





2022 Annual Report

Signify Pakistan Limited

Our global brands are

PHILIPS interact WiZ ECOLINK

signify

Table of contents

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

Kamran Mirza
Human Resources Business Partner

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

Company Secretary

Syed Wajahat Ali

Senior Management Team

Asad S. Jafar
Chairman & CEO
Signify Pakistan Limited

Babar Manzoor
Financial Controller

Omer Emran
Channel Leader - Prof.

Farhan Bhutta
Channel Leader - Consumer

Yasir Riaz
Head of Supply Chain

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:

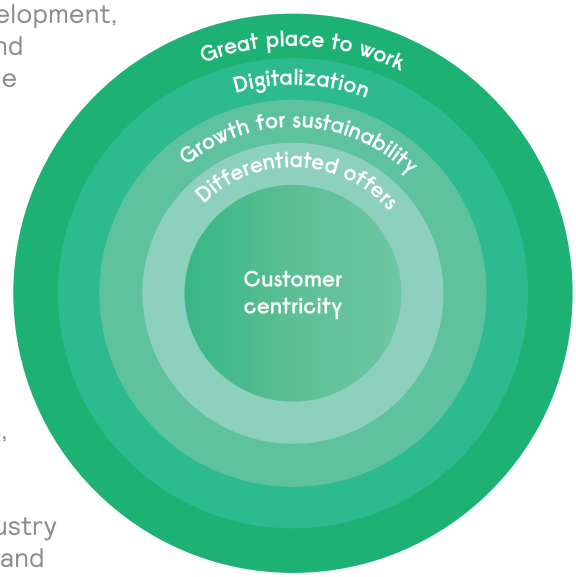
112-B, 2nd Floor, Mallhi Plaza, Murree Road, Rawalpindi

Creating Value Our Strategic Focus

Creating Value

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 129 years and have been a driving force behind several leading technological innovations. We employ around 38,000 people in 74 countries.



Over the past few years, Signify further strengthened its leadership position as the lighting industry transitioned from conventional to LED and to connected lighting. In 2020, Signify adapted its strategy and named it the 5 Frontiers strategy. It addresses the challenges and seizes upon the opportunities from major global shifts that are impacting the lighting market. Indeed, the world and our industry are changing fast with new competition, changing geopolitical relationships, and advances in digitalization.

Our new 5 Frontiers strategy reinforces our ambition to remain the industry leader and deals with the following equation: increasing our customers and people satisfaction, becoming more digital and developing a growth profile while positively impacting the environment and society.

	Our 5 Frontiers	Description
1	**Build a customer centric organization**	We are building a customer-focused organization, streamlining processes enabled by our new operating model.
2	**Deliver differentiated lighting offers**	We are developing tiered offerings with multiple distinctive brands to cater to different customer segments.
3	**Drive growth for sustainability**	We are driving 5 new sustainable growth areas to help address the world's greatest challenges: (1)climate action, (2) building a more circular economy, (3) food availability, (4) safety & security, and (5) health & wellbeing. Key to driving these areas will be increasing connectivity and data analytics.
4	**Digitalize and transform for the future**	We are creating a digital front and back-end, embedding artificial intelligence (AI) in products and systems and boosting our digital competencies.
5	**Be a great place to work**	We are further investing in our people, creating a diverse and inclusive workplace, and reskill to boost our digital and commercial competencies.

Brighter Lives, Better World

Our world is facing the combined challenges of climate change, resource scarcity, demographic transformation and increasing urbanization. As a purpose-driven organization, we understand the importance of taking urgent action to address these challenges.

In 2016, we launched our Brighter Lives, Better World program to bring our purpose to life and lead the way to a more sustainable future. We have successfully achieved all the ambitious commitments set by our program, including becoming carbon neutral in our operations and shifting to 100% renewable electricity in September 2020. By the end of 2020, Signify had over-performed on most of its other commitments: 84.1% Sustainable revenues (target 80%); 2.923 billion LED lamps and luminaires delivered since 2015 (target >2 billion); zero waste to landfill for our manufacturing sites (with 91% of our manufacturingwaste recycled); a safe and healthy workplace with a TRC of 0.22 (target <0.35), and a sustainable supply chain with a 99% performance rate (target 90%).

Furthermore, we lit the lives of 6 million people with lighting technology and supported 9,266 entrepreneurs with technical and business skills development (cumula- tive

from 2017). All of these achievements contribute to the six United Nations' Sustainable Development Goals (SDGs) where we can make the biggest impact.

In September 2020, we launched our new Brighter Lives, Better World 2025 program, with the SDGs as our strategic compass. This program sets even more ambitious com- mitments. We will double our positive impact on society and the environment. We take a value chain perspective and we increase our focus on the positive impact of light. Already carbon neutral in our operations, we will extend our efforts to enable others to accelerate climate action.

Our 2020 achievements	Our contribution	Our 2025 commitments
100% carbon neutral in our operations (target net 0 kt CO2)	We drive climate action through our commitment of carbon neutral operations and also reduce the carbon footprint of our products and suppliers	Double the pace of the Paris Agreement over our value chain Carbon neutral operations and 100% renewable electricity
84.1% Sustainable revenues (target 80%) 2.923 billion LED lamps & luminaires delivered (target >2 billion) 100% renewable electricity	We deliver cleaner solutions through energy-efficient and solar lighting and are committed to 100% renewable electricity in our operations	Double the pace of the Paris Agreement over our value chain Increase Climate action revenues from 58% to 72%
Zero waste sent to landfill (target 100% manufacturing sites sending zero waste to landfill)	We are transitioning to a circular economy through circular products, systems and services, zero waste to landfill at our manufacturing sites and more sustainable packaging	Double our Circular revenues Zero waste to landfill
84.1% Sustainable revenues (target 80%)	We increase food availability and quality through horticulture and animal lighting and increase health and wellbeing through human-centric and UV-C lighting	Double our Brighter lives revenues
84.1% Sustainable revenues (target 80%) 6 million lives lit (target 5 million)	We enable smart cities, increase the safety & security of roads and urban areas, enable safe & sustainable workplaces in offices and industry, and light lives in off-grid areas	Double our Brighter lives revenues 10 million ives lit through the Signify Foundation
TRC rate of 0.22 (target <0.35) Supplier sustainability performance rate of 99% (target 90%) 9,266 people trained (target 10,000)	We foster decent work and economic growth by improving the safety & wellbeing of employees and suppliers and training lighting entrepreneurs	Double the % women in leadership Supplier sustainability performance rate of 95% Safe & healthy workplace with a TRC <0.30

Directors' Report

Directors' Report

The Directors have pleasure in presenting a review of the financial results of the Company for the year ended December 31, 2022.

Economic Review

The year 2022 has been a very challenging year to say the least. Gains made in the economy from Covid-19 recovery started to reverse with instability on the political front starting with the vote of no confidence in the Parliament. With rapidly dwindling foreign exchange reserves available with the State Bank of Pakistan (SBP), the government was forced to approach the IMF for approving the next loan tranche of the stalled IMF Program. This followed some painful adjustments to meet the demands of the IMF which caused havoc in the currency markets. On top of it all, with the change in the finance ministry in October 22, the IMF demanded further stabilization measures which are still in process in 2023. These are required before the next tranche of IMF program may be made available.

In addition to economic challenges, the damage caused by devastating floods in 2022 was immense. According to the Asian Development Bank (ADB), the GDP growth rate is expected to slow down to 0.6% in FY23 compared to the initial target of 5.0% and actual growth of 5.97% in FY22. As per estimates, the total damages caused by the floods stand at ~USD 33bn. Moreover, runaway inflation has resulted in significant monetary tightening with policy rates breaking decades old records.

One of the main challenges faced by the economy was import restrictions that have been put in place to counter the widening current account deficit. As the foreign exchange reserves fell below USD 6 bn, SBP introduced drastic measures to counter imports. Signify, being an import-based company, has been significantly impacted by the same with suppliers reluctant to accept the SBP mandated minimum payment terms of 365 days from the date of delivery.

The free-floating exchange rate, one of the main demands of the IMF, has resulted in PKR being valued at 230 versus one USD as of Dec 31, 2022, and this has further depreciated in 2023. This has tremendously impacted our margins forcing us to raise prices just to maintain profitability which has greatly affected demand. Comparatively stable rate of USD/PKR parity in 2021 had resulted in higher exports in 2021 which have been on a downward slide in 2022.

With political stability still not visible on the horizon, we foresee a turbulent 2023 especially with import restrictions still firmly in place and currency markets in a freefall, rampant inflation and record high interest rates. Economic stability can only be achieved if political matters settle down and as this is an election year, this fact is expected to remain at the forefront of every decision of the government.

Industry Review

During the year 2022, industry continued localization of lighting products portfolio to gain benefit of reduced duties and taxes. Signify Pakistan has continued to increase localization of its products with a sizable portfolio of its sales being derived from the same. This move has surely lessened the burden on foreign exchange, benefiting local labor and promotion of other related industrial materials. Going forward, further inroads are being planned towards this endeavor to lessen the reliance on imports so that the company can be better insulated from external shocks.

Financial Performance

Following is the comparative summary of our financial performance for the year 2019:

Key Financial Highlights:

Particulars	2022	2021	*Increase/(Decrease) percentage*
Sales (PKR million)	4,967	4,671	6.3%
Gross Profit (PKR million)	1,388	1,342	3.4%
GP Percentage to Sales	27.9%	28.7%	(0.8%)
EBIT (PKR million)	750	601	23.8%
Profit before tax (PKR million)	730	580	25.9%
Profit after tax (PKR million)	215	356	(39.6%)

During the year under review, the company sales increased by 6.3% with sales value of PKR 4.967 billion as against PKR 4.671 billion achieved in the corresponding year.

Gross profit increased by PKR 46 million (3.4%). This nominal increase has been achieved despite increasing import costs and currency devaluation. Stricter control over expenses and higher profit on savings' accounts due to high policy rate resulted in a stronger profit before tax of PKR 730 million as opposed to PKR 580 million for the year 2021.

Dividend:

No dividend has been recommended for payment for the year 2022.

Holding company:

The name of holding company is Signify Holding BV and it is based in the Netherlands.

Contribution to National Exchequer

Being a responsible taxpayer of the country, the company's contribution to the National Exchequer/Federal Board of Revenue during the year was PKR 1,198 million (2021: PKR 815 million) on account of direct and indirect taxes.

Board of Directors:

Following are the names of directors of the company who are and were directors at any time during the year:

1. Mr. Asad S. Jafar
2. Mr. Goktug Gur
3. Mr. Kamran Mirza

PATTERN OF SHAREHOLDING

PART-I

1.1 Name of the Company	**SIGNIFY PAKISTAN LIMITED**

PART-II

2.1. Pattern of holding of the shares held by the shareholders as at 31 12 2022

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 *(Add appropriate slabs of shareholdings)*	173,705,045
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	Shareholders 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 accounts of the company have been maintained.
iii) Appropriate Accounting policies have been consistently applied in preparation of the financial statements.
iv) International 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, EY Ford Rhodes, Chartered Accountants will retire at the end of the Annual General Meeting of the company and being eligible, have offered themselves for re-appointment for the year 2023. 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 Signify Pakistan for enabling it to flourish and deliver a consistent performance over the years. Our people are entrusted to the welfare of the Company and have shown their potential by overcoming challenges posed by the operating environment and their resilience in these tough times. We treasure their dedication and feel highly obliged.

We acknowledge the valuable business support of our loyal customers, suppliers, channel partners, bankers and all other stakeholders who have shown continuous trust in our company for the past 73 years.
On behalf of the Board of Directors,

Asad Said Jafar
Chairman & CEO

April, 07, 2023

Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive plaza, Beaumont Road
P.O. Box 15541, karachi 75530
Pakistani

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT

To the members of Signify Pakistan Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Signify Pakistan Limited** (the Company), which comprise of the statement of financial position as at **31 December 2022**, 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 2022 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.

