2021 Annual Report

Signify Pakistan Limited

Our global brands are

PHILIPS interact WiZ

signify

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

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

Customer first

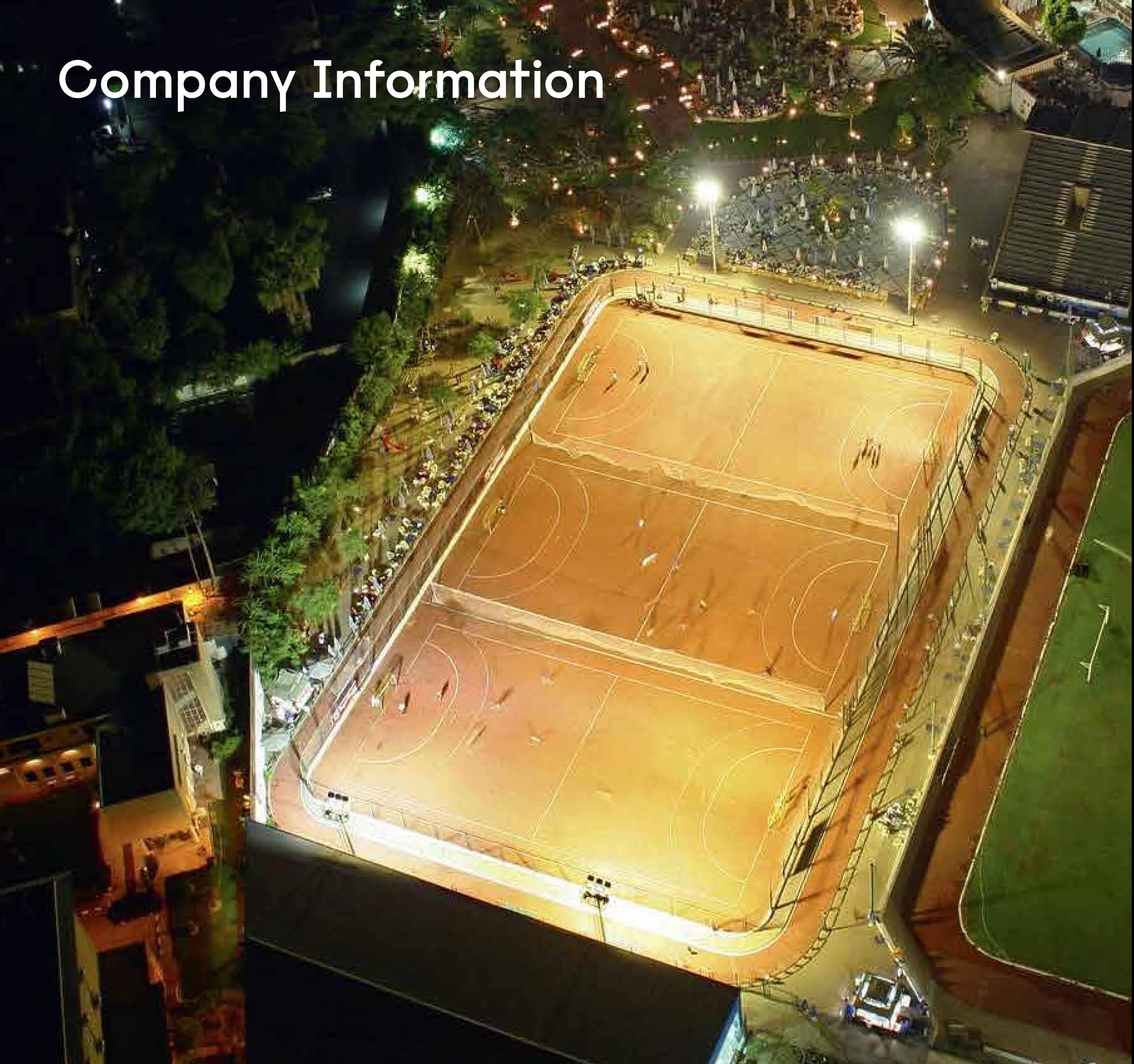
Greater **together**

Game **changer**

Passion for results

Always act with integrity

Company Information



Board of Directors

Asad S. Jafar
Chairman & CEO

Kamran Mirza
Director

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

Company Secretary

Syed Wajahat Ali

Senior Management Team

Asad S. Jafar
Chairman & CEO
Signify Pakistan Limited

Kamran Mirza
Director

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:

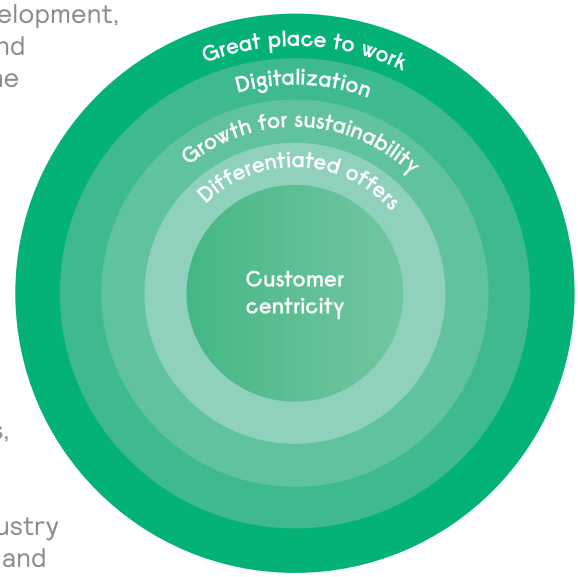
112-B, 2nd Floor, Mallhi Plaza, Murree Road, Rawalpindi

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

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 manufacturing waste 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 (cumulative 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 commitments. 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

To fulfil our purpose, deploy our strategy and answer the challenges our world is facing, we commit to double our positive impact on the environment and society in 2025, while continuing and strengthening our current sustainability programs. The new program is an integral part of our 5 Frontiers strategy which sets our direction in a changing world. With our strategic frontier Growth for Sustainability, we define areas in which we address global challenges and create value for our customers and society: climate action, circular economy, food availability, safety & security and health & wellbeing. And we will deliver on our strategic frontier Great Place to Work by investing in our people and strengthening our diversity and inclusion program.

Sustainability focus and UN SDGs	Doubling objectives	Continue and strengthen	
Climate action	**Double** the pace we achieve the 1.5°C scenario of the Paris Agreement	Carbon neutral operations & 100% renewable electricity	Better World
		Increase Climate action revenues to 72%	
Circular economy	**Double** our Circular revenues to 32%	Zero waste to landfill and sustainable packaging	
Food availability Safety & security Health & wellbeing	**Double** our Brighter lives revenues to 32%	10 million lives lit through Signify Foundation	Brighter Lives
Great place to work	**Double** our percentage of women in leadership to 34%	Safe & healthy workplace with a TRC less than 0.30	
		Supplier sustainability performance of 95%	

Signify calls for accelerated climate actions

Signify, the world leader in lighting, together with the Rocky Mountain Institute (RMI), one of the world's leading non- governmental organizations in field of energy efficiency, are calling upon political leaders to implement regulatory measures that accelerate climate action. Signify meanwhile, is showing its leadership by having committed to have net-zero carbon buildings by 2030 and to operate a 100% electric and hybrid lease fleet by 2030.

Today's weather anomalies are the result of a temperature rise of only 1 degree Celsius. Imagine the impact on our daily lives when temperature rises 2 degrees or more. We - both political and business leaders - need to act now and accelerate targeted integrated policy interventions that foster sustainable business and safeguard a healthy planet for future generations."

In a report1 that Verhaar and RMI published today at the UN's Earth Innovation Forum in Tallinn, Estonia, the researchers predict a 3,000 Twh increase in electricity demand by 2040 if the world switches to electric vehicles as fast as their fastest scenario – that is more than the total electricity consumption of the European Union in 2013. To ensure that the power grid has sufficient capacity to deal with such a revolution, the researchers advocate accelerated action from political leaders and to step up the renovation of buildings to improve their energy efficiency.

Signify is at the forefront of implementing energy efficiency measures. The company is committed to the World Green Building Council's initiative to have all the buildings that it is using to be carbon neutral by 2030. In addition to that, Signify is also joining The Climate Group's EV100 initiative to operate a 100% electric and hybrid lease fleet by 2030.

"In order to create a net zero carbon society, we need to accelerate the switch to electric vehicles. Our EV100 commitment and the shift to electric vehicles is one way our Signify employees can directly contribute to our overall efforts in driving carbon footprint reduction and becoming carbon neutral," said Bill Bien, Chief Strategy & Marketing Officer at Signify.

