھی کردار ادا کیا۔ درج ذیل میں ہماری مالی کارکردگی کا تقابلی خلاصہ پیش کیا گیا ہے۔

ڈائریکٹرز رپورٹ:

ڈائریکٹرز کی جانب سے انتہائی مسرت کے ساتھ 31 دسمبر 2018 کو ختم ہونے والے مالی سال کیلئے کمپنی کے مالیاتی نتائج پر جائزہ پیش کیا جاتا ہے۔

اقتصادی جائزہ:

سال 2017 تک پاکستانی معیشت کی تیز رفتار ترقی اور مجموعی قومی پیداوار (جی ڈی پی) کی 5.8 فیصد کی شرح کو چھونے کے بعد سال 2018 کے دوران معاشی سست روی کے اشاریے دیکھے گئے۔ زیرِ جائزہ سال سیاسی اور معاشی سطح پر متعدد سرگرمیوں سے بھرپور تھا۔ عام انتخابات میں کامیابی کے بعد پاکستان تحریک انصاف (پی ٹی آئی) کی حکومت اقتدار میں آئی اور انہوں نے جاری کھاتوں کے خسارے پر قابو پانے اور ملک کے زرمبادلہ کے ذخائر کو بہتر بنانے کیلئے مشکل فیصلے کئے۔

شرح مبادلہ کی فری فلوٹنگ کو مارکیٹ پالیسی سے منسلک کرنے کے نتیجے میں غیر ملکی کرنسیوں کی شرح میں ہیجانی کیفیت پیدا ہوئی اور اس صورتحال کے باعث درآمدی صنعتوں کو بھاری خساروں کا سامنا کرنا پڑا۔ بلند شرح سود، بڑھتی ہوئی مہنگائی، حکومتی اخراجات میں کمی، بے در پے منی بجٹ اور آئی ایم ایف کے مالیاتی پروگرام میں جانے سے متعلق بے یقینی کی کیفیت سرمایہ کاروں کے اعتماد میں کمی کا باعث بنی جس کے نتیجے میں اس برس کے دوران معاشی ترقی پر مضر اثرات مرتب ہوئے۔

زرمبادلہ کے ذخائر میں مسلسل کمی اور بڑھتے ہوئے تجارتی خسارے پر مشتمل تاریخی معاشی اثرات کی بنیاد پر ہم یہ پیش گوئی کر سکتے ہیں کہ سال 2019 کے دوران مجموعی قومی پیداوار کی 3 فیصد شرح کے حصول کیلئے زبردست دباؤ کا سامنا رہے گا، آگے چل کر حکومت کیلئے مالیاتی اور جاری کھاتوں کے خسارے پر قابو پانے کا بڑا چیلنج درپیش ہوگا جو غیر ملکی زرمبادلہ پر دباؤ کا باعث بن رہے ہیں، میکرو اکنامکس اشاریے جیسے مہنگائی اور شرح سود پر موثر کنٹرول اور پیش گوئی، غیر ملکی کرنسیوں کے شرح تبادلہ میں استحکام، تیل کی غیر مستحکم قیمتوں اور بلند درآمدات کے پیش نظر غیر ملکی زرمبادلہ کے مناسب ذخائر برقرار رکھنا اور ان سب سے بڑھ کر مستقبل کے منصوبوں اور ان پر عملدرآمد کے حوالے سے واضح حکمت عملی اور شفافیت سے آگاہی کے ذریعے کاروباری افراد اور ملک کی عوام کے اعتماد کی بحالی جیسے چیلنجز درپیش ہیں۔

صنعتی جائزہ:

سال 2018 کے دوران بھی گزشتہ برس کی طرح تجارتی و پروفیشنل لائٹنگ سیگمنٹ میں روایتی لائٹنگ مصنوعات سے ایل ای ڈی پر مبنی مصنوعات کی تبدیلی جاری رہی۔ اس تبدیلی نے اب پاکستان میں کچھ استحکام ظاہر کیا ہے اور اب ملک کی لائٹنگ صنعت میں ایل ای ڈی

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