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive plaza, Beaumont Road
P.O. Box 15541, karachi 75530
Pakistani

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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.

Building a better
working world

EY Ford Rhodes
Chartered Accountants
Progressive plaza, Beaumont Road
P.O. Box 15541, karachi 75530
Pakistani

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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 Shaikh Ahmed Salman.

Chartered Accountants

Place: Karachi
Date:

Signify Pakistan Limited
Statement of Financial Position
As at 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
Non-current assets			
Property and equipment	4	**18,579**	24,273
Right-of-use assets	5	**54,871**	15,887
Long term deposits		**3,550**	848
Total non-current assets		**77,000**	41,008
Current assets			
Stock-in-trade	6	**689,104**	634,659
Trade debts	7	**527,969**	898,640
Advances	8	**46,540**	33,940
Trade deposits and short-term prepayments	9	**1,031**	10,195
Other receivables	10	**5,888**	136,092
Taxation - net	19	**-**	254,346
Cash and bank balances	11	**1,660,260**	738,354
Total current assets		**2,930,792**	2,706,226
Total assets		**3,007,792**	2,747,234

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

Chairman & CEO

Director

Signify Pakistan Limited
Statement of Financial Position
As at 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
Share capital and reserves			
Authorized capital			
180,000,000 (2021: 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
Reserves	13	**(698,949)**	(592,395)
Total equity		**1,038,662**	1,145,216
Non-current liabilities			
Staff retirement benefits	14	**102,818**	94,541
Lease liabilities	15	**33,644**	-
		136,462	94,541
Current liabilities			
Trade and other payables	16	**1,373,172**	1,353,888
Contract liabilities - advance from customers		**87,721**	120,429
Accrued mark-up		**-**	10
Provisions	17	**13,223**	18,220
Current portion of lease liabilities	15	**18,904**	13,389
Short-term running finances	18	**-**	494
Unclaimed / unpaid dividend		**299,075**	1,047
Taxation - net	19	**40,573**	-
		1,832,668	1,507,477
Contingencies and commitments	20		
Total equity and liabilities		**3,007,792**	2,747,234

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

Chairman & CEO **Director**

Signify Pakistan Limited
Statement of Profit or Loss
For the year ended 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
Turnover - net	21	**4,966,681**	4,670,704
Cost of sales	22	**(3,578,479)**	(3,328,775)
Gross profit		**1,388,202**	1,341,929
Administrative and distribution expenses	23	**(569,822)**	(581,729)
Allowance for expected credit losses	24	**(249,619)**	(121,555)
Other income	25	**358,798**	29,228
Finance costs	26	**(20,024)**	(20,928)
Other operating expenses	27	**(177,948)**	(67,344)
Profit before tax		**729,587**	579,601
Taxation	28	**(514,653)**	(223,324)
Profit for the year		**214,934**	356,277

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

Chairman & CEO **Director**

Signify Pakistan Limited
Statement of Other Comprehensive Income
For the year ended 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
Loss for the year		**214,934**	356,277
Other comprehensive income, net of tax			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains on staff retirement benefits		**9,701**	3,837
Total comprehensive (loss) / income for the year		**224,635**	360,114

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

Chairman & CEO

Director

Signify Pakistan Limited
Statement of Other Comprehensive Income
For the year ended 31 December 2022

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves				
		Share premium	General reserves	Accumulated losses	Total	Total reserves	Total equity
	---------- (Rupees in '000) ----------						
Balance as on 01 January 2021	1,737,611	12,419	47,289	(1,012,217)	(964,928)	(952,509)	785,102
Profit for the year	-	-	-	356,277	356,277	356,277	356,277
Other comprehensive income: net of tax	-	-	-	3,837	3,837	3,837	3,837
Total comprehensive income for the year	-	-	-	360,114	360,114	360,114	360,114
Transactions with owners, recorded directly in equity							
Share based payment transactions (contribution from Ultimate Parent Company)	-	-	-	3,220	3,220	3,220	3,220
Share based payment transactions (reversal of contribution from Ultimate Parent Company)	-	-	-	(3,220)	(3,220)	(3,220)	(3,220)
	-	-	-	-	-	-	-
Balance as on 01 January 2022	**1,737,611**	**12,419**	**47,289**	**(652,103)**	**(604,814)**	**(592,395)**	**1,145,216**
Final dividend @ Rs. 1.906/- per ordinary share for the year ended 31 December 2021	-	-	-	**(331,189)**	**(331,189)**	**(331,189)**	**(331,189)**
Profit for the year	-	-	-	**214,934**	**214,934**	**214,934**	**214,934**
Other comprehensive income	-	-	-	**9,701**	**9,701**	**9,701**	**9,701**
Total comprehensive income for the year	-	-	-	**224,635**	**224,635**	**224,635**	**224,635**
Transactions with owners, recorded directly in equity							
Share based payment transactions (contribution from Ultimate Parent Company)	-	-	-	**1,262**	**1,262**	**1,262**	**1,262**
Share based payment transactions (reversal of contribution from Ultimate Parent Company)	-	-	-	**(1,262)**	**(1,262)**	**(1,262)**	**(1,262)**
	-	-	-	-	-	-	-
Balance as on 31 December 2022	**1,737,611**	**12,419**	**47,289**	**(758,657)**	**(711,368)**	**(698,949)**	**1,038,662**

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

Chairman & CEO

Director

Signify Pakistan Limited
Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022	2021
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	**1,102,099**	1,153,408
Staff retirement benefits paid		**-**	(7,359)
Long term deposits refunded		**(2,702)**	127
Finance costs paid		**(20,034)**	(26,641)
Taxes paid		**(252,872)**	(281,289)
Net cash inflows from operating activities		**826,491**	838,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating fixed assets	4.1	**(7,789)**	(9,931)
Proceeds from disposal of operating fixed assets		**3,693**	4,384
Interest income on saving accounts	25	**121,910**	27,793
Net cash inflow from investing activities		**117,814**	22,246
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(107)**	-
Payment of principal portion of lease liabilities		**(21,798)**	(23,258)
Net cash outflows from financing activities		**(21,905)**	(23,258)
Net increase in cash and cash equivalents		**922,400**	837,234
Cash and cash equivalents at beginning of the year	29	**737,860**	(99,374)
Cash and cash equivalents at end of the year	29	**1,660,260**	737,860

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

Chairman & CEO **Director**

1 LEGAL STATUS AND ACTIVITIES

1.1 Signify Pakistan Limited ("the Company") was incorporated in 1954 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 from 'Philips Pakistan Limited' 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 N.V. (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 B.V. (SH)]. Consequently, effective from 01 February 2016, SH becomes the Parent Company of Signify Pakistan Limited. SH 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 SH is Eric Edouard Rondolat. The Ultimate Parent of the Company is Signify N.V., having its registered office in Eindhoven, the Netherlands, with address at High Tech Campus 48, 5656 AE Eindhoven, the Netherlands.

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.

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 as applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standard Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan (ICAP), 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for 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) Allowance 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 Company's 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 / 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) Staff retirement benefits

The Company has adopted certain actuarial assumptions as disclosed in note 15 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

(f) Provision for warranty

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.

3.4 New standards, amendments, improvements to approved accounting standards and the framework for financial reporting

3.4.1 Adoption of amendments to approved accounting standards effective during the year

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) that became effective during the current year:

Amendments to approved accounting standards

IFRS 3 - Reference to the Conceptual Framework (Amendments)
IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)
IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (Amendments)

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9 - Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
IAS 41 - Agriculture – Taxation in fair value measurements
IFRS 16 - Leases: Lease incentives

The adoption of above amendments to the approved accounting standards did not have any material impact on the Company's financial statements.

3.4.2 Standards, amendments and improvements to the approved accounting standards that are not yet effective

The following amendments and improvements with respect to the accounting and reporting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendments and improvements:

Amendments	**Effective date (annual periods beginning on or after)**
IAS 1 - Classification of Liabilities as Current or Non-Current (Amendments)	01 January 2023
IAS 1 - Disclosure of Accounting Policies (Amendments)	01 January 2023
IAS 8 - Definition of Accounting Estimates (Amendments)	01 January 2023
IAS 12 - Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	01 January 2023
IFRS 16 - Lease Liability in a Sale and Leaseback (Amendments)	01 January 2024
IFRS 10 / IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalised

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

Standard	**IASB effective date (annual periods beginning on or after)**
IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 January 2004
IFRS 17 – Insurance Contracts	01 January 2023

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

3.5 Property and equipment

Owned

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

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 month the asset is available for use. 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.

Capital work-in-progress

Capital work-in-progress (if any) 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 Right-of-use assets and lease liabilities

The Company assess at contract inception whether a contract is, or contain a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company acts as a lessee and applies a single recognition and measurement approach for all the leases except for short-term leases and leases of low value assets (if any). The Company recognises lease liability to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets (ROU assets) at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, if any. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, if any, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, on the rates as disclosed in the note 5.2 to the financial statements. ROU assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option (if any) reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be

The Company has the option, under its lease arrangements to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). Any change is accounted for change in estimate and applied prospectively with corresponding change in ROU assets and lease liabilities.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.7 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. Items in transit are stated at invoice price plus other charges incurred thereon up to the reporting date.

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.

3.8 Impairment of non-financial assets

The carrying amounts of non-financial assets (other than stock-in-trade) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as an expense in the statement of profit or loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. The fair value less costs to sell calculation is based on the available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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 asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of trade debts, 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. Trade debts are measured at the transaction price determined under IFRS 15.

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 into following categories:

a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. 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 designated at fair value through OCI with recycling of cumulative gains and losses (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 revaluation 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 OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI investments during the current and past year and as of reporting date.

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (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-by-instrument basis.

Gains and losses on these financial assets are not recycled to statement of profit or loss. Dividends are recognised as dividend 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 OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any equity investments during the current and last year and as of reporting date.

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. 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. This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as dividend income in the statement of profit or loss when the right of payment has been established.

The Company does not have any listed equity investments during the current and last year and as of reporting date.

3.9.1.3 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 Company's 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 120 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 statement of profit or loss. 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) 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 31 December 2022.

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 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 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 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

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. Deferred 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 it is 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 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. Deferred tax asset in excess of deferred tax liability has not been recognised in these financial statements in accordance with the accounting policy of the Company.

3.12 Employee benefits

3.12.1 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.

3.12.2 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 fund. 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

3.12.3 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.

3.13 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.

Decommissioning liability

The Company records a provision for decommissioning costs of the structural improvements made by the Company to the property. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset.

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.

3.14 Revenue recognition

3.14.1 Revenue from contract with customers

a) Sale of goods and services

Revenue from the sale of goods is recognized at the point in time when the performance obligation is satisfied. The performance obligation of the Company in respect of sale of goods is satisfied when the customer obtains control over the goods. Control generally passes to the customer at the time the product is delivered and accepted. Revenue is recognized at the amount to which the Company expects to be entitled. The transaction price excludes amounts collected on behalf of third parties, such as sales taxes. Payments made to customers for distinct goods or services are excluded from revenue. The transaction price may be variable due to discounts, rebates or similar arrangements. Revenue is only recognized for the part of the consideration for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Judgment is required in determining the probability and level of discounts and rebates that will be granted. The estimate is updated throughout the term of the contract.

For products for which a right to return exists during a defined period, revenue is recognized by considering the historical pattern of actual returns. Return policies are typically based on customary return arrangements in local markets. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods and services to be rendered before transferring them to the customer.