Adding a layer of protection to homes in Pakistan

Signify entered the UV-C lighting consumer market with a disinfection desk lamp, allowing people in Pakistan to efficiently disinfect their homes in a matter of minutes.

Customer challenge

A home is more than a place to live; it's somewhere to feel and be safe. In 2020, when most people spent more time at home than ever before, this idea became even more important. The global coronavirus pandemic created a need for ways to disinfect our homes and inactivate microorganisms like viruses and bacteria. But for the home to be truly safe, the product itself needed to have a number of safety features as well.

Solution

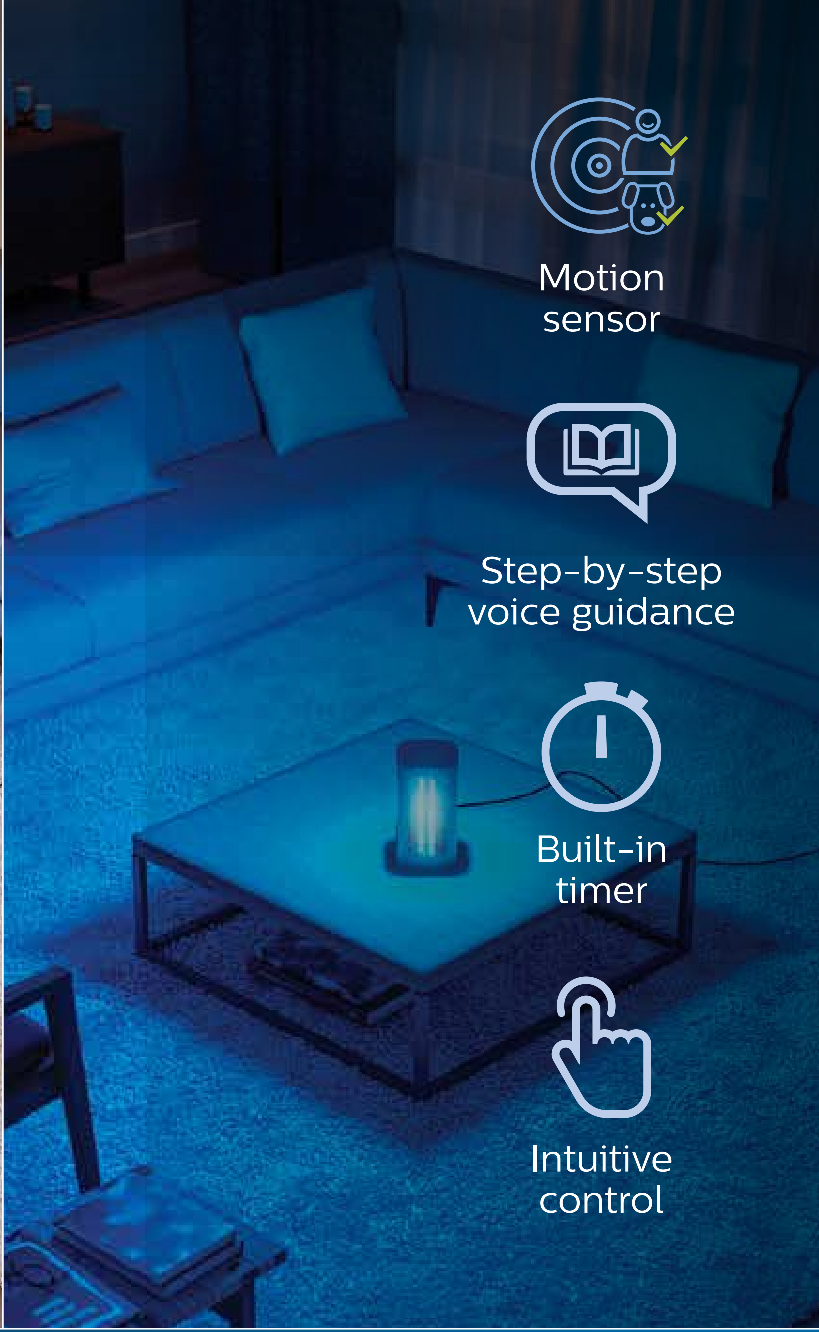
The Philips UV-C disinfection desk lamp, disinfects rooms and effectively inactivates viruses, bacteria, molds and spores in a matter of minutes. It's small enough to be stored out of sight when not in use and easily moved between rooms, allowing an entire house to be disinfected on a rotating basis.

"The UV-C desk lamp is highly effective in terms of killing germs and inactivating viruses and includes safe-to-use innovative features like radar detection and voice alert." –

As UV-C light can be harmful to humans and animals, the UV-C disinfection desk lamp is equipped with several safety measures ensuring proper usage so it can do its job of providing that extra layer of protection.
These include voice interaction to guide users through each usage, ensuring disinfection takes place successfully. And a built-in microwave sensor detects movement within a radius of three meters and automatically shuts off the desk lamp if any is detected. The best protection of course, is for people to make sure they leave the room, take pets with them, and close the door. Recommended cleaning times vary depending on the size of the room. But generally, a typical bathroom takes about 15 minutes, a bedroom 30 minutes, and a living room 45 minutes.

UV-C

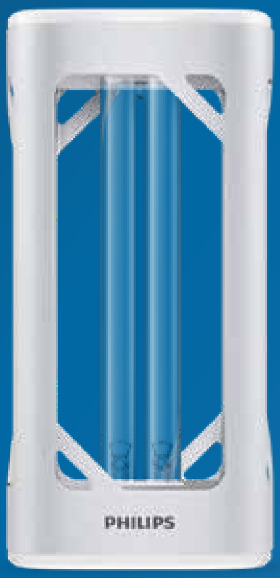
Leveraging more than 35 years of expertise in UV-C lighting, Signify has launched several consumer products to address the growing need for the disinfection of air, surfaces, and objects in people's homes. This in addition to increasing its production capacity of UV-C light sources eightfold and launching 12 product families for the professional market. This is how we're helping keep people safe in a world that's adjusting to a new normal.



Philips UV-C disinfection desk lamp

Is your home really clean?

The Philips UV-C disinfection desk lamp can effectively deactivate viruses, bacteria, molds and spores, in a matter of minutes[1]. Built-in sensors and timers provide an added layer of protection for you and your family.



1. Disinfection effectiveness will vary depending on disinfection time, distance and type of surface/object. See product manual/webpage for details.

Check the product website for the safety usage information.

Disinfection of air, surfaces and objects using the power of **UV-C light**

As the world continues to weather the global pandemic, there is an urgent demand for a proven, fast and effective way to add an extra layer of protection from harmful bacteria and viruses. UV technology is a proven methodology that is applicable to a multitude of settings.[1]

Bacteria and viruses can cause a wide range of infections, including COVID-19. Any contamination on the everyday things we come into contact with and the air that we breathe can have a profound effect on our health.

Naturally, the constant need for permanent disinfection poses many challenges to business owners and their staff. Managing costs, availability of cleaning equipment and chemicals, training staff, as well as simply finding sufficient time in busy schedules to prepare and maintain the cleanliness of spaces, all need to be considered.

A proven technology

UV-C light has the power to neutralize any harmful micro-organisms that might be present on surfaces, objects or in the air. This helps reduce the risk of contracting viruses and bacteria and spreading them even further. It can be used to disinfect the air, surfaces and objects in schools, retail outlets, hotels, transportation, offices and factories.

UV-C light effectively deactivates bacteria, viruses and fungal spores by breaking their DNA and RNA, rendering them harmless.[2] It's a proven methodology for air, surfaces and water disinfection, and has been used for more than 40 years to mitigate the risk of acquiring infections.[1] In laboratory testing, Signify's UV-C light sources reduced SARS-CoV-2 virus infectivity on a surface to below detectable levels in as few as 9 seconds.[3] Which is why we recommend integrating UV-C light into your ongoing disinfection strategy against COVID-19.

A sustainable solution

As UV disinfection is based on radiation it's a physical, rather than a chemical process thus reducing the need to make, handle, transport or store toxic, hazardous or corrosive chemicals. It's a simple and sustainable solution. The disinfection effect is directly related to the UV-C dose and leaves no chemical residue, unlike liquid cleaning processes.

Philips UV-C disinfection luminaires for air, surface and objects

We're well prepared so you can be: Introducing the Philips UV-C disinfection portfolio.

We have 35 years of experience developing and manu facturing a wide range of UV-C disinfection solutions. All of that experience goes into every new product we make. Which is why we are confident that our UV-C portfolio has the answer to your disinfection needs. Find the right product for you now at **philips.com/uv-c**

Broadening smart home lighting connectivity with WiZ Connected

Our smart home lighting product line WiZ Connected, together provide consumers with the full spectrum of connectivity for smart home lighting.