For provision of services to the customers, revenue is recognized over time when the performance obligation is satisfied, which in most cases is proportionally over the duration of the service period.

When a single contract contains multiple deliverables, for example supply of goods and services, these multiple deliverables may be combined in one or more performance obligations. For these transactions, the Company accounts for individual goods and services, including any goods or services provided for free, separately in case they are distinct. Performance obligations may be satisfied over time, typically because the Company is creating or enhancing an asset that the customer controls. In limited cases, the Company may also be creating an asset with no alternative use while having an enforceable right to payment for performance to date. In both instances, revenue is recognized over time. The total consideration of the contract is allocated to all distinct performance obligations in the contract based on their stand-alone selling prices. Stand-alone selling prices are determined based on other stand-alone sales transactions that are directly observable, when possible. However, observable prices are not available for all performance obligations. If no direct observable prices are available, the stand-alone selling price is normally based on the expected cost plus a margin approach.

Contract modifications which may be a change in the scope or price (or both) are included in contract revenue to the extent that they have been agreed with the customer and create enforceable rights and obligations.

The payment terms are governed by the contractual rights and obligations as defined in the contracts with customers. Generally, in case of sales of goods and rendering of services, the Company has the present right to payment when the same has been delivered, rendered or accepted. Whereas, in case of execution of contracts, the right to payment is established on achieving performance-related milestones.

Further, the Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated, if any. In determining the transaction price for the sale of goods, services rendered and contract revenue, the Company considers the effects of variable consideration (i.e.discounts), the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

b) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. If the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The contract assets are transferred to trade debts when the rights become unconditional.

Trade debts

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets as detailed in note 3.9.1 to these financial statements.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods to the customer).

3.14.2 Other income

Other income is recorded on accrual basis and interest income is accounted for using the effective interest rate (EIR) method.

3.15 Share-based compensation

The Ultimate Parent Company operates share-based compensation plans which are accounted for as equity settled share based payment transactions, regardless of intragroup repayment arrangements. The cost of equity-settled transactions is determined by the fair value at the grant date using an appropriate valuation model.

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized in statement of profit or loss, with a corresponding increase in equity as a contribution from the ultimate parent company, over the vesting period of the award. The liability for intragroup repayment for these transactions is recognised in the statement of financial position at an amount equal to the cost recognised in the statement of profit or loss with corresponding debit in equity as a return of contribution from the Ultimate Parent Company. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

3.16 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.17 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.

	Note	Note	2022	2021
			(Rupees in '000)	

4 PROPERTY AND EQUIPMENT

Operating fixed assets	4.1	4.1	**18,579**	24,273
			18,579	24,273

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at 01 January 2022	Additions / (deletions)	As at 31 December 2022	As at 01 January 2022	Depreciation charge for the year	On deletions	As at 31 December 2022	As at 31 December 2022	Annual rate of depre-ciation
	(Rupees in '000)								%
Office hut	**571**	**-**	**571**	**571**	**-**	**-**	**571**	**-**	**10**
Structural improvements	**12,844**	**-**	**12,844**	**12,844**	**-**	**-**	**12,844**	**-**	**50**
Factory equipment	**733**	**-**	**733**	**733**	**-**	**-**	**733**	**-**	**20**
Office equipment	**68,705**	**7,789 (18,905)**	**57,589**	**56,412**	**6,015**	**(18,818)**	**43,609**	**13,980**	**10-50**
Vehicles	**27,275**	**- (13,631)**	**13,644**	**15,295**	**3,810**	**(10,060)**	**9,045**	**4,599**	**14-25**
2022	**110,128**	**7,789 (32,536)**	**85,381**	**85,855**	**9,825**	**(28,878)**	**66,802**	**18,579**	

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at 01 January 2021	Additions / (deletions)	As at 31 December 2021	As at 01 January 2021	Depreciation charge for the year	On deletions	As at 31 December 2021	As at 31 December 2021	Annual rate of depre-ciation
	(Rupees in '000)								%
Office hut	571	-	571	571	-	-	571	-	10
Structural improvements	12,844	-	12,844	12,844	-	-	12,844	-	50
Factory equipment	733	-	733	733	-	-	733	-	20
Office equipment	59,181	9,709 (185)	68,705	51,246	5,338	(172)	56,412	12,293	10-50
Vehicles	38,916	222 (11,863)	27,275	16,981	6,681	(8,367)	15,295	11,980	14-25
2021	112,245	9,931 (12,048)	110,128	82,375	12,019	(8,539)	85,855	24,273	

4.1.1 Items having an aggregate cost of Rs. 51.191 million (2021: Rs. 59.201 million) at the end of the year have been fully depreciated and are still in use of the Company.

4.1.2 Depreciation for the year has been charged to administrative and distribution expenses.

4.1.3 In the current year, there were no disposals of operating fixed assets, with an aggregate book value exceeding amount of Rs.5 million.

5 RIGHT-OF-USE ASSETS

The carrying amounts of right-of-use assets recognized and movement during the year is as follows:

5.1 Net carrying value basis

	Note	2022	2021
		(Rupees in '000)	
Opening balance		**15,887**	10,335
Additions during the year		**60,957**	28,518
Depreciation charged during the year	5.3	**(21,973)**	(22,966)
Closing Balance		**54,871**	15,887

5.2 Gross carrying value basis

Cost	**60,957**	81,814
Accumulated depreciation	**(6,086)**	(65,927)
Net book value	**54,871**	15,887
Depreciation % per annum	**26% - 46%**	26% - 46%

5.3 Depreciation for the year has been charged to administrative and distribution expenses.

6 STOCK-IN-TRADE

	Note	2022	2021
		(Rupees in '000)	
Raw material including material-in-transit Rs.0.011 million (2021: Rs.6.102 million)		**28,345**	42,775
Material advanced to vendors - third party		**11,023**	21,365
		39,368	64,140
Finished goods including goods-in-transit Rs.161.394 million (2021: Rs.147.615 million)	6.1	**717,999**	599,461
Finished goods held with vendors - third party		**2,169**	3,039
		720,168	602,500
Provision for obsolete stock-in-trade	6.2	**(70,432)**	(31,981)
		649,736	570,519
		689,104	634,659

6.1 Stock-in-trade of Rs. 73.911 million (2021: Rs. 64.051 million) is measured at net realizable value and has been written down to Rs. 63.268 million (2021: Rs. 45.756 million).

6.2 Movement of provision for obselete stock-in-trade is as follows:

	2022	2021
	(Rupees in '000)	
Opening balance	**31,981**	22,794
Charge for the year	**44,110**	20,769
Reversal / written off during the year	**(5,659)**	(11,582)
Closing balance	**70,432**	31,981

7 TRADE DEBTS - unsecured

	Note	2022	2021
		(Rupees in '000)	
Considered good	7.1	**527,969**	898,640
Considered doubtful		**452,775**	203,822
		980,744	1,102,462
Less: Allowance for expected credit losses	7.2	**452,775**	203,822
		527,969	898,640

7.1 This includes maximum aggregate amount outstanding at any time during the year by reference to month end balances and receivables from following related parties:

	2022	2021
	(Rupees in '000)	
Stitching Signify Foundation	**42,974**	-
	42,974	-

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

Stitching Signify Foundation	**42,974**	-
	42,974	-

7.1.2 The ageing of related parties balances is as follows:

Neither past due nor impaired

Stitching Signify Foundation	**42,974**	-
	42,974	-

7.2 Movement of allowance for expected credit losses on trade debts is as follows:

Opening balance	**203,822**	154,009
Charge for the year	**248,953**	61,772
Written off during the year	**-**	(11,959)
Closing balance	**452,775**	203,822

7.3 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.

8 ADVANCES - unsecured, considered good

	2022	2021
	(Rupees in '000)	
- Suppliers	**-**	127
- Executives	**276**	1,682
- Shipping companies	**19,959**	18,752
- Custom authorities	**26,439**	13,513
	46,674	34,074
Less: Allowance for expected credit losses	**134**	134
	46,540	33,940

9	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2022	2021
			(Rupees in '000)	
	Trade deposits - unsecured, considered doubtful		**27,641**	31,579
	Current portion of long term deposit		**-**	975
			27,641	32,554
	Less: Allowance for expected credit losses	9.1	**27,641**	29,840
			-	2,714
	Short-term prepayments		**1,031**	7,481
			1,031	10,195

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

Opening balance	**29,840**	3,297
Charge for the year	**-**	26,543
Reversal during the year	**(2,199)**	-
Closing balance	**27,641**	29,840

10 OTHER RECEIVABLES

	Note	2022	2021
Unsecured, considered good			
- Retention money		**761**	666
- Deferred royalty	10.8	**-**	94,316
- Sales tax refundable	10.1 - 10.6	**-**	11,260
- Receivable from provident fund		**-**	1,422
- Cash margins		**4,835**	27,368
- Others		**292**	1,060
		5,888	136,092
Unsecured, considered doubtful			
- Retention money		**34,823**	34,157
Less: Allowance for expected credit losses	10.7	**34,823**	34,157
		5,888	136,092

10.1 In year 2018, Company 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 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 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. The Company received a copy of appeal filed by the tax authorities to the Appellate Tribunal Inland Revenue (ATIR) against the order of CIR(A). The Company has also filed an appeal before the ATIR against the order of CIR(A) which is still pending for hearing before the ATIR.

10.2 In previous year 2019, the tax officer issued a notice dated 05 November 2019 under the Punjab Sales Tax on Services Act, 2012 whereby it was alleged that the Company had not levied and paid Punjab Sales Tax on services rendered for years 2013 to 2016. In response to said notice, the Company submitted the necessary explanation and admitted a tax liability of Rs. 14.109 million, has made payment of Rs. 10 million to the tax authorities against the order and accordingly has made provision of Rs. 4.109 million. The proceedings were concluded by the ACIR by passing an order dated 29 April 2020 in which the ACIR had raised a tax demand of Rs. 174.187 million and had levied penalty at the rate of hundred percent of tax demanded i.e. Rs. 174.187 million. Being aggrieved, the Company filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] which marked the inquiry to the concerned ACIR and has required it to evaluate the submitted information after hearing the appeal. The ACIR considering the above instructions of CIR(A) evaluated the submitted information and highlighted certain observations which were rebutted by the Company, subsequent to which the ACIR issued an inquiry report dated 24 November 2020 and the case was fixed for hearing before the CIR(A) on 01 June 2021 and then was finally heard on 13 July 2021 through its order no. 118/2020.

Through the aforesaid appellate order, the tax demand to the extent of Rs. 55.265 million on account of non - Punjab goods and services, and penalty amounting to Rs. 174.186 million imposed under section 48(2) of Punjab Sales Tax on Services Act, 2012 had been deleted. Consequently, the aggregate demand which stood at Rs. 348.373 million was reduced by Rs. 229.451 million and was finally confirmed at Rs. 118.921 million.

Being aggrieved by the above appellate order, the Company proceeded to file the appeal before the Appellate Tribunal, Punjab Revenue Authority (PRA), Lahore. During the pendency of main appeal and stay application before the Tribunal, PRA, the Company approached Lahore High Court and obtained stay order whereby the stay had been granted till the hearing of the main appeal before the Tribunal, PRA. The said stay order became infructuous after the Tribunal, PRA, had subsequently granted stay. The hearing of the main appeal before the Tribunal, PRA, is currently pending.

10.3 The Company received notice from PRA dated 29 September 2022 under the section 57(2) of PSTSA. Through the said notice, the Additional Commissioner (AC) required the Company to provide necessary details / information, in relation to the taxable services rendered and acquired during the aforesaid period that were subject to Punjab Sales Tax.