Customer challenge

Smart home lighting can improve lives, and more and more people are switching on to its advantages. For each person, the drive is different; for some it's a desire to have control over the latest and greatest home lighting at their fingertips. While for others, the goal is simply smarter and easier daily living.

Solution

Signify's smart home lighting brand, WiZ Connected, comfortably cover the whole range of smart home lighting needs, for all types of connectivity and all types of consumers.

"Signify has been very clever acquiring WiZ as an open ecosystem brand for smart lighting. WiZ Connected offers consumers endless choices for ultimate smart lighting experiences."

WiZ continues to set the standard for plug-and -play smart lights and accessories. In 2020, WiZ launched more than 100 new products that are easy to set-up with Bluetooth and with your existing WiFi network. The smart plug, motion sensor and remote-control work with a wide range of WiZ bulbs, spots and table lamps to further extend the accessibility of smart home lighting.

WiZ Connected

WiZ Connected are exceptional smart lighting technologies that together serve the needs of a fast-growing group of consumers who are interested in smart home lighting WiZ's open IoT platform, accessible to all lighting and electrical vendors, provides the benefits ofconnected devices to all end-users.

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, 2021.

Economic Review

The year 2021 started with gaining some relief from covid and the economy started recovery, though, there were some ups and downs as news of different variants of covid kept coming in. Fortunately, these did not prevail for much time and the economy kept gaining momentum and growth was witnessed in many sectors of the economy. There was a robust growth in textile exports and inward remittances from overseas Pakistanis remained strong. The Government is targeting a GDP growth rate for year 2021-22 at 4.8% (2020-2021: 0.5%) and the projected growth rate for year 2022-2023 is 5%.

The Consumer Price Index started with 5.7% in January 2021 and gradually increased to 12.3% by December 2021. The higher trend indicates are on the back of high prices of petroleum products, rupee depreciation, increase in the rates of agriculture commodities especially increase in international food prices.

The State Bank of Pakistan managed to keep the KIBOR rate at a single digit starting from 7.4% in January 2021 till 9.32% in November, but this moved to double digits in December at 10.26%. However, the current rate has sharply increased to 12.77% in an effort to curb inflation. Businesses in general had appreciated government's measures to keep interest rate within a single digit during year 2021 as this helped them to manage their financing requirements.

State Bank of Pakistan's free floating of forex rates based on market-based policy reflected USD/PKR parity which started from PKR 160 in January, went as low as PKR 152 in June and remained in the range of PKR 166 till September before rising sharply during the last quarter and touched PKR 174 in December. Comparatively, the stable rate of USD/PKR parity till the third quarter 2021 was the result of strong textile export orders which were shifted to Pakistan during the worst of covid times and were handled in a much better manner than other neighboring countries and also because of consistent inward remittances from overseas Pakistanis.

Now, due to the change in the government since April 2022, we foresee challenging times ahead especially in terms of short-term economic decisions which are linked to the short tenure of the current government. The future course of action will also depend on how meetings with the IMF pan out.

Industry Review

In 2021, the industry continued the localization of lighting products portfolio to gain the benefits of reduced duties and taxes. However, consequent to the federal budget in June 2021, the sales tax relief at the output stage was removed which reduced the advantage of localization to the import base. Since a large industrial set up had taken place and a sizeable investment was made, industries are still surviving to gain cost advantage through large volumes.

Signify Pakistan has moved to local assembly of a selected portfolio of the Philips brand, which has been a pioneer in the lighting industry. This includes local assembly of LED bulbs, and certain professional lighting products in the past year.

At present, around fifty percent of Signify Pakistan's sales are based on the locally assembled portfolio, and this is planned to increase to sixty five percent in the next two to three years. This strategy certainly lessens the burden on foreign exchange (to some extent), benefits local employment and promotes local industrial activity.

Financial Performance

Following is the comparative summary of our financial performance for the year 2021:

Key Financial Highlights:

Particulars	2021	2020	*Increase percentage*
Sales (PKR million)	4,671	3,772	23.8%
Gross Profit (PKR million)	1,342	795	69%
GP Percentage to Sales	28.7%	21%	7.7%
EBIT (PKR million)	601	120	401%
Profit before tax (PKR million)	580	74	684%
Profit / (loss) after tax (PKR million)	356	(130)	374%

During the year under review, company sales increased by 23.8% with sales value of PKR 4.671 billion as against PKR 3.772 billion achieved in the corresponding year. This increase in sales was mainly due to opening of the market after covid, significant efforts by our sales and support teams in terms of capitalizing the opportunities and relentless focus on customer centricity.

Gross profit increased by PKR 547 million (28.7%) against last year mainly due to the increase in localization of products, higher sales during the year, which absorbed the fixed costs related to the cost of sales, and some statutory adjustments from the prior year. This increase in sales also helped in the absorption of fixed administrative and distribution cost of the organization. Consequently, the company posted a strong profit before tax of PKR 580 million and a net profit of PKR 356 million for the year.

During the year, the company entered into a Technical Licensing Agreement with Signify Netherland BV for the localization of the Philips brand products in Pakistan. This agreement has been effective from January 1, 2021. Under this agreement, the company will be paying royalty on its localized products at certain rates.

Dividend:

In view of a good net profit for the year ending at December 31, 2021, the Directors are happy to recommend a cash dividend @19.06% of ordinary share capital of the company.

Holding company:

The name of the 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 654 million (2020: PKR 833 million) on account of direct and indirect taxes.

Board of Directors:

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

1. Mr. Asad S. Jafar
2. Mr. Goktug Gur
3. Mr. Kamran Mirza
4. Aamir Jan Muhammad

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 2021

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

2.3	Categories of shareholders	share held	Percentage
2.3.1	Directors, Chief Executive Officer, and their spouse and minor children.	----	-----
2.3.2	Associated Companies, undertakings and related parties.	173,705,085	99.9677%
2.3.3	NIT and ICP	----	----
2.3.4	Banks Development Financial Institutions, Non-Banking Financial Institutions.	------	------
2.3.5	Insurance Companies	------	------
2.3.6	Modarabas and Mutual Funds	------	------
2.3.7	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 2022. 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 showed their potential by overcoming challenges posed by the operating environment and their resilience in these difficult times because of the Covid-19 pandemic. We treasure their dedication and feel highly obliged.

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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 seven decades.

On behalf of the Board of Directors

Asad Said Jafar
Chairman & CEO

Kamran Mirza
Director

May 18, 2022

Building a better
working world

EY Ford Rhodes
Chartered Accountants
Progressive plaza, Beaumont Road
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Pakistani

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INDEPENDENT AUDITOR'S 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 2021, and the statement of profit or loss, the statement of 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, the statement of profit or loss, the statement of 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 2021 and of the profit, its 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 Auditor's 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 Auditor's 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 auditor's report thereon.

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

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

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Fax: +9221 3568 1965
ey.khi@pk.ey.com
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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors is 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 auditor's 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 auditor's 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 auditor's report. However, future events or Condit ions may cause the Company to cease to continue as a going concern.

EY
Building a better working world

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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, the statement of 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 auditor's report is Arif Nazeer.

Chartered Accountants

Place: Karachi

Date: May 27, 2022

Signify Pakistan Limited
Statement of Financial Position
As at 31 December 2021

	Note	2021	2020
		(Rupees in '000)	
Non-current assets			
Property and equipment	4	**24,273**	29,870
Right-of-use assets	5	**15,887**	10,335
Long term deposits		**848**	975
Total non-current assets		**41,008**	41,180
Current assets			
Stock-in-trade	6	**634,659**	515,356
Trade debts	7	**898,640**	801,426
Advances	8	**33,940**	39,532
Trade deposits and short-term prepayments	9	**10,195**	25,844
Other receivables	10	**136,092**	207,925
Taxation - net	11	**254,346**	197,948
Cash and bank balances	12	**738,354**	1,361
Total current assets		**2,706,226**	1,789,392
Total assets		**2,747,234**	1,830,572