Being aggrieved by the scope of the information / details requested through the above notice, the Company approached the Lahore High Court (LHC) and obtained interim relief vide its order dated 9 December 2022 whereby the LHC directed the Punjab Revenue Authority (PRA) not to pass final order while also directing the Company to submit the information as requested through the notice. In this connection, the Company is in the process of extracting and compiling the required information.

10.4 The Company received show-cause notice under section 11(2) of Sales Tax Act, 1990 (STA) whereby the Deputy Commissioner Inland Revenue (DCIR) alleged non-withholding of sales tax amounting to Rs. 7.310 million from payments made to advertisement service providers. In this respect, the DCIR wrongfully assumed publicity expenses recognized in the return of income at Rs. 35.268 million (tax year 2020) and Rs. 10.419 million (tax year 2021) as payments made to advertisement service providers. Through the letter dated 18 October 2022, breakup and reconciliation of payments in respect of tax year 2020 were submitted while extension had been sought for submission of details in respect of tax year 2021. However, despite the said request for extension the DCIR, proceeded to pass the order dated 21 October 2022 without allowing any further opportunity to make the remaining compliance, raising aggregate demand of Rs. 7.675 million, including penalty of Rs. 0.365 million.

Being aggrieved by the above order, the Company filed an appeal with the Commissioner (Appeals). CIR vide its orders dated 22 February 2023 and 6 March 2023 passed orders and annulled the impugned demand of Rs. 7.3 million and directing the assessing officer to properly identity the nature of transaction after obtaining the details.

10.5 The Company received show-cause notices under section 11(2) of STA separately whereby the Deputy Commissioner Inland Revenue (DCIR) contended that the Company claimed wrong / inadmissible input taxes for the subject periods as below and showed his intention to recover the same along with default surcharge.

Periods	Input tax (Rupees. In 000)
July 2019 to June 2020	26,673
July 2020 to June 2021	35,753
July 2021 to November 2021	169,940

The Company responded to the show cause notices for the respective periods on 28 November 2022, 13 December 2022 and 28 December 2022.

The orders were passed in respect of the above proceedings by the DCIR dated 20 December 2022 (for the periods July 2019 to June 2020 and July 2020 to June 2021) and dated 9 January 2023 (for the periods July 2021 to November 2021). Through the said orders, the DCIR had disallowed the claim of input tax along with the imposition of penalty and default surcharge as below:

Periods	Amount of input tax disallowed (Rupees in '000)	Penalty (Rupees in '000)	Default Surcharge
July 2019 to June 2020	7,455	253	To be computed
July 2020 to June 2021	10,172	368	at the time of
July 2021 to November	4,848	242	

The input tax has been disallowed without assigning any reason as to how the above amounts do not pertain to the taxable activity. Being aggrieved by the above orders, the Company filed an appeal with the Commissioner (Appeals) who accepted the arguments by passing order on 17 March 2023 and reduced demand to nominal amount of Rs. 0.203 million, Rs. 0.227 million and Rs. 0.776 million respectively which the Company intends to accept and pay.

10.6 The Company received show-cause notices under section 11(2) of STA separately for the periods as below whereby the Deputy Commissioner Inland Revenue (DCIR) contended that the Company has not properly apportioned the input tax against exempt supplies resulting in claim of inadmissible input tax.

Periods	Input tax (Rupees. In 000)
July 2019 to June 2020	73,973
July 2020 to June 2021	51,134
July 2021 to May 2021	342

The Company responded to the show cause notices by recalculating the said non-apportionment which was Rs. Nil. However, DCIR rejected the response and maintained the above mentioned amounts. The Company intends to defend the order and file appeal to CIR(A).

In respect of tax matters disclosed above, 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 they 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 except as otherwise stated.

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

	Note	2022	2021
		(Rupees in '000)	
Opening balance		**34,157**	917
Charge for the year		**666**	33,240
Closing balance		**34,823**	34,157

10.8 During the previous year, The Company entered into Technical License Agreement (TLA) with Signify Netherlands B.V. ("Licensor") effective as of 1st January 2021 for localization of Phillips Brand. As per the arrangement between the Licensor and the Company, recurring royalty for FY 2021 and FY 2022 will not be claimed by the Licensor, and the Licensor has agreed to claim the royalty for the aforementioned years out of the initial upfront fee of USD 1 million equivalent to Rs. 176.376 million in one lump sum based on actual net sales of the specified products at agreed royalty rates in TLA. Accordingly, during the year 2021, the Company had charged royalty expense of Rs. 82.059 million based on actual net sales of FY 2021 and the remaining amount of Rs. 94.317 million has been charged as royalty expense in the current year in these financial statements as per arrangement between the parties.

11 CASH AND BANK BALANCES

	Note	2022	2021
Cash in hand		**-**	154
Balance with banks:			
- in current accounts		**445,811**	6,207
- in saving accounts	11.1	**1,214,450**	731,994
		1,660,261	738,201
Less: Allowance for expected credit losses		**1**	1
		1,660,260	738,354

11.1 It carries mark-up rate ranging from 8.25% to 14% (2021: 5.5% to 7.25%) per annum.

12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	2022	2021
		(Rupees in '000)	
Ordinary shares of Rs 10/- each			
169,391,009 shares fully paid in cash		**1,693,910**	1,693,910
4,368,033 shares issued as bonus shares		**43,680**	43,680
2,100 shares fully paid for consideration other than cash		**21**	21
	12.1	**1,737,611**	1,737,611

12.1 As at 31 December 2022, 99.97% shares (2021: 99.97%) are held by Signify Holding B.V, the Parent Company.

12.2 These are fully paid ordinary shares. Voting rights, board selection, right of first refusal and block voting are in proportion to their shareholding.

13 RESERVES

	2022	2021
	(Rupees in '000)	
Capital reserve - share premium	**12,419**	12,419
Revenue reserve - general reserve	**47,289**	47,289
Revenue reserve - accumulated losses	**(758,657)**	(652,103)
	(698,949)	(592,395)

14 STAFF RETIREMENT BENEFITS

14.1 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 2022 using Projected Unit Credit Method and the principal assumptions used are as follows:

Significant actuarial assumptions	**2022**	2021
Financial assumptions		
Discount rate	**14.50%**	11.75%
Salary increase rate - first year	**10.00%**	-
Salary increase rate	**14.50%**	11.75%
Demographic assumptions		
Mortality rates (for death in service)	**SLIC (2001-05)-1**	SLIC (2001-05)-1
Rates of employee turnover	**Moderate**	Moderate

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

	Note	2022	2021
		(Rupees in '000)	
Present value of defined benefit obligation	14.1.3	**123,022**	115,319
Fair value of plan assets	14.1.4	**(20,204)**	(20,778)
Liability recognized in statement of financial position		**102,818**	94,541

14.1.2 Movement in the net defined benefit liability:

	Note	2022	2021
Opening balance		**94,541**	91,592
Charge for the year	14.1.5	**17,978**	15,712
Remeasurement gains	14.1.6	**(9,701)**	(5,404)
Contribution during the year		**-**	(7,359)
Closing balance		**102,818**	94,541

14.1.3 Movement in the present value of defined benefit obligations:

	2022	2021
Opening balance	**115,319**	107,594
Charge for the year	**20,649**	17,462
Benefits paid / payable	**(6,680)**	(3,518)
Remeasurement gains	**(6,266)**	(6,219)
Closing balance	**123,022**	115,319

14.1.4 Movement in the fair value of plan assets are as follows:

	2022	2021
Opening balance	**20,778**	16,002
Expected return on plan assets	**2,671**	1,750
Remeasurement gains / (losses)	**3,435**	(815)
Benefits paid / payable	**(6,680)**	(3,518)
Refunds during the year	**-**	7,359
Closing balance	**20,204**	20,778

14.1.5 Amounts recognised in the statement of profit or loss

	2022	2021
	(Rupees in '000)	
Current service cost	**6,896**	6,803
Interest cost	**13,753**	10,659
Expected return on plan assets	**(2,671)**	(1,750)
	17,978	15,712

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

	2022	2021
Remeasurement gains on obligation		
(gains) / losses due to change in financial assumptions	**(2,987)**	519
(gains) / lossess due to change in experience adjustments	**(3,279)**	(6,738)
Total remeasurement gains on obligation	**(6,266)**	(6,219)
Remeasurement losses on plan assets		
(gains) / losses on plan assets	**(3,435)**	815
Total remeasurement gains during the year	**(9,701)**	(5,404)
Total defined benefit cost recognized in statement of profit or loss statement of comprehensive income	**8,277**	10,308

14.1.7 Analysis of present value of defined benefit obligation

	2022	2021
Vested / non - vested		
Vested benefits	**119,298**	112,109
Non-vested benefits	**3,724**	3,210
	123,022	115,319
Type of benefits earned to date		
Accumulated benefit obligation	**64,453**	59,900
Amount attributed to future salary increases	**58,569**	55,419
	123,022	115,319

14.1.8 Composition of fair value of plan assets

	2022		2021	
	Fair value (Rupees)	**%**	Fair value (Rupees)	%
Cash at banks	**26,884**	**100%**	20,778	100%
Fair value of plan net assets	**26,884**	**100%**	20,778	100%

	2022
	(Rupees in '000)
14.1.9 Expected contributions to funds in the following year	**21,305**

The components of expected contribution for the next year:

Current service cost	**7,417**
Interest expense on defined benefit obligation	**15,692**
Interest on plan assets	**(1,804)**
Net interest cost	**13,888**
	21,305

14.1.10 Maturity profile of the defined benefit obligation

	2022	2021
	(Rupees in '000)	
Distribution of timing of benefit payments (time in years)		
1	**38,057**	3,350
2	**3,395**	42,193
3	**4,964**	3,526
4	**16,491**	5,133
5	**18,777**	15,927
6-10	**144,372**	101,300

14.1.11 Sensitivity analysis on significant actuarial assumptions:

	2022	2021
	(Rupees in '000)	
Discount rate + 50 basis points	**119,688**	111,820
Discount rate - 50 basis points	**126,536**	119,010
Salary increases + 50 basis points	**126,245**	119,126
Salary increases - 50 basis points	**119,936**	111,679
	(Number)	
Weighted average duration of the Projected Benefit Obligation	**5.56**	6.23

14.2 Provident fund - defined contribution plan

14.2.1 Salaries, wages and benefits include Rs. 8.661 million (2021: Rs. 8.615 million) in respect of provident fund contribution.

14.2.2 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.

14.3 Pension fund - defined contribution plan

14.3.1 Salaries, wages and benefits include Rs. 8.845 million (2021: Rs. 8.715 million) in respect of pension fund contribution.

15 LEASE LIABILITIES

15.1 The Company has lease contracts for its office premises under rental agreement. The remaining balance of liability is payable latest by August 2025 in monthly and bi-annual installments.

	2022	2021
	(Rupees in '000)	
Opening balance	**13,389**	8,129
Additions	**60,957**	28,518.00
Interest expense on lease liabilities	**3,427**	1,216
Payments made during the year	**(25,225)**	(24,474)
Closing balance	**52,548**	13,389
Less: current portion of lease liabilities	**(18,904)**	(13,389)
Long-term lease liabilities	**33,644**	-

The following are the amounts recognised in statement of profit or loss:	Note	2022	2021
		(Rupees in '000)	
Depreciation expense of right-of-use assets	5.1	**21,973**	22,966
Interest expense on lease liabilities	26	**3,427**	1,216
Total amount recognised in statement of profit or loss		**25,400**	24,182

16 TRADE AND OTHER PAYABLES

	Note	2022	2021
		(Rupees in '000)	
Creditors	16.1	**647,091**	905,425
Accrued liabilities	16.2	**676,170**	443,824
Payable to provident fund		**549**	-
Workers' welfare fund		**23,343**	-
Sales tax payable		**13,717**	-
Withholding tax payable		**12,302**	4,639
		1,373,172	1,353,888

16.1 Included herein Rs. 512.120 million (2021: Rs. 680.933 million) due to the following group companies on account of purchases of goods, receiving services, etc.

Group companies:	Note	2022	2021
		(Rupees in '000)	
Signify Netherlands B.V.	16.1.1	**419,051**	358,627
Signify Canada Ltd.		**9**	-
Signify Egypt LLC		**25**	-
Genlyte Thomas Group LLC		**10,124**	15,033
Signify Luminaires (Shanghai) Co., Ltd.		**244**	17,695
Signify Luminaires (Chengdu) Co.,Ltd.		**1,355**	5,348
Signify Hungary Kft.		**1,532**	2,095
PT. Signify Commercial Indonesia		**88**	105
Signify International B.V. Dubai		**429**	62,110
Signify Poland Sp. Z.O.O.		**30,313**	39,850
Signify Aydinlatma Ticaret A.S.		**295**	2,217
Signify Singapore Pte. Ltd.		**48,074**	177,155
Signify Argentina S.A.		**263**	293
Signify Hong Kong Limited		**39**	39
Signify Maroc SARL		**279**	366
		512,120	680,933

16.1.1 Includes an amount of Rs.176.376 million (2021: Rs.176.376 million) in respect of royalty payable in accordance with the Technical License agreement (TLA) (refer note 10.4)

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

	Note	2022	2021
		(Rupees in '000)	
Salaries and wages		**27,254**	36,904
Warranty provision	16.3	**37,766**	45,671
Distributors incentives		**488,461**	285,072
Marketing accruals		**10,897**	5,988
Freight accruals		**40,382**	6,088
Project related accruals		**4,648**	488
Others		**66,762**	63,613
		676,170	443,824

16.3 The movement of warranty provision is as follows:

	2022	2021
Opening balance	**45,671**	57,583
Provision made during the year	**51,048**	74,330
Replacement made during the year	**(58,953)**	(86,242)
Closing balance	**37,766**	45,671

17 PROVISIONS

17.1 Represents provisions against legal cases contested by the Company.

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

	2022	2021
	(Rupees in '000)	
Opening balance	18,220	9,674
Reversal / charge during the year - net	(4,997)	8,546
Closing balance	13,223	18,220

18 SHORT-TERM RUNNING FINANCES

The Company had various running finance facilities from commercial banks Rs. 980 million (2021: Rs. 980 million) carrying mark-up rate ranging from 10.85% to 17.08% per annum (2021: 7.38% to 10.02% per annum). These facilities had been of varying tenures and were secured by registered ranking hypothecation pari passu charge over the present and future stock-in-trade, book debts of the Company and stand-by letter of credits aggregating to Rs.1,100 million. The unutilized amount of these facilities were Rs. 980 million in 2022.

19 TAXATION - net

	Note	2022	2021
		(Rupees in '000)	
Opening Balance		(254,346)	(197,948)
Provision for taxation	28	514,653	224,891
Tax paid / deducted at source		(219,734)	(281,289)
Closing Balance		40,573	(254,346)

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 The details of legal cases filed against the Company 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 (2021: 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 (2021: Rs.3 million) for encashment of insurance gurantee
Hight Court of Sindh	Case filed by ex-employee against the Company on dispute over the final settlement	September 2009	Fayaz Ahmed (Ex-Employee)	Recovery of Rs. 2.2 million (2021: Rs. 2.2 million) for recovery of final settlement

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

	2022	2021
	(Rupees in '000)	
20.1.2 Letter of guarantees issued by banks on behalf of the Company	16,051	48,337

20.1.3 Sales tax and income tax matters, are more fully explained in notes 10.1 to 10.6 and 28.5 to 28.14 to these financial statements.

20.2 Commitments

	2022	2021
	(Rupees in '000)	
Letters of credit	10,484	2,816

As of 31 December 2022, the Company has the facility limit for opening letters of credit and guarantees of Rs.1,200 million (2021: Rs.1,200 million).

21 TURNOVER - net

	Note	2022	2021
		(Rupees in '000)	
Turnover - gross		**6,271,034**	5,479,296
Trade discount		**(357,505)**	(273,682)
Sales tax		**(946,848)**	(534,910)
	21.1	**4,966,681**	4,670,704

21.1 Included herein are toll manufacturing sales of Rs. 515.836 million (2021: Rs. 447.084 million).

21.2 Revenue recognised during the year that was included in the advance from customers balance at the beginning of year is Rs. 117.743 million (2021: Rs. 13.688 million).

22 COST OF SALES

	Note	2022	2021
		(Rupees in '000)	
Opening finished goods		**454,885**	434,499
Purchase of goods	22.1	**3,014,127**	2,880,984
Cost of goods manufactured	22.2	**351,729**	196,032
		3,820,741	3,511,515
Closing finished goods	6	**(558,774)**	(454,885)
		3,261,967	3,056,630
Direct expenses:			
Warranty provisions	16.3	**51,048**	74,330
Royalty on localization of brand	22.3	**94,316**	82,060
Provision for obsolete stock-in-trade - charge made during the year - net	6.2	**44,110**	20,769
Outward freight		**127,038**	94,986
		316,512	272,145
		3,578,479	3,328,775

22.1 This includes purchases made from group entities amounting to Rs. 2,048.198 million (2021: Rs. 1,772.479 million).

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

	Note	2022	2021
		(Rupees in '000)	
Sales		**515,836**	447,084
Opening material:			
Raw material	6	**36,673**	43,798
Material advanced to vendors	6	**21,365**	15,954
		58,038	59,752
Purchase of raw material		**148,391**	86,810
Vendors value addition		**184,657**	107,508
		333,048	194,318
Closing material:			
Raw material	6	**(28,334)**	(36,673)
Material advanced to vendors	6	**(11,023)**	(21,365)
		(39,357)	(58,038)
Cost of goods manufactured		**351,729**	196,032
Gross profit		**164,107**	251,052

22.3

Party Name	Registered Address	Relationship	2022	2021
Signify Netherlands B.V.	High Tech Campus 48, 5656AE EINDHOVEN, The Netherlands	Group Company	**94,316**	82,060

23 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

	Note	2022	2021
		(Rupees in '000)	
Salaries, wages and other benefits	23.1	**278,869**	231,853
General Service Unit Agreement ("GSUA")	23.2	**54,038**	72,903
Outsourcing expense		**44,392**	50,593
Publicity		**32,417**	34,630
Security		**3,305**	3,357
Depreciation on operating fixed assets	4.1	**9,826**	12,019
Depreciation on right-of-use assets	5	**21,973**	22,966
Fuel and power		**2,851**	2,793
Repairs and maintenance		**15,873**	18,069
Regional costs	23.3	**-**	59,629
Rent, rates and taxes		**4,411**	2,843
Travelling		**40,867**	14,880
Postage and stationary		**3,712**	3,701
Telephone and communication		**9,014**	10,756
Insurance		**18,098**	15,502
Auditors' remuneration	23.4	**2,434**	2,551
Legal and professional		**20,864**	17,055
Others		**6,878**	5,629
		569,822	581,729

23.1 Salaries, wages and other benefits includes bonus to employees of Rs. 27.622 million (2021: Rs. 22.369 million) and incentive given to Chief Executive Officer by the Parent Company, which is recoverable from the Company of Rs. 1.262 million (2021: Rs. 3.220 million).

23.2 Represents expenses incurred for business support services from Signify Netherlands B.V. (a related party). The objective is to ensure the availability of optimal expertise and capabilities at the right cost level, while providing globally consistent services. 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.

23.3 Represents regional costs charged by Signify International B.V., Dubai (a related party) on account of budgeting, monthly results review services, accounting operations, tax and human resource related services provided to the Company.

23.4 Auditors' remuneration

	Note	2022	2021
		(Rupees in '000)	
Audit fees - statutory		**2,228**	2,237
Fee for special certifications		**-**	125
Sindh sales tax		**178**	189
Out-of-pocket expenses		**28**	-
		2,434	2,551

24 ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECL)

	Note	2022	2021
Charge for the year on:			
- Trade debts	7.2	**248,953**	61,772
- Trade deposits	9.1	**-**	26,543
- Other receivables	10.7	**666**	33,240
		249,619	121,555

25 OTHER INCOME

	Note	2022	2021
		(Rupees in '000)	
Income from financial assets:			
Interest income on saving accounts		**121,910**	27,793
Income from non-financial assets:			
Scrap sales		**311**	383
Gain on disposal of operating fixed assets		**35**	875
Liabilities no longer payable written back	25.1	**234,343**	-
Others		**2,199**	177
		236,888	1,435
		358,798	29,228

25.1 Represents waiver of outstanding liabilities by Signify International B.V. Dubai (a related party) and Signify Singapore Pte. Ltd (a related party) in respect of cross charges.

26 FINANCE COSTS

	Note	2022	2021
		(Rupees in '000)	
Interest expense on lease liabilities	15.1	**3,427**	1,216
Markup on short-term running finances		**23**	96
Bank charges		**16,574**	19,616
		20,024	20,928

27 OTHER OPERATING EXPENSES

Exchange loss - net		**154,605**	67,344
Workers' welfare fund		**23,343**	-
		177,948	67,344

28 TAXATION

	Note	2022	2021
		(Rupees in '000)	
Current	28.2	**502,440**	257,967
Prior		**12,213**	(33,076)
Deferred		**-**	(1,567)
	28.4	**514,653**	223,324

28.1 The assessments of the Company for and upto tax year 2022 have been completed or deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001.

28.2 Includes an additional charge of 4% for poverty alleviation tax as per the requirement of section 4C of of the Income Tax Ordinance 2001.

28.3 Net unrecognised deferred tax asset amounts to Rs. 252.835 million (2021: Rs. 143.159 million). The management believes that tax deducted at import stage will be higher than the income tax computed under normal tax regime. Accordingly, deferred tax asset has not been recognised in these financial statements.

		2022	2021
		(Rupees in '000)	
28.4	Accounting profit before tax	**729,587**	579,601
	Tax @ 29% (2021: 29%)	**211,580**	168,084
	Super tax under section 4C	**45,753**	-
	Tax effect of income assessed under minimum tax regime	**97,821**	15,232
	Prior year tax	**12,213**	(33,076)
	Others	**147,286**	73,084
		514,653	223,324

28.5 In year 2012, the tax year 2010 was selected for audit by the tax authorities under Section 214C of the Ordinance. 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.36.766 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 the Commissioner Inland Revenue (Appeals) CIR(A) which was heard on 05 September 2016 and later on 06 March 2018, and an order dated 04 April 2018 was passed whereby:

(a) disallowance of trade discounts, provision for retirement benefits and stock write-off was 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 filed appeal on 04 July 2018 before the Appellate Tribunal Inland Revenue (ATIR) in respect of matters not decided in their favour. Similarly, the tax department also filed an appeal before the ATIR on matters that were either decided in favour of the Company or that had been remanded back by CIR(A). Currently, both the appeals are pending for hearing before the ATIR.

28.6 In year 2016, the tax officer issued a notice under Section 176 of 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 were 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 filed appeal against the order of the OIR before CIR(A). The CIR(A) vide combined appellate orders dated 02 October 2017 (received on 01 March 2018) held in respect of invoice trade discount, the CIR(A) agreeing with our arguments held that the OIR's action was not sustainable and thus recovery of tax under Section 161 of the Ordinance on trade discount on invoices had 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) held that since default in withholding of tax is confirmed therefore the levy of default surcharge to such extent was also confirmed. Later, the Company filled appeal on 25 April 2018 before ATIR against the order of learned CIR (A) which is currently pending for hearing.