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman & CEO **Director**

Signify Pakistan Limited
Statement of Financial Position
As at 31 December 2021

	Note	2021	2020
		(Rupees in '000)	
Share capital and reserves			
Authorized capital			
180,000,000 (2020: 180,000,000) ordinary shares of Rs. 10 each		**1,800,000**	1,800,000
Issued, subscribed and paid-up capital	13	**1,737,611**	1,737,611
Reserves	14	**(592,395)**	(952,509)
Total equity		**1,145,216**	785,102
Non-current liabilities			
Staff retirement benefits	15	**94,541**	91,592
Lease liabilities	16	-	3,587
		94,541	95,179
Current liabilities			
Trade and other payables	17	**1,353,888**	814,882
Contract liabilities - advance from customers		**120,429**	13,688
Accrued mark-up		**10**	5,723
Provisions	18	**18,220**	9,674
Current portion of lease liabilities	16	**13,389**	4,542
Short-term running finances	19	**494**	100,735
Unclaimed dividend		**1,047**	1,047
Deferred taxation - net	29	**-**	-
		1,507,477	950,291
Contingencies and commitments			
Total equity and liabilities		**2,747,234**	1,830,572

The annexed notes 1 to 41 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 2021

	Note	2021	2020
		(Rupees in '000)	
Turnover - net	21	**4,670,704**	3,771,929
Cost of sales	22	**(3,328,775)**	(2,977,389)
Gross profit		**1,341,929**	794,540
Administrative and distribution expenses	23	**(581,729)**	(533,488)
Allowance for expected credit losses	24	**(121,555)**	(69,178)
Other income	25	**29,228**	140,297
Finance costs	26	**(20,928)**	(46,373)
Other operating expenses	27	**(67,344)**	(211,780)
Profit before tax		**579,601**	74,018
Taxation	28	**(223,324)**	(204,311)
Profit / (loss) for the year		**356,277**	(130,293)

The annexed notes 1 to 41 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 2021

	Note	2021	2020
		(Rupees in '000)	
Profit / (loss) for the year		**356,277**	(130,293)
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		**3,837**	8,440
Total comprehensive income / (loss) for the year		**360,114**	(121,853)

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman & CEO **Director**

Signify Pakistan Limited
Statement of Changes in Equity
For the year ended 31 December 2021

	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 2020	1,737,611	12,419	47,289	(890,364)	(843,075)	(830,656)	906,955
Loss for the year	-	-	-	(130,293)	(130,293)	(130,293)	(130,293)
Other comprehensive income: net of tax	-	-	-	8,440	8,440	8,440	8,440
Total comprehensive income for the year	-	-	-	(121,853)	(121,853)	(121,853)	(121,853)
Transactions with owners, recorded directly in equity							
Share based payment transactions (contribution from Ultimate Parent Company)	-	-	-	5,928	5,928	5,928	5,928
Share based payment transactions (reversal of contribution from Ultimate Parent Company)	-	-	-	(5,928)	(5,928)	(5,928)	(5,928)
	-	-	-	-	-	-	-
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 31 December 2021	**1,737,611**	**12,419**	**47,289**	**(652,103)**	**(604,814)**	**(592,395)**	**1,145,216**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chairman & CEO

Director

Signify Pakistan Limited
Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021	2020
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	31	**1,153,408**	(117,599)
Staff retirement benefits paid		**(7,359)**	(42,317)
Long term deposits refunded		**127**	1,739
Finance costs paid		**(26,641)**	(60,175)
Taxes paid		**(281,289)**	(121,623)
Net cash inflows / (outflows) from operating activities		**838,246**	(339,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating fixed assets	4.1	**(9,931)**	(9,564)
Proceeds from disposal of operating fixed assets		**4,384**	16,250
Interest income on saving accounts	25	**27,793**	1,071
Net cash inflow from investing activities		**22,246**	7,757
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(23,258)**	(22,545)
Net cash outflows from financing activities		**(23,258)**	(22,545)
Net increase/ (decrease) in cash and cash equivalents		**837,234**	(354,763)
Cash and cash equivalents at beginning of the year	30	**(99,374)**	255,389
Cash and cash equivalents at end of the year	30	**737,860**	(99,374)

The annexed notes 1 to 41 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 requirements of approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as are notified under the Companies Act, 2017 (the Act) and provisions of and directives issued under the Act. In case requirements differ, the provisions of and directives of the Act, shall prevail.

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 Amendments to approved accounting standards and the framework for financial reporting that became effective during the current year

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

Amendment	
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2 (Amendment); and
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments)

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)
IFRS 3 - Reference to the Conceptual Framework (Amendments)	01 January 2022
IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
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 10 / IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	Not yet finalised

The above amendments to IFRSs are not expected to have any material impact on the financial statements in the period of adoption.

3.4.3 Improvements to accounting standards issued by IASB

IFRS 9 - Financial Instruments - Fees in the '10 percent' test for the derecognition of financial liabilities	01 January 2022
IAS 41 - Agriculture - Taxation in fair value measurement	01 January 2022
IFRS 16 - Leases: Lease incentives	01 January 2022

The above improvements are not expected to have any material impact on the Company's financial statements in the year of initial application.

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

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 January 2022
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 excercised.

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 2021.

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 other comprehensive income in which case it is recognized in statement of comprehensive income.

Current

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

Deferred

Deferred tax is provided by using the liability method, on all temporary differences arising at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 establised 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	2021	2020
		(Rupees in '000)	

4 PROPERTY AND EQUIPMENT

	Note	2021	2020
Operating fixed assets	4.1	**24,273**	29,870
		24,273	29,870

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

	COST			ACCUMULATED DEPRECIATION				NET BOOK	Annual rate of depre-ciation
	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	
	(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**	

	COST			ACCUMULATED DEPRECIATION				NET BOOK VALUE	Annual rate of depre-ciation
	As at 01 January 2020	Additions / (deletions)	As at 31 December 2020	As at 01 January 2020	Depreciation charge for the year	On deletions	As at 31 December 2020	As at 31 December 2020	
	(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	58,085	1,635 (539)	59,181	46,046	5,577	(377)	51,246	7,935	10-50
Vehicles	66,995	7,929 (36,008)	38,916	30,398	8,669	(22,086)	16,981	21,935	14-25
2020	139,228	9,564 (36,547)	112,245	90,592	14,246	(22,463)	82,375	29,870	

4.1.1 Items having an aggregate cost of Rs 59.201 million (2020: Rs. 53.794 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	2021	2020
		(Rupees in '000)	
Opening balance		10,335	31,846
Additions during the year		28,518	-
Depreciation charged during the year	5.3	(22,966)	(21,511)
Closing Balance		15,887	10,335

5.2 Gross carrying value basis

Cost	81,814	53,296
Accumulated depreciation	(65,927)	(42,961)
Net book value	15,887	10,335
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	2021	2020
		(Rupees in '000)	
Raw material including material-in-transit Rs.6.102 million (2020: Rs.0.067 million)		42,775	43,865
Material advanced to vendors - third party		21,365	15,954
		64,140	59,819
Finished goods including goods-in-transit Rs.147.615 million (2020: Rs.43.832 million)	6.1	599,461	472,179
Finished goods held with vendors - third party		3,039	6,152
		602,500	478,331
Provision for obsolete stock-in-trade	6.2	(31,981)	(22,794)
		570,519	455,537
		634,659	515,356

6.1 Stock-in-trade of Rs. 64.051 million (2020: Rs. 98.989 million) is measured at net realizable value and has been written down to Rs. 45.756 million (2020: Rs. 70.887 million).

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

	2021	2020
	(Rupees in '000)	
Opening balance	22,794	19,612
Charge for the year	20,769	6,193
Reversal / written off during the year	(11,582)	(3,011)
Closing balance	31,981	22,794

7 TRADE DEBTS - unsecured

	Note	2021	2020
		(Rupees in '000)	
Considered good	7.1	**898,640**	801,426
Considered doubtful		**203,822**	239,684
		1,102,462	1,041,110
Less: Allowance for expected credit losses	7.2	**203,822**	154,009
Less: Directly written off		**-**	85,675
		898,640	801,426

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:

	2021	2020
	(Rupees in '000)	
Signify Netherland B.V.	**-**	4,258
	-	4,258

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

Signify Netherland B.V.	**-**	4,258
	-	4,258

7.1.2 The ageing of related parties balances is as follows:

Niether past due nor impaired		
Signify Netherland B.V.	**-**	4,258
	-	4,258

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

Opening balance	**154,009**	87,892
Charge for the year	**61,772**	66,117
Written off during the year	**(11,959)**	-
Closing balance	**203,822**	154,009

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

	2021	2020
	(Rupees in '000)	
- Suppliers	**127**	782
- Executives	**1,682**	504
- Shipping companies	**18,752**	25,638
- Custom authorities	**13,513**	12,742
	34,074	39,666
Less: Allowance for expected credit losses	**134**	134
	33,940	39,532

9	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2021	2020
			(Rupees in '000)	
	Trade deposits - unsecured, considered good		**31,579**	25,014
	Current portion of long term deposit		**975**	1,739
			32,554	26,753
	Less: Allowance for expected credit losses	9.1	**29,840**	3,297
			2,714	23,456
	Short-term prepayments		**7,481**	2,388
			10,195	25,844

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

Opening balance	**3,297**	236
Charge for the year	**26,543**	3,061
Closing balance	**29,840**	3,297

10 OTHER RECEIVABLES

	Note	2021	2020
Unsecured, considered good			
- Retention money		**34,823**	33,240
- Deferred royalty	10.4	**94,316**	-
- Sales tax refundable	10.1 & 10.2	**11,260**	20,964
- Receivable from provident fund		**1,422**	1,127
- Receivable from related parties		**-**	121,181
- Cash margins		**27,368**	31,697
- Others		**1,060**	633
		170,249	208,842
Less: Allowance for expected credit losses	10.3	**34,157**	917
		136,092	207,925

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 explaination 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 upon which case was reserved for order which is pending. The appellate order has not been issued yet.