28.7 In year 2014, the tax year 2013 was selected for audit by the tax authorities, thereafter a show cause notice dated April 14, 2015 under section 122(9) was received by the Company in which the Deputy Commissioner Inland Revenue (DCIR) proposed to amend the return of income for the tax year 2013. Further, on 23 October 2018 the Company received an addendum to the above show cause notice. The said proceedings were then concluded by the tax department through an order dated 10 June 2019 passed under section 122(1) of the Ordinance by amending the assessment of the Company through disallowance of a number of expenses leading to a reduction in the refund claimed by the Company in the return of income for the above tax year to Rs. 9.763 million. Being aggrieved with the above order the Company has filed an appeal with the CIR(A) which is pending for hearing. The appeal filed before the CIR(A) was decided through appellate order dated 31 December 2021 wherein certain matters were deleted, certain remanded back and one was maintained. Being aggrieved with the above order, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) on 18 March 2022 against the order of CIR(A) which is pending for hearing before the ATIR.

28.8 In year 2016, the tax officer issued a notice under Section 176 of the Ordinance for monitoring of withholding taxes for tax year 2014. The said monitoring was kept in abeyance on Company's request due to multiple proceedings being conducted by the said office. However, during year 2019, said proceeding was reinitiated through a notice dated 21 June 2019. The said notice was replied and relevant information were provided. Consequently, an order was passed in June 26, 2019 under Section 161 and 205 of the Ordinance in respect of non-deduction of withholding tax on trade discounts given to distributors/customers by the Company amounting to Rs. 111.739 million. In the said order the OIR treated the above discounts as "prizes offered for promotion of sale by the companies" and levied tax at the rate of 20% under section 156 of the Ordinance. The OIR created a demand of Rs. 17.961 million under section 161 and Rs. 8.562 million under section 205 of the Ordinance respectively.

The Company under protest had deposited Rs. 17.961 million to obtain stay from the recovery of the above tax demand till the decision of the appellate forum of the CIR(A). Later, the Company received notices for liquidation of Rs. 8.562 million demand and therefore the Company has submitted to the tax authority that sufficient refunds are available from which the above tax demand can be adjusted. Further, appeal against the above order has also been filed with the CIR(A). The appeal filed before the CIR(A) was decided through appellate order dated 23 November 2021 whereby the order passed by the Taxation Officer has been upheld. The Company had deposited the principal amount under protest. Being aggrieved with the above order, the Company has filed an appeal before ATIR on 13 January 2022 against the order of CIR(A) which is still pending for hearing before the ATIR.

28.9 In the year 2016, the tax officer issued a notice under Section 176 of the Ordinance for monitoring of withholding taxes for tax year 2015. The said notice was replied and relevant information were provided. However, during year 2019, said proceeding was reinitiated through a notice dated 21 June 2019. The said notice was replied and relevant information were provided. Consequently, an order was passed in 26 June 2019 under Sections 161 and 205 of the Ordinance for recovery of taxes not withheld on incentives/discounts given by the Company amounting to Rs. 119.830 million. In the said order the OIR treated the above incentives as "prizes offered for promotion of sale by companies" and levied tax at the rate of 20% under section 156 of the Ordinance. The OIR created a demand of Rs. 23.966 million under section 161 and Rs. 8.549 million under section 205 of the Ordinance respectively.

The Company under protest has deposited Rs. 23.966 million to obtain stay from the recovery of the above tax demand till the decision of the appellate forum of the CIR(A). Later, the Company received notices for liquidation of Rs. 8.549 million demand in response to which detailed response has been submitted and thereafter no further correspondence has been made in this regard. Further, appeal against the above order has also been filed with the CIR(A). The appeal filed before the CIR(A) was decided through appellate order dated 28 December 2021 whereby the order passed by the Taxation Officer has been upheld. The Company had deposited the principal amount under protest. Being aggrieved with the above order, The Company has filed an appeal before ATIR on 22 February 2022 against the order of CIR(A) which is still pending for hearing before the ATIR.

28.10 Further in the year 2017, the tax year 2015 was selected for audit by the tax department and information was requested through notice dated 18 August 2017 under section 177 of the Income Tax Ordinance, 2001 by Deputy Commissioner Inland Revenue (DCIR) requiring the Company to provide various details. After provision of the relevant details, a show cause notice under section 122(9) was issued to the Company. Detailed response of the above show cause notice was furnished dated 26 June 2019. The said proceedings were then concluded by the tax department through the order dated 29 June 2019 issued under section 122(1) of the Ordinance by amending the assessment of the Company through disallowance of various expenses. Being aggrieved with the above order the Company filed an appeal with the CIR(A). The appeal filed before the CIR(A) was decided through appellate order dated 29 December 2021 wherein certain matters were deleted, certain remanded back and one was maintained. Being aggrieved with the above order, The Company has filed an appeal before ATIR on 1 April 2022 against the order of CIR(A) which is still pending for hearing before the ATIR.

During the year 2021, a refund order under section 170(4) of the Ordinance dated 11 June 2020 was received by the Company. Through the said order, Company received refund of income tax amounting to Rs.6.042 million against the refund of Rs.15.450 million claimed in the return of income for the tax year 2015. Since the Company did not receive the full amount as claimed in return for the above tax year 2015, it intends to file a rectification application against the refund order for the instant tax year.

28.11 In year 2017, the Company received notices dated 25 January 2017 and 14 December 2017 for onitoring of withholding taxes for tax year 2016, in response to which detailed response was 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. 33.390 million and Rs. 10.017 million, respectively. In said order, OIR treated the above discounts as "prizes" and levied tax at the rate of 20% under Section 156 of the Ordinance. The Company under protest deposited Rs. 33.390 million to obtain stay from the recovery of the above tax demand till the decision of the appellate forum of CIR(A). The appeals filed before the CIR(A) were decided through combined appellate order dated 10 July 2019 in the following manner:

a) In respect of additional trade discounts given to distributors / customers through credit notes, CIR(A) agreed with the arguments of the OIR and held that the given discounts fall under the scope of section 156 as "prizes". Accordingly, the action of the OIR were confirmed.

b) In respect of default surcharge, CIR(A) held that since default in withholding of tax is confirmed therefore the levy of default surcharge to such extent was also confirmed.

The Company filed appeal before ATIR on 20 September 2019 against the order of CIR(A) which is still pending for hearing before the ATIR. Further, consequent to the passing of the above appellate order in favour of the department, a notice dated 12 September 2019 under section 138(1) of the Ordinance was issued requiring the Company to deposit the remaining amount of Rs. 10.017 million as assessed by the OIR in the above order passed under section 161 and 205. Accordingly, a response to the above notice was submitted dated 19 September 2019. Thereafter no further correspondence made in this regard.

During the year 2021, the Company received notices dated 5 October 2020, 19 October 2020, 26 October 2020, 3 December 2020 and 29 December 2020 issued under section 138(1) of the Ordinance, requiring the Company to liquidate the tax demand of Rs.3.556 million in respect of tax year 2016. The Company has submitted to the tax authority that sufficient income tax refunds are available from which the above tax demand can be adjusted. Thereafter, no further correspondence has been made in this regard.

28.12 In year 2018, the tax officer issued a show cause notice under section 161(1A) read with section 182 and section 205 of the Ordinance for monitoring of withholding taxes for tax year 2017. The said monitoring was kept in abeyance on Company's request due to multiple proceedings being conducted by the said office. However, during the year 2019, said proceeding was reinitiated through a notice dated 21 June 2019, in response to which detailed response was submitted. Consequently, an order was passed on 26 June 2019 under Section 161 and 205 Ordinance in respect of non-deduction of withholding tax on trade discounts given to distributors / customers by the Company amounting to Rs. 232.272 million. In the said order the OIR treated the above discounts as "prizes offered for promotion of sale by the companies" and levied tax at the rate of 20 percent under section 156 of the Ordinance. The OIR created a demand of Rs. 31.461 million under Section 161 and Rs. 7.447 million under Section 205 of the Ordinance respectively.

The Company under protest deposited Rs. 31.461 million to obtain stay from the recovery of the above tax demand till the decision of CIR(A) which was decided against the company vide order passed under section 161 of Income Tax Ordinance 2001 dated 15 September 2021. Being aggrieved, company filed appeal on 11 November 2021 against the above order to ITAT which is pending for hearing.

28.13 In year 2018, 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 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 passed an order dated 21 December 2018 and a penalty of Rs. 0.755 million was imposed. Subsequently on 07 January 2019, the Company filed an appeal before CIR(A) to contest the above imposed penalty, which is currently pending for hearing. The Company also received notices dated 11 September 2019 and 28 July 2020 under section 138(1) of the Ordinance to liquidate the tax demand of Rs. 0.755 million, in response to which the Company has intimated the OIR that the above tax demand has been adjusted against the tax refunds for tax year 2019 by the tax department and therefore the Company can no longer be required to liquidate the same. Thereafter, no further correspondence has been made in this regard.

28.14 During the year, the Company received a refund order dated 17 October 2022 under section 170(4) of the Ordinance. Through the said order, the refund of income tax amounting to Rs. 18.659 million was confirmed as against the actual amount of refund of Rs. 31.264 million as claimed in the return of income for the tax year 2021. Furthermore, refund to the extent of Rs.10.166 million was wrongfully reduced by the OIR by assuming an incorrect amount of minimum tax liability under section 148 of the Ordinance at Rs. 130.637 million instead of the correct amount of Rs. 120.471 million. Being aggrieved with the above order for not allowing the entire refund as claimed in the return of income, the Company filed an appeal before the CIR(A) which has been decided through order dated 6 February 2023. Through the said order CIR(A) remanded back the order passed by OIR with directions to obtain evidences of payments of taxes as claimed in the return of income in order to allow the credit of tax paid / deducted by the Company. Thereafter, no further correspondence has been made by the tax authorities in this

In respect of tax matters disclosed in notes 28.5 to 28.14, the Company based on the views of its tax advisor believes that sufficient grounds are available on the basis of which appeals were preferred and also believes 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

29 CASH AND CASH EQUIVALENTS

	Note	2022	2021
		(Rupees in '000)	
Cash and cash equivalents comprise of:			
Cash and bank balances	11	**1,660,260**	738,354
Short-term running finances	18	**-**	(494)
		1,660,260	737,860

30 CASH GENERATED FROM / (USED IN) OPERATIONS

	Note	2022	2021
Profit before taxation		**729,587**	579,601
Adjustments for non-cash and other items:			
Depreciation on operating fixed assets	23	**9,826**	12,019
Depreciation on right-of-use assets	23	**21,973**	22,966
Allowance for expected credit losses	24	**249,619**	121,555
Provision for obsolete stock-in-trade	22	**44,110**	20,769
Provision for staff retirement benefits	14.1.2	**17,978**	15,712
Interest income on saving accounts	25	**(121,910)**	(27,793)
Gain on disposal of operating fixed assets	25	**(35)**	(875)
Finance cost	26	**20,024**	20,928
Workers' welfare fund	27	**23,343**	-
Unrealised exchange loss		**59,352**	57,424
Working capital changes	30.1	**48,232**	331,102
		1,102,099	1,153,408

30.1 Working capital changes

	2022	2021
Decrease / (increase) in current assets:		
Stock-in-trade	**(98,555)**	(140,072)
Trade debts	**121,718**	(158,986)
Advances	**(12,600)**	5,592
Deposits and short-term prepayments	**9,164**	(10,894)
Other receivables	**129,538**	38,593
	149,265	(265,767)
Increase in current liabilities:		
Trade and other payables	**(63,328)**	481,582
Contract liabilities - advance from customers	**(32,708)**	106,741
Provisions	**(4,997)**	8,546
	48,232	331,102

31 NUMBER OF EMPLOYEES

	2022	2021
At the end of the year		
Permanent	**65**	56
Average number of employees:		
Permanent	**63**	55

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

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

	Chief Executive		Directors		Other Executives	
	2022	2021	**2022**	2021	**2022**	2021
	---------- (Rupees in '000) ----------					
Managerial remuneration	**14,947**	14,947	**3,922**	6,030	**53,336**	45,167
Retirement benefits	**2,740**	2,740	**719**	1,105	**9,769**	3,762
Perquisites:						
- medical expenses	**115**	133	**115**	133	**3,335**	2,933
- housing	**8,669**	8,669	**2,157**	3,317	**24,001**	22,357
- conveyance	**1,203**	477	**912**	634	**18,506**	9,830
- bonus	**5,438**	4,151	**984**	1,328	**7,608**	6,454
- car benefit	**4,200**	4,200	**922**	-	**2,586**	3,100
- others	**463**	507	**25**	512	**605**	2,137
Company's contribution to provident fund	**1,495**	1,495	**392**	603	**5,334**	4,517
Group insurance	**123**	307	**123**	124	**3,578**	889
Club subscriptions	**577**	871	**-**	-	**-**	-
Incentive by ultimate parent company (see note 33)	**1,262**	3,220	**-**	-	**-**	-
	41,232	41,717	**10,271**	13,786	**128,658**	101,146
Number of persons	**1**	1	**1**	1	**29**	22

32.1 In addition, the Chief Executive, Director and Executives are provided with free use of cars and certain household items in accordance with their entitlement. The Chief Executive and Director have also been provided with telephone facility at their residences.