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.

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

	Note	2021	2020
		(Rupees in '000)	
Opening balance		**917**	917
Charge for the year		**33,240**	-
Closing balance		**34,157**	917

10.4 During the 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 current year, the Company has 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 recorded as deferred royalty in these financial statements as per arrangement between the parties.

11 TAXATION - net

	Note	2021	2020
Opening Balance		**197,948**	284,084
Provision for taxation	28	**(224,891)**	(207,759)
Tax paid / deducted at source		**281,289**	121,623
Closing Balance		**254,346**	197,948

12 CASH AND BANK BALANCES

	Note	2021	2020
Cash in hand		**154**	1,317
Balance with banks:			
- in current accounts		**6,207**	45
- in saving accounts	12.1	**731,994**	-
		738,201	45
Less: Allowance for expected credit losses		**1**	1
		738,354	1,361

12.1 It carries mark-up rate ranging from 5.5% to 7.25% (2020: 5.5% to 11.25%) per annum.

13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	Note	2021	2020
		(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 fully paid bonus shares		**43,680**	43,680
2,100 shares fully paid for consideration other than cash		**21**	21
	13.1	**1,737,611**	1,737,611

13.1 As at 31 December 2021, 99.97% shares (2020: 99.97%) are held by Signify Holding B.V, the Parent Company.

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

14 RESERVES

	2021	2020
	(Rupees in '000)	
Capital reserve - share premium	12,419	12,419
Revenue reserve - general reserve	47,289	47,289
Revenue reserve - accumulated losses	(652,103)	(1,012,217)
	(592,395)	(952,509)

15 STAFF RETIREMENT BENEFITS

15.1 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 2021 using Projected Unit Credit Method and the principal assumptions used are as follows:

Significant actuarial assumptions	2021	2020
Financial assumptions		
Discount rate	11.75%	9.75%
Salary increase rate	11.75%	9.75%
Demographic assumptions		
Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1
Rates of employee turnover	Moderate	Moderate

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

	Note	2021	2020
		(Rupees in '000)	
Present value of defined benefit obligation	15.1.3	115,319	107,594
Fair value of plan assets	15.1.4	(20,778)	(16,002)
Liability recognized in statement of financial position		94,541	91,592

15.1.2 Movement in the net defined benefit liability:

	Note	2021	2020
Opening balance		91,592	124,016
Charge for the year	15.1.5	15,712	21,781
Remeasurement gains	15.1.6	(5,404)	(11,888)
Contribution during the year		(7,359)	(14,791)
Benefits paid / payable		-	(27,526)
Closing balance		94,541	91,592

15.1.3 Movement in the present value of defined benefit obligations:

	2021	2020
Opening balance	107,594	125,126
Charge for the year	17,462	22,152
Benefits paid / payable	(3,518)	(27,526)
Remeasurement gains	(6,219)	(12,158)
Closing balance	115,319	107,594

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

	2021	2020
Opening balance	16,002	1,110
Expected return on plan assets	1,750	371
Remeasurement losses	(815)	(270)
Benefits paid	(3,518)	-
Refunds during the year	7,359	14,791
Closing balance	20,778	16,002

	2021	2020
15.1.5 Amounts recognised in the statement of profit or loss	(Rupees in '000)	
Current service cost	**6,803**	7,861
Interest cost	**10,659**	14,291
Expected return on plan assets	**(1,750)**	(371)
	15,712	21,781

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

	2021	2020
Remeasurement gains on obligation		
Gains due to change in experience adjustments	**(6,219)**	(12,158)
Total remeasurement gains on obligation	**(6,219)**	(12,158)
Remeasurement losses on plan assets		
Losses on plan assets	**815**	270
Total remeasurement gains during the year	**(5,404)**	(11,888)
Total defined benefit cost recognized in statement of profit or loss statement of comprehensive income	**10,308**	9,893

15.1.7 Analysis of present value of defined benefit obligation

	2021	2020
Vested / non - vested		
Vested benefits	**112,109**	104,412
Non-vested benefits	**3,210**	3,182
	115,319	107,594
Type of benefits earned to date		
Accumulated benefit obligation	**59,900**	57,902
Amount attributed to future salary increases	**55,419**	49,692
	115,319	107,594

	2021		2020	
15.1.8 Composition of fair value of plan assets	**Fair value (Rupees)**	**%**	Fair value (Rupees)	%
Cash at banks	**20,778**	**100%**	16,002	100%
Fair value of plan net assets	**20,778**	**100%**	16,002	100%

	2022
	(Rupees in '000)
15.1.9 Expected contributions to funds in the following year	**17,978**

The components of expected contribution for the next year:

Current service cost	**6,896**
Interest expense on defined benefit obligation	**13,753**
Interest on plan assets	**(2,671)**
Net interest cost	**11,082**
	17,978

	2021	2020
	(Rupees in '000)	

15.1.10 Maturity profile of the defined benefit obligation

Distribution of timing of benefit payments (time in years)	2021	2020
1	3,350	3,272
2	42,193	3,560
3	3,526	44,148
4	5,133	3,475
5	15,927	4,910
6-10	101,300	87,012

15.1.11 Sensitivity analysis on significant actuarial assumptions:

	2021	2020
	(Rupees in '000)	
Discount rate + 50 basis points	111,820	104,008
Discount rate - 50 basis points	119,010	111,385
Salary increases + 50 basis points	119,126	111,494
Salary increases - 50 basis points	111,679	103,873
	(Number)	
Weighted average duration of the Projected Benefit Obligation	6.23	6.85

15.2 Provident fund - defined contribution plan

15.2.1 Salaries, wages and benefits include Rs.8.615 million (2020: Rs.8.667 million) in respect of provident fund contribution.

15.2.2 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.

15.3 Pension fund - defined contribution plan

15.3.1 Salaries, wages and benefits include Rs.8.715 million (2020: Rs.8.128 million) in respect of pension fund contribution.

16 LEASE LIABILITIES

16.1 The Company has lease contracts for its office premises under rental agreement. The remaining balance of liability is payable latest by October 2022 in monthly and bi-annual installments.

	2021	2020
	(Rupees in '000)	
Opening balance	8,129	30,674
Additions	28,518	-
Interest expense on lease liabilities	1,216	2,139
Payments made during the year	(24,474)	(24,684)
Closing balance	13,389	8,129
Less: current portion of lease liabilities	(13,389)	(4,542)
Long-term lease liabilities	-	3,587

The following are the amounts recognised in statement of profit or loss:	Note	2021	2020
		(Rupees in '000)	
Depreciation expense of right-of-use assets	5.1	22,966	21,511
Interest expense on lease liabilities	26	1,216	2,139
Total amount recognised in statement of profit or loss		24,182	23,650

17 TRADE AND OTHER PAYABLES

	Note	2021	2020
		(Rupees in '000)	
Creditors	17.1	**905,425**	393,216
Accrued liabilities	17.2	**443,824**	418,984
Withholding tax payable		**4,639**	2,682
		1,353,888	814,882

17.1 Included herein Rs. 575.383 million (2020: Rs. 271.424 million) due to the following group companies on account of purchases of goods, receiving services, etc.

Group companies:	Note	2021	2020
		(Rupees in '000)	
Signify Netherlands B.V.	17.1.1	**358,627**	80,185
Genlyte Thomas Group LLC		**15,033**	8,930
Signify Luminaires (Shanghai) Co., Ltd.		**17,695**	32,599
Signify Luminaires (Chengdu) Co.,Ltd.		**5,348**	5,552
Signify Hungary Kft.		**2,095**	1,352
PT. Signify Commercial Indonesia		**105**	78
Signify International B.V. Dubai		**62,110**	-
Signify Poland Sp. Z.O.O.		**39,850**	38,401
Signify Aydinlatma Ticaret A.S.		**2,217**	1,586
Signify Singapore Pte. Ltd.		**177,155**	100,184
Signify Argentina S.A.		**293**	232
Signify Hong Kong Limited		**39**	2,079
Signify Maroc SARL		**366**	246
		680,933	271,424

17.1.1 Includes an amount of Rs.176.376 million (2020: Nil) in respect of royalty payable in accordance with the Technical License agreement (TLA) (refer note 10.4)

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

	Note	2021	2020
		(Rupees in '000)	
Salaries and wages		**36,904**	27,054
Warranty provision	17.3	**45,671**	57,583
Distributors incentives		**285,072**	193,682
Marketing accruals		**5,988**	63,786
Freight accruals		**6,088**	5,521
Project related accruals		**488**	41,709
Others		**63,613**	29,649
		443,824	418,984

17.3 The movement of warranty provision is as follows:

	2021	2020
Opening balance	**57,583**	52,821
Provision made during the year	**74,330**	97,326
Replacement made during the year	**(86,242)**	(92,564)
Closing balance	**45,671**	57,583

18 PROVISIONS

18.1 Represents provisions against legal cases contested by the Company.

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

	2021	2020
	(Rupees in '000)	
Opening balance	9,674	14,609
Charge during the year - net	8,546	(4,935)
Closing balance	18,220	9,674

19 SHORT-TERM RUNNING FINANCES

The Company had obtained various running finance facilities from commercial banks aggregating to Rs.980 million (2020: Rs.1,140 million) carrying mark-up rate ranging from 7.38% to 10.02% per annum (2020: 7.81% to 14.91% per annum). These facilities are of varying tenure and are 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.1,313.5 million. The unutilized amount of these facilities are Rs.979.51 million (2020: Rs. 1,039.27 million).

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 (2020: 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 (2020: 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 (2020: 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.

	2021	2020
	(Rupees in '000)	
20.1.2 Letter of guarantees issued by banks on behalf of the Company	48,337	44,723

20.1.3 Sales tax and income tax matters, are more fully explained in notes 10.1 to 10.2 and 28.3 to 28.11 to these financial statements.

20.2 Commitments

	2021	2020
	(Rupees in '000)	
Letters of credit	2,816	1,124

As of 31 December 2021, the Company has the facility limit for opening letters of credit and guarantees of Rs.1,200 million (2020: Rs.1,400 million).

21	TURNOVER - net	Note	2021	2020
			(Rupees in '000)	
	Turnover - gross		5,479,296	4,110,532
	Trade discount		(273,682)	(210,328)
	Sales tax		(534,910)	(128,275)
		21.1	4,670,704	3,771,929

21.1 Included herein are toll manufacturing sales of Rs. 447.084 million (2020: Rs.387.467 million).

21.2 Revenue recognised during the year that was included in the advance from customers balance at the beginning of year is Rs 13.688 million (2020: Rs. 19.335 million).

22	COST OF SALES	Note	2021	2020
			(Rupees in '000)	
	Opening finished goods		434,499	467,243
	Purchase of goods	22.1	2,880,984	2,552,851
	Cost of goods manufactured	22.2	196,032	209,185
			3,511,515	3,229,279
	Closing finished goods	6	(454,885)	(434,499)
			3,056,630	2,794,780
	Direct expenses:			
	Warranty provisions	17.3	74,330	97,326
	Royalty on localization of brand	22.3	82,060	-
	Provision for obsolete stock-in-trade - charge made during the year - net	6.2	20,769	6,193
	Outward freight		94,986	79,090
			272,145	182,609
			3,328,775	2,977,389

22.1 This includes purchases made from group entities amounting to Rs. 1,772.479 million (2020: Rs. 1,990.652 million).

22.2	Sales and cost of sales of goods manufactured related to vendors manufacturing are as follows:	Note	2021	2020
			(Rupees in '000)	
	Sales		447,084	387,467
	Opening material:			
	Raw material	6	43,798	43,045
	Material advanced to vendors	6	15,954	13,887
			59,752	56,932
	Purchase of raw material		86,810	169,154
	Vendors value addition		107,508	42,851
			194,318	212,005
	Closing material:			
	Raw material	6	(36,673)	(43,798)
	Material advanced to vendors	6	(21,365)	(15,954)
			(58,038)	(59,752)
	Cost of goods manufactured		196,032	209,185
	Gross profit		251,052	178,282

22.3	Party Name	Registered Address	Relationship	2021	2020
	Signify Netherlands B.V.	High Tech Campus 48, 5656AE EINDHOVEN, The Netherlands	Group Company	82,060	-

23	ADMINISTRATIVE AND DISTRIBUTION EXPENSES	Note	2021	2020
			(Rupees in '000)	
	Salaries, wages and other benefits	23.1	231,853	228,377
	General Service Unit Agreement ("GSUA")	23.2	72,903	79,868
	Outsourcing expense		50,593	47,803
	Publicity		34,630	10,419
	Security		3,357	3,055
	Depreciation on operating fixed assets	4.1	12,019	14,246
	Depreciation on right-of-use assets	5	22,966	21,511
	Fuel and power		2,793	4,173
	Repairs and maintenance		18,069	1,978
	Regional costs	23.3	59,629	50,060
	Rent, rates and taxes		2,843	1,096
	Travelling		14,880	25,518
	Postage and stationary		3,701	4,269
	Telephone and communication		10,756	8,575
	Insurance		15,502	16,636
	Auditors' remuneration	23.4	2,551	4,137
	Legal and professional		17,055	6,591
	Others		5,629	5,176
			581,729	533,488

23.1 Salaries, wages and other benefits includes bonus to employees of Rs. 22.369 million (2020: Rs. 20.455 million) and incentive given to Chief Executive Officer by the Parent Company, which is recoverable from the Company of Rs.3.220 million (2020: Rs.5.928 million).

23.2 Represents 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	2021	2020
			(Rupees in '000)	
	Audit fees - statutory		2,237	2,237
	Fee for special certifications		125	75
	Others		-	1,200
	Sindh sales tax		189	185
	Out-of-pocket expenses		-	440
			2,551	4,137

24 ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECL)

Charge for the year on:			
- Trade debts	7.2	61,772	66,117
- Trade deposits	9.1	26,543	3,061
- Other receivables	10.3	33,240	-
		121,555	69,178

25 OTHER INCOME

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
Income from financial assets:			
Interest income on saving accounts		27,793	1,071
Income from non-financial assets:			
Scrap sales		383	129
Gain on disposal of operating fixed assets		875	2,166
Reversal of excess accruals		-	9,050
Liabilities no longer payable written back	25.1	-	126,701
Others		177	1,180
		1,435	139,226
		29,228	140,297

25.1 Represents waiver of outstanding liability by Signify International B.V. Dubai - a related party in respect of cross charges.

26 FINANCE COSTS

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
Interest expense on lease liabilities	16	1,216	2,139
Markup on short-term running finances		96	26,743
Bank charges		19,616	17,491
		20,928	46,373

27 OTHER OPERATING EXPENSES

	Note	2021	2020
Exchange loss - net		67,344	37,621
Loss due to irregularities:			
- Receivables written off		-	85,675
- Incentives		-	87,250
	27.1	-	172,925
Others		-	1,234
		67,344	211,780

27.1 During the year ended 31 December 2020, the management initiated its internal review exercise of its customers due to identification of some irregularities and lapses in the internal controls. The Company is in the process of evaluating legal action and seeking legal advice from its legal counsel to initiate legal proceedings in accordance with the findings in the internal review exercise.

28 TAXATION

	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
Current		257,967	222,307
Prior		(33,076)	(14,548)
Deferred		(1,567)	(3,448)
	28.2	223,324	204,311

28.1 The assessments of the Company for and upto tax year 2021 have been completed or deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001.

		2021	2020
		(Rupees in '000)	
28.2	Accounting profit before tax	**579,601**	74,018
	Tax @ 29% (2020: 29%)	**168,084**	21,465
	Tax effect of income assessed under minimum tax regime	**15,232**	119,817
	Prior year tax charge	**(33,076)**	(14,548)
	Others	**73,084**	77,577
		223,324	204,311

28.3 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.

28.4 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 aggreived, 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.

28.5 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 December 31, 2021 wherein certain matteres 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 March 18, 2022 against the order of CIR(A) which is 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 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 November 23, 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 January 13, 2022 against the order of CIR(A) which is still pending for hearing before the ATIR.

28.7 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 June 26, 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 December 28, 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 February 22, 2022 against the order of CIR(A) which is still pending for hearing before the ATIR.

28.8 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 December 29, 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 April 1, 2022 against the order of CIR(A) which is still pending for hearing before the ATIR.