33 SHARE BASED COMPENSATION

Certain eligible employees of the Signify Group (the Group) are entitled to participate in the share based payment plans of the ultimate parent company. The ultimate parent company grants stock awards as a form of share-based payment to the employees. Under these equity settled plans, eligible employees in Pakistan of the Company will be given shares of the ultimate parent company upon meeting the vesting conditions. Total share-based compensation costs for the Company for the year ended 31 December 2022 were Rs. 1.262 million (2021: Rs. 3.220 million), which was related to the Signify Long-term Incentive Plan (LTI Plan). The liabilities in respect of intragroup repayments as of 31 December 2022 aggregated to Rs.18.385 million (2021: Rs. 17.564 million).

Signify Long-term Incentive Plan

Under the Signify LTI Plan , which is equity settled, eligible employee is granted both conditional shares and performance shares. Conditional shares have a three-year vesting period and will vest if a grantee is still employed with the Company at the vesting date.

Vesting of performance shares is conditional on the achievement of performance conditions measured over a period of three years. The performance condition measurement is based on four measures, Relative Total Shareholder Return (TSR) (25% of the shares), Free Cash Flow (FCF) (25% of the shares), Sustainability (25% of the shares) and Return on Capital Employed (ROCE) (25% of the shares). In addition, vesting is conditional to the guarantee still being employed with the Company at the vesting date.

Signify performance shares

The fair value of shares granted with the market performance condition of relative TSR is measured based on Monte Carlo simulation. The closing share price at grant date is adjusted for the present value of expected dividends during the vesting period, as participants are not compensated for the ultimate parent company's dividend payouts. Monte Carlo simulation takes into account market conditions expected to impact relative Total Shareholders' Return performance in relation to selected peers and the following weighted-average assumptions:

Assumptions used in Monte-Carlo simulation for valuation in %	**2022**
Risk-free interest rate	**0.6%**
Expected share price volatility	**40%**

The assumptions were used for these calculations only and do not necessarily represent an indication of the ultimate parent company's management's expectation of future developments for other purposes. Historic volatility was measured over the same timeframe as the simulation period (weighted average 2.6 years).

The amount calculated as an expense for TSR shares is not adjusted for actual performance. FCF, Sustainability and ROCE related measurements are non-market performance conditions. Fair value of shares granted under FCF, Sustainability and ROCE objective conditions equals the closing share price on the grant date, adjusted for the present value of expected dividends during the vesting period. The amount calculated as an expense for shares granted with a non-market performance condition is adjusted for actual performance.

Movements in the performance shares under LTI Plan held by the Company's employee is as follows:

	2022		**2021**	
	Shares	**Weighted average grant-date fair value**	**Shares**	**Weighted average grant-date fair value**
	Numbers	**EUR-denominated**	**Numbers**	**EUR-denominated**
Balance as at beginning of the year	**2,938**	**25.79**	2,804	25.98
Granted during the year	**-**	**-**	-	-
Performance adjustment	**62**	**33.67**	134	21.75
Balance as at end of the year	**3,000**	**25.95**	2,938	25.79

Signify conditional shares

Fair value of conditional shares is determined by subtracting the present value of expected dividends from the closing share price on the grant date as participants are not compensated for the ultimate parent company's dividend payouts.

Movements in the conditional shares under LTI Plan held by the Company's employee is as follows:

	2022		2021	
	Shares Numbers	Weighted average grant-date fair value EUR-denominated	Shares Numbers	Weighted average grant-date fair value
Balance as at beginning of the year	**1,054**	**24.05**	1,054	24.05
Granted during the year	**-**	**-**	-	-
Balance as at end of the year	**1,054**	**24.05**	1,054	24.05

34 TRANSACTIONS WITH RELATED PARTIES

34.1 Related parties comprise of the 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 duly approved by the Board of Directors of the Company 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 other than those disclosed elsewhere in the financial statements, are as follows:

Name, relationship, transactions and balances	Note	2022	2021
		(Rupees in '000)	
Transactions during the year:			
Ultimate parent company			
Share based payment transactions	33	**1,262**	3,220
Group companies			
Purchases of goods	34.2	**1,841,218**	1,845,382
General Services Unit Agreement (GSUA)	34.2	**54,038**	72,903
Services received - regional cost	34.2	**-**	59,629
Staff retirement benefits fund			
(Contribution) / refunds from gratuity fund		**-**	(7,359)
Contribution to employees provident fund		**8,661**	8,615
Contribution to employees pension fund		**8,845**	8,715
Key management personnel			
Salaries and other short-term benefits		**51,921**	54,594
Post employement benefits		**6,580**	4,335
Balances with related parties at year end:			
Ultimate parent company			
Payable against long-term incentive plans		**18,385**	17,123
Group companies			
Payable against cross charges		**-**	129,311
Trade debts		**42,974**	-
Total creditors	16.1	**512,120**	680,933
Staff retirement benefits balances			
Payable to / receivable from provident fund		**(549)**	1,422
Payable to / receivable from pension fund		**(790)**	260
Payable to staff retirement benefits - gratuity		**102,818**	94,541

34.2 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	2022	2021
					(Rupees in '000)	
Group companies:						
Signify Netherlands B.V.	-	High Tech Campus 48 5656 AE Eindhoven, Netherlands	Netherlands	GSUA (IT charges)	**54,038**	72,903
				*Purchase of goods	**806,360**	778,856
Signify Electronics (Xiamen) Co., Ltd.	-	2000 North YunDing Road, Xiamen, China	China	*Purchase of goods	**64,880**	46,008
Signify Electronics Technology (Shanghai) Co., Ltd.	-	1805 Huyi Highway, Malu Town, Shanghai, China	China	*Purchase of goods	**-**	35,500
Signify Canada Ltd.	-	281 hillmount road, markham ON L6C 2S3	Canada	*Purchase of goods	**6**	-
Signify Egypt LLC	-	City Star, Star Capital F2, 11th and 12th floor, Nasr City, Cairo	Egypt	*Purchase of goods	**40**	-
Signify Aydinlatma Ticaret A.S.	-	Saray Mah. Dr. Adnan Buyukdeniz Cd. No:13, 34768 Umraniye, Istanbul, Turkey	Turkey	*Purchase of goods	**245**	2,785
Signify Belgium N.V.	-	Steenweg op Gierle 417 2300 Turnhout, Belgium	Belgium	*Purchase of goods	**1,160**	-
Signify Hong Kong Limited	-	Enterprise Square, Hong Kong	Hong Kong	*Purchase of goods	**-**	96,344
Signify Hungary Kft.	-	Szabadsag ut 107. 7090 Tamasi, Hungri	Hungary	*Purchase of goods	**21,270**	19,944
Signify Poland Sp. Z.O.O.	-	Pila, ul. Kossaka 150 O/Ketrzyn ul. Chrobrego 8	Poland	*Purchase of goods	**35,509**	38,770
PT. Signify Commercial Indonesia	-	95-100 JL Buncit Raya kav Jakarta	Indonesia	*Purchase of goods	**-**	6,963
Signify Luminaires (Shanghai) Co., Ltd.	-	2nd floor, Building 1805 HUYI Highway, MALU town Jiading District, Shanghai	China	*Purchase of goods	**412,743**	384,045
Signify Luminaires Chengdu Co. Ltd.	-	No.91 Tianyan Road Hi-Tech West District CHENGDU, China	China	*Purchase of goods	**425,543**	288,562
Signify Singapore Pte. Ltd	-	622 Lorong 1 Toa Payoh	Singapore	*Purchase of goods	**-**	771
Dynalite Pty Ltd.	-	Unit 6, 691 Gardeners Road Mascot NSW 2020, Australia	Australia	*Purchase of goods	**1,075**	4,091
Signify Industry Signify Industry		8 Mintai Road Yizheng	Yizheng	*Purchase of goods	**72,393**	142,743
Signify International B.V. Dubai	-	301/302 3/F choueiri building, konwlede village	Dubai-UAE	*Services received - regional costs	**-**	59,629
					1,895,262	1,977,914

* These are net off adjustment of credit notes received.

34.3 The details of key management personnel are as follows:

Name of the key management personnel	Role / designation
Asad Said Jafar	Chief Executive Officer
Kamran Mirza	Director
Babar Manzoor	Financial Controller
Syed Wajahat Ali	Company Secretary

35 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. No changes were made in the objectives, policies or processes and assumptions during the year ended 31 December 2022. The policies for managing each of these risks are summarised below.

35.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and over sight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company’s risk management policies.

Risk management systems are reviewed regularly by the Board to reflect changes in market conditions and the Company’s activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial assets and liabilities by category and their respective maturities:

	Interest bearing			Non-Interest bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
Financial assets (At amortised cost)	----------------------------------			(Rupees in '000)		----------------------------------	
Trade debts	-	-	-	527,969	-	527,969	527,969
Deposits	-	-	-	1,031	3,550	4,581	4,581
Other receivables	-	-	-	5,888	-	5,888	5,888
Cash and bank balances	-	-	-	1,660,260	-	1,660,260	1,660,260
December 31, 2022	-	-	-	2,195,148	3,550	2,198,698	2,198,698
Financial liabilities (At amortised cost)							
Trade and other payables	-	-	-	1,323,261	-	1,323,261	1,323,261
Accrued Markup	-	-	-	-	-	-	-
Short-term running finances	-	-	-	-	-	-	-
Unclaimed / unpaid dividend	-	-	-	299,075	-	299,075	299,075
December 31, 2022	-	-	-	1,622,336	-	1,622,336	1,622,336

	Interest bearing			Non-Interest bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
Financial assets (At amortised cost)	----------------------------------			(Rupees in '000)		----------------------------------	
Trade debts	-	-	-	898,640	-	898,640	898,640
Deposits	-	-	-	10,195	848	11,043	11,043
Other receivables	-	-	-	30,516	-	30,516	30,516
Cash and bank balances	-	-	-	738,354	-	738,354	738,354
December 31, 2021	-	-	-	1,677,705	848	1,678,553	1,678,553

Financial liabilities (At amortised cost)							
Trade and other payables	-	-	-	1,349,249	-	1,349,249	1,349,249
Accrued Markup	-	-	-	10	-	10	10
Short-term running finances	494	-	494	-	-	-	494
Unclaimed dividend	-	-	-	1,047	-	1,047	1,047
December 31, 2021	494	-	494	1,350,306	-	1,350,306	1,350,800

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

35.2 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.