During the year, a refund order under section 170(4) of the Ordinancedated June 11, 2020 was received by the Company. Through the said order, Company received refund of income tax amounting to Rs.6,041,855 against the refund of Rs.15,449,655 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.

28.9 In year 2017, the Company received notices dated 25 January 2017 and 14 December 2017 for monitoring of withholding taxes for tax year 2016, in response to which detailed response 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, the Company received notices dated October 5 2020, October 19 2020, October 26 2020, December 3 2020 and December 29 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.

28.10 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 September 15, 2021. Being aggrieved, company filed appeal on November 11, 2021 against the above order to ITAT which is pending for hearing.

28.11 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.

In respect of tax matters disclosed in notes 28.3 to 28.11, 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.

			2021	2020
29	**DEFERRED TAXATION**	**Note**	**(Rupees in '000)**	
	Deductible temporary difference arising in respect of:			
	Accelerated tax depreciation		**7,548**	2,916
	Provisions		**92,265**	72,038
	Lease liabilities		**3,883**	2,357
	Staff retirement benefits		**27,417**	26,562
	Unrealised exchange loss		**16,653**	14,019
			147,766	117,892
	Taxable temporary difference arising in respect of:			
	Right-of-use assets		**(4,607)**	(2,997)
			143,159	114,895
	Deferred tax asset not recognised	29.1	**(143,159)**	(114,895)
			-	-

29.1 The Company has not accounted for deferred tax asset in accordance with accounting policy as stated in note 3.11 to these financial statements.

			2021	2020
30	**CASH AND CASH EQUIVALENTS**	**Note**	**(Rupees in '000)**	
	Cash and cash equivalents comprise of:			
	Cash and bank balances	12	**738,354**	1,361
	Short-term running finances	19	**(494)**	(100,735)
			737,860	(99,374)

31	**CASH GENERATED FROM / (USED IN) OPERATIONS**			
	Profit before taxation		**579,601**	74,018
	Adjustments for non-cash and other items:			
	Depreciation on operating fixed assets	23	**12,019**	14,246
	Depreciation on right-of-use assets	23	**22,966**	21,511
	Allowance for expected credit losses	24	**121,555**	69,178
	Provision for obsolete stock-in-trade	6.2	**20,769**	3,182
	Provision for staff retirement benefits	15.1.2	**15,712**	21,781
	Interest income on saving accounts	25	**(27,793)**	(1,071)
	Gain on disposal of operating fixed assets	25	**(875)**	(2,166)
	Finance cost	26	**20,928**	46,373
	Unrealised exchange loss		**57,424**	48,342
	Working capital changes	31.1	**331,102**	(412,993)
			1,153,408	(117,599)
31.1	**Working capital changes**			
	Decrease in current assets:			
	Stock-in-trade		**(140,072)**	65,203
	Trade debts		**(158,986)**	(142,269)
	Advances		**5,592**	29,126
	Deposits and short-term prepayments		**(10,894)**	1,363
	Other receivables		**38,593**	(67,185)
			(265,767)	(113,762)
	Increase / (decrease) in current liabilities:			
	Trade and other payables		**481,582**	(288,649)
	Contract liabilities - advance from customers		**106,741**	(5,647)
	Provisions		**8,546**	(4,935)
			331,102	(412,993)

32 NUMBER OF EMPLOYEES

	2021	2020
At the end of the year		
Permanent	**56**	54
Average number of employees:		
Permanent	**55**	58

33 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	
	2021	2020	**2021**	2020	**2021**	2020
	----- (Rupees in '000) -----					
Managerial remuneration	**14,947**	14,947	**6,030**	6,030	**45,167**	34,458
Retirement benefits	**2,740**	2,740	**1,105**	1,105	**3,762**	6,316
Perquisites:						
- medical expenses	**133**	150	**133**	150	**2,933**	2,395
- housing	**8,669**	8,669	**3,317**	3,317	**22,357**	17,723
- conveyance	**477**	-	**634**	569	**9,830**	6,325
- bonus	**4,151**	4,781	**1,328**	1,447	**6,454**	8,033
- car benefit	**4,200**	4,200	**-**		**3,100**	839
- others	**507**	507	**512**	371	**2,137**	2,036
Company's contribution to provident fund	**1,495**	1,495	**603**	603	**4,517**	3,446
Group insurance	**307**	245	**124**	99	**889**	565
Club subscriptions	**871**	376	**-**	-	**-**	-
Incentive by ultimate parent company (see note 34)	**3,220**	5,928	**-**	-	**-**	-
	41,717	44,038	**13,786**	13,691	**101,146**	82,136
Number of persons	**1**	1	**1**	1	**22**	15

33.1 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.

34 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 2021 were Rs 3.220 million (2020: Rs. 5.928 million), which was related to the Signify Long-term Incentive Plan (LTI Plan). The liabilities in respect of intragroup repayments as of 31 December 2021 aggregated to Rs.17.564 million (2020: Rs. 13.903 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 %	**2021**
Risk-free interest rate	**(0.7)%**
Expected share price volatility	**39%**

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:

	2021		**2020**	
	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	**2,804**	**25.98**	2,029	25.98
Granted during the year	**-**	**-**	-	
Performance adjustment	**134**	**21.75**	775	23.08
Balance as at end of the year	**2,938**	**25.79**	2,804	25.98

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:

	2021		2020	
	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	
Granted during the year	**-**	**-**	-	-
Balance as at end of the year	**1,054**	**24.05**	1,054	24.05

35 TRANSACTIONS WITH RELATED PARTIES

35.1 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	2021 (Rupees in '000)	2020 (Rupees in '000)
Transactions during the year:			
Ultimate parent company			
Share based payment transactions	34	**3,220**	5,928
Group companies			
Purchases of goods	35.2	**1,845,382**	1,990,619
General Services Unit Agreement (GSUA)	35.2	**72,903**	79,868
Services received - regional cost	35.2	**59,629**	50,060
Staff retirement benefits fund			
(Contribution) / refunds from gratuity fund		**(7,359)**	(14,791)
Contribution to employees provident fund		**8,615**	8,667
Contribution to employees pension fund		**8,715**	8,128
Key management personnel			
Salaries and other short-term benefits		**54,594**	56,816
Post employement benefits		**4,335**	4,135
Balances with related parties at year end:			
Ultimate parent company			
Payable against long-term incentive plans		**17,123**	13,903
Group companies			
Payable against GSUA charges		**-**	21,623
Payable against cross charges		**129,311**	69,682
Trade debts		**-**	4,258
Other receivables	10.3	**-**	121,181
Total creditors	17.1	**680,933**	271,424
Staff retirement benefits balances			
Receivable from provident fund		**1,422**	1,127
Receivable from pension fund		**260**	260
Payable to staff retirement benefits - gratuity		**94,541**	91,592

35.2 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	2021	2020
					(Rupees in '000)	
Group companies:						
Signify Netherlands B.V.	-	High Tech Campus 48 5656 AE Eindhoven, Netherlands	Netherlands	GSUA (IT charges)	72,903	79,868
				*Purchase of goods	778,856	110,075
Signify Electronics (Xiamen) Co., Ltd.	-	2000 North YunDing Road, Xiamen, China	China	*Purchase of goods	46,008	40,319
Signify Electronics Technology (Shanghai) Co., Ltd.	-	1805 Huyi Highway, Malu Town, Shanghai, China	China	*Purchase of goods	35,500	24,195
Signify Industry (China) Co., Ltd.	-	8 Mintai Road, Yizheng, China	China	*Purchase of goods	-	124,215
Signify Aydinlatma Ticaret A.S.	-	Saray Mah. Dr. Adnan Buyukdeniz Cd. No:13, 34768 Umraniye, Istanbul, Turkey	Turkey	*Purchase of goods	2,785	-
Signify Hong Kong Limited	-	Enterprise Square, Hong Kong	Hong Kong	*Purchase of goods	96,344	1,073,967
Signify Hungary Kft.	-	Szabadsag ut 107. 7090 Tamasi, Hungri	Hungary	*Purchase of goods	19,944	1,363
Signify Poland Sp. Z.O.O.	-	Pila, ul. Kossaka 150 O/Ketrzyn ul. Chrobrego 8	Poland	*Purchase of goods	38,770	50,723
PT. Signify Commercial Indonesia	-	95-100 JL Buncit Raya kav Jakarta	Indonesia	*Purchase of goods	6,963	-
Signify Luminaires (Shanghai) Co., Ltd.	-	2nd floor, Builiding 1805 HUYI Highway, MALU town Jiading District, Shanghai	China	*Purchase of goods	384,045	282,440
Signify Luminaires Chengdu Co. Ltd.	-	No.91 Tianyan Road Hi-Tech West District CHENGDU, China	China	*Purchase of goods	288,562	276,629
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	4,091	6,693
Signify Industry Signify Industry		8 Mintai Road Yizheng	Yizheng	*Purchase of goods	142,743	-
Signify International B.V. Dubai	-	301/302 3/F choueiri building konwlede village	Dubai-UAE	*Services received - regional costs	59,629	50,060
					1,977,914	2,120,547

* These are net off adjustment of credit notes received.