35.2.1 Trade debts, deposits and other receivables

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

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

	Note	**2022**	2021
		(Rupees in '000)	
Financial assets			
Long term deposits		**3,550**	848
Trade debts - net	7	**527,969**	898,640
Deposits	9	**27,641**	31,579
Other receivables	10	**40,711**	64,673
Bank balances	11	**1,660,261**	738,201
		2,260,132	1,733,941
Financial assets			
Not past due		**1,869,822**	1,594,117
Past due		**390,310**	139,824
		2,260,132	1,733,941

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

	2022				2021			
	Gross	**Excpected credit loss rate**	**Allowance for ECL / Write off**	**Net**	Gross	Excpected credit loss rate	Allowance for ECL	Net
	---------- (Rupees in '000) ----------							
Not past due	**661,297**	**34.45%**	**227,824**	**433,473**	850,285	3.89%	33,113	817,172
Past due								
Not more than 03 months	**157,117**	**55.27%**	**86,831**	**70,286**	80,908	10.51%	8,502	72,406
More than 03 months but	**-**		**-**					
less than 06 months	**46,652**	**60.24%**	**28,105**	**18,547**	8,466	4.64%	393	8,073
More than 06 months but	**-**		**-**					
less than 01 year	**17,537**	**67.71%**	**11,874**	**5,663**	4,094	92.87%	3,802	292
More than 01 year	**98,141**	**100.00%**	**98,141**	**-**	158,709	99.56%	158,012	697
	319,447		**224,951**	**94,496**	252,177		170,709	81,468
	980,744	**46.17%**	**452,775**	**527,969**	1,102,462	18.49%	203,822	898,640

35.2.4 The e Company has no exposure to credit risk by geographic region wise for trade debts as at 31 December 2022, as the Company sells its goods only in Pakistan

35.2.5 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		**2022**	2021
	2022	2021	**2022**	2021	**(Rupees in '000)**	
Standard Chartered Bank (Pakistan) Limited	**PACRA**	PACRA	**A1+ / AAA**	A1+ / AAA	**613,283**	732,040
MCB Bank Limited	**PACRA**	PACRA	**A1+ / AAA**	A1+ / AAA	**447,061**	6,161
Deutsche Bank Limited	**Moody's Investors Service**	Moody's Investors Service	**A2 / P-1**	A2 / P-1	**599,917**	-
					1,660,261	738,201

35.2.6 Concentration of credit risk

	2022	2021
	(Rupees in '000)	
The sector wise analysis of gross trade debts is as follows:		
Distributors	**737,737**	1,023,959
Automaker	**6,898**	
Government authorities	**59,234**	52,560
Modern retail	**6,651**	47
Hospital	**3,808**	3,319
Chemical	**4,638**	2,327
Education	**294**	
Food	**1,664**	
Construction	**40,455**	7,770
Petroleum industry	**19,417**	11,417
Pharmaceutical	**93**	
Banking	**316**	196
Hotel industry	**605**	308
Textile	**98,735**	433
Cement industry	**199**	126
	980,744	1,102,462

The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of allowance for expected credit losses.

35.2.7 As at reporting date, there are no financial assets that could otherwise be past due or impaired whose terms have been renegotiated.

35.3 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	Maturity up to one year	Maturity after one year to five year	Maturity after five year
	------------------------- (Rupees in '000) -------------------------			
31 December 2022				
Trade and other payables	**1,336,484**	**1,336,484**	-	-
Accrued markup	-	-	-	-
Lease liabilities	**18,904**	**18,904**		-
Short-term running finances	-	-	-	-
Unclaimed / unpaid dividend	**299,075**	**299,075**	-	-
	1,654,463	**1,654,463**	-	-
31 December 2021				
Trade and other payables	1,367,469	1,367,469	-	-
Accrued markup	10	10	-	-
Lease liabilities	13,389	13,389		-
Short-term running finances	494	494	-	-
Unpaid dividend	1,047	1,047	-	-
	1,382,409	1,382,409	-	-

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

35.4 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 equity price risk.

35.4.1 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's significant exposure to currency risk in Pakistan Rupees at the year end are as follows:

	2022				2021			
	EURO	**USD**	**SGD**	**AED**	EURO	USD	SGD	AED
	-------------------- (in '000) --------------------							
Financial assets								
Trade debts	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Financial liabilities								
Trade and other payables	**1,615**	**39**	**251**	**7**	2	(2,783)	(59)	(1)

	Average rate for the year		Spot rate at year end	
	2022	2021	**2022**	2021
Exchange rates applied during the year and at year end are as follows:				
EURO 1	**216.86**	193.16	**241.39**	199.50
USD 1	**207.22**	163.69	**226.70**	176.45
SGD 1	**150.15**	121.84	**168.72**	130.65
AED 1	**56.42**	44.57	**61.73**	48.04

Sensitivity analysis

Every 5% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase profit before tax for the year by Rs. 22.197 million (2021: Rs. 23.490 million).

35.4.2 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. The Company manages interest rate risk by maintaining arrangement with number of financial institutions to have access to the best possible rate, if financing from banks is required. Increase / decrease in floating interest rate by 1% will decrease or increase profit before tax for the year by Rs. Nil (2021: Rs. 0.005 million) respectively.

35.4.3 Equity price risk

Equity price risk is the risk of loss arising from uncertainities about future values of investments securities movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity securities.

36 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 arm's 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.

37 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 and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. 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 2022.

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 equity plus net debt. Equity comprises of share capital and reserves. As at the reporting date, the Company does not have any gearing to report.

38 DATE OF AUTHORISATION

These financial statements were approved and authorised by the Board of Directors of the Company in their meeting held on 07-04-2022 .

39 NON ADJUSTING EVENTS AFTER THE REPORTING DATE

39.1 Subsequent to the year end, the Board of Directors of the Company in their meeting held on 07-04-2022 have proposed a final cash dividend of Rs. ___ (2021: Rs.1.906) per ordinary share.

39.2 The approval of the members for the proposed final cash dividend will be obtained at the Annual General Meeting of the Company to be held on 28-04-2022 . These financial statements for the year ended 31 December 2022 do not include the effect of the final cash dividend which will be accounted for in the financial statements for the year ending 31 December 2023.

40 GENERAL

40.1 Figures have been rounded off to the nearest thousand rupees.

40.2 Certain prior period's figures have been rearranged for better presentation, wherever necessary. However, there are no material reclassification to report.

Chairman & CEO **Director**

NOTICE OF 69th ANNUAL GENERAL MEETING

NOTICE is hereby given that the sixty-ninth Annual General Meeting of Signify Pakistan Limited will be held on Friday, April 28, 2023, at 04:00 p.m., at its registered office at Bahria Complex 1, 6th Floor, M.T. Khan Road, Karachi and can also be attended through below website link to transact the following business: http://www.signify.com/en-pk/contact: Notice/link of the meeting in given therein.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the company for the year ended December 31, 2022, together with the Directors' and Auditors' reports thereon.
2. To appoint the Auditors of the Company and to fix their remuneration.
3. To consider, approve and declare and authorize the payment of dividend for the year ended December 31, 2022. The Directors have recommended the payment of a dividend @Nil for the year ended December 31, 2022.

By the order of the Board
Syed Wajahat Ali
Company Secretary

Karachi, April 7, 2023

NOTES: -

(1) Share Transfer Books of the Company will remain closed from April 21st to April 28th, 2023 (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.

(3) Reference is made to the SECP notification SRO 831(1) of 2012 dated July 05, 2012 that the individual members, who have not submitted copies of their valid CNIC to the Company are requested to send their CNIC copy with folio number mentioned thereon at the earliest the Company's office registered address at Bahria Complex-1, 6th floor, Plot No. 23/A & 24/A, Lalazar, M.T. Khan Road, Karachi. Corporate entities are also requested to provide their NTN (copy) with Folio number mentioned thereon to the Company's registered office at as mentioned above. In case on non-receipt of valid CNICs/NTN, the Company will be constrained to withhold dispatch of dividend warrants/online transfer to such shareholders.

(4) Payment of Cash Dividend Electronically (Optional): The company wishes to inform its shareholders that under that law they are also entitled to receive their cash dividend directly in their bank account instead of receiving it through dividend warrants. Accordingly, shareholders wishing to exercise this option may send a signed dividend mandate document with their complete banking details, full name, folio number, mailing address and copy of CNIC to the Company's office at Bahria Complex-1, 6th floor, Plot No 23/A & 24/A, Lalazar, M.T.Khan Road, Karachi.

(5) As regard deduction of withholding tax on the amount of dividend, as per tax laws, currently below rates apply: a). For filers of Income tax return 15%; For non-filers of Income tax return 30%. To enable the Company to make tax deduction on the amount of dividend @15% instead of 30%, all the shareholders whose names are not entered into the Active Tax-payer List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @30% instead of 15%.

(6) Members are requested to promptly communicate any change in their mailing address or bank mandate to he registered office of the company at Bahria Complex-1, 6th Floor, Plot No 23/A and 24/A, Lalazar, M.T.Khan Road, Karachi.

69th 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 April, 28th July 2023 and/or any adjournment thereof.

As witness my / our hand(s) this ____________ day of ____________ 2023.

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

69واں سالانہ جنرل اجلاس

مختار نامہ

میں / ہم ____________ کی جانب سے ____________ بطور رکن سگنیفائی پاکستان لمیٹڈ

محترم / محترمہ ____________ کی جانب سے کو اپنا پراکسی نامزد کرتا / کرتی ہوں ،

اور یہ میری طرف سے کمپنی کے سالانہ اجلاس / یا اس کے التواء میں شرکت کریں گے اور ووٹ کے حق کا استعمال کریں گے ،

جو جمعہ مورخہ 28 اپریل، 2023 کو منعقد کی جا رہی ہے۔

بطور گواہ بدست از خود ______ 2023

دستخط: ____________

نام: ____________

پتہ: ____________

شیئر ہولڈر نمبر:

نوٹ:

1) ممبر سے درخواست ہے کہ وہ اپنا نام اور مکمل پتہ درج کریں۔
2) مندرجہ بالا پراکسی کی نامزدگی کو قانونی بنانے کے لیے یہ فارم درست اور مکمل شدہ ہو (اور اگر کہیں ضروری ہوا تو مختار نامہ یا دیگر اختیار نامہ جس پر دستخط ہوں اس کی نوٹری تصدیق شدہ کاپی) کمپنی کو اجلاس کی مقررہ تاریخ سے 48 گھنٹے قبل تک موصول ہو جانا چاہیئے۔
3) اس پراکسی فارم میں کسی بھی تبدیلی کی صورت میں دستخط کنندہ اپنے دستخط کرے گا۔
4) مشترکہ ہولڈر ہونے پر مقدم شخص کے ووٹ جو کہ وہ خود دیں گے یا پراکسی اُن کے لیے دے گی، وہ تسلیم کیا جائے گا اور باقی کے ووٹ نہیں۔ اس کے لیے مقدم اشخاص کے ناموں کو اُس فہرست کے حساب سے وضع کیا جائے گا جو کہ ارکان کے رجسٹر میں ہوگی۔
5) کمپنی اس پراکسی انسٹرومنٹ کو مہر کے ساتھ یا وکیل اور افسر کی جانب سے اتھارائزڈ دیکھ کر قبول کرے گی۔
6) نامزد کردہ پراکسی شخص کے لیے کمپنی کا رکن ہونا ضروری نہیں ہے۔

www.signify.com/en-pk