35.3 The details of key management personnal are as follows:

Name of the key management personnel	Role / designation
Asad Said Jafar	Chief Executive Officer
Kamran Mirza	Director
Aamir Jan Mohammad	Chief Financial Officer (Ex)
Syed Wajahat Ali	Company Secretary

36 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 2021. The policies for managing each of these risks are summarised below.

36.1 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	
	-- (Rupees in '000) --						
Financial assets (At amortised cost)							
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**

	Interest bearing			Non-Interest bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
	-- (Rupees in '000) --						
Financial assets (At amortised cost)							
Trade debts	-	-	-	801,426	-	801,426	801,426
Deposits	-	-	-	25,844	975	26,819	26,819
Other receivables	-	-	-	186,961	-	186,961	186,961
Cash and bank balances	-	-	-	1,361	-	1,361	1,361
December 31, 2020	-	-	-	1,015,592	975	1,016,567	1,016,567

Financial liabilities (At amortised cost)	Interest bearing Maturity upto one year	Interest bearing Maturity after one year	Interest bearing Total	Non-Interest bearing Maturity upto one year	Non-Interest bearing Maturity after one year	Non-Interest bearing Total	Total
	(Rupees in '000)						
Trade and other payables	-	-	-	812,200	-	812,200	812,200
Accrued Markup	-	-	-	5,723	-	5,723	5,723
Short-term running finances	100,735	-	100,735	-	-	-	100,735
Unclaimed dividend	-	-	-	1,047	-	1,047	1,047
December 31, 2020	100,735	-	100,735	818,970	-	818,970	919,705

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

36.2 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.

36.2.1 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.

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

	Note	**2021**	2020
		(Rupees in '000)	
Financial assets			
Long term deposits		**848**	975
Trade debts - net	7	**898,640**	801,426
Deposits	9	**31,579**	25,014
Other receivables	10	**64,673**	187,878
Bank balances	12	**738,201**	45
		1,733,941	1,015,338
Financial assets			
Not past due		**1,594,117**	865,544
Past due		**139,824**	149,794
		1,733,941	1,015,338

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

	2021				2020			
	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	**850,285**	**3.89%**	**33,113**	**817,172**	738,407	0.90%	4,089	448,660
Past due								
Not more than 03 months	**80,908**	**10.51%**	**8,502**	**72,406**	57,089	11.17%	6,376	50,713
More than 03 months but less than 06 months	**8,466**	**4.64%**	**393**	**8,073**	6,697	35.63%	2,386	4,311
More than 06 months but less than 01 year	**4,094**	**92.87%**	**3,802**	**292**	23,945	49.53%	11,860	12,085
More than 01 year	**158,709**	**99.56%**	**158,012**	**697**	214,972	100.00%	214,972	-
	252,177		**170,709**	**81,468**	302,703		235,594	67,109
	1,102,462	**18.49%**	**203,822**	**898,640**	1,041,110	23.02%	239,683	515,769

36.2.4 The Company has no exposure to credit risk by geographic region wise for trade debts as at 31 December 2021, as the Company sells its goods only in Pakistan.

36.2.5 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		**2021**	2020
	2021	2020	**2021**	2020	(Rupees in '000)	
Standard Chartered Bank (Pakistan) Limited	**PACRA**	**PACRA**	**A1+ / AAA**	A1+ / AAA	**732,040**	45
MCB Bank Limited	**PACRA**	**PACRA**	**A1+ / AAA**	A1+ / AAA	**6,161**	-
Deutsche Bank Limited	**Moody's Investors Service**	**S&P's**	**A2 / P-1**	A-2 / BBB+	**-**	-
					738,201	45

36.2.6 Concentration of credit risk

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

	2021	2020
	(Rupees in '000)	
Distributors	**1,023,959**	943,794
Government authorities	**52,560**	57,913
Modern retail	**47**	465
Hospital	**3,319**	812
Chemical	**2,327**	1,608
Construction	**7,770**	1,781
Petroleum industry	**11,417**	10,636
Banking	**196**	196
Hotel industry	**308**	14,543
Textile	**433**	361
Cement industry	**126**	9,001
	1,102,462	1,041,110

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.

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

36.3 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 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**	**-**	**-**
Unclaimed dividend	**1,047**	**1,047**	**-**	**-**
	1,382,409	**1,382,409**	**-**	**-**
31 December 2020				
Trade and other payables	821,874	821,874	-	-
Accrued markup	5,723	5,723	-	-
Lease liabilities	8,924	5,183	3,741	-
Short-term running finances	100,735	100,735	-	-
Unclaimed dividend	1,047	1,047	-	-
	938,303	934,562	3,741	-

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

36.4 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.

36.4.1 Currency risk

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

	2021				2020			
	EURO	**USD**	**SGD**	**AED**	EURO	USD	SGD	AED
	-- (in '000) --							
Financial assets								
Trade debts	-	-	-	-	22	-	-	-
Other receivables	-	-	-	-	-	756	-	-
	-	-	-	-	22	756	-	-
Financial liabilities								
Trade and other payables	**2**	**(2,783)**	**(59)**	**(1)**	(22)	(2,783)	(103)	(1)

	Average rate for the year		Spot rate at year end	
	2021	2020	**2021**	2020
Exchange rates applied during the year and at year end are as follows:				
EURO 1	**193.16**	185.42	**199.50**	196.92
USD 1	**163.69**	161.86	**176.45**	160.20
SGD 1	**121.84**	117.44	**130.65**	121.12
AED 1	**44.57**	44.07	**48.04**	43.61

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. 23.490 million (2020: Rs. 16.236 million).

36.4.2 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.0.005 million (2020: Rs. 1.007 million) respectively.

36.4.3 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.

37 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.

38 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 2021.

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. The gearing ratio as at 31 December 2021 and 31 December 2020 are as follows:

	2021	2020
	(Rupees in '000)	
Accrued markup	**10**	5,723
Lease liabilities	**13,389**	8,129
Short-term running finances	**494**	100,735
Total debts	**13,893**	114,587
Less: Cash and bank balances	**738,354**	1,361
Net debt	**(724,461)**	113,226
Share capital	**1,737,611**	1,737,611
Reserves	**(592,395)**	(952,509)
Total equity	**1,145,216**	785,102
Total capital	**420,755**	898,328
Gearing ratio	**-**	**12.60%**

39 DATE OF AUTHORISATION

These financial statements were approved and authorised by the Board of Directors of the Company in their meeting held on **May 18, 2022** .

40 NON ADJUSTING EVENTS AFTER THE REPORTING DATE

40.1 Subsequent to the year end, the Board of Directors of the Company in their meeting held on **May 18, 2022** have proposed a final cash dividend of Rs. **1.906** (2020: Nil) per share.

40.2 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 **June 29, 2022**. These financial statements for the year ended 31 December 2021 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 2022.

41 GENERAL

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

41.2 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 68th ANNUAL GENERAL MEETING

NOTICE is hereby given that the sixty-eight Annual General Meeting of Signify Pakistan Limited will be held on Wednesday, **June 29, 2022, 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, 2021, 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, 2021. The Directors have recommended the payment of a dividend @19.06% that is, Rs 1.906 Per share of Rs 10 each, for the year ended December 31, 2021, payable to those Members whose names appear on the Register of Members as at the close of business on June 23, 2022.

By the order of the Board.

Syed Wajahat Ali
Company Secretary

Karachi, June 7, 2022

NOTES:

(1) Share Transfer Books of the Company will remain closed from June 23th to June 29th , 2022 (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 the registered office of the company at Bahria Complex-1, 6th Floor, Plot No 23/A and 24/A, Lalazar, M.T.Khan Road, Karachi.

Signify

68th 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 Wednesday, 29th June 2022 and/or any adjournment thereof.

As witness my / our hand(s) this __________________ day of _______________ 2022.

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

68واں 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 کمپنی کے سالانہ اجلاس / یا اس کے التواء میں شرکت کریں گے اور ووٹ کے حق کا استعمال کریں گے جو مورخہ بدھ 29 جون 2022ء کو منعقد کی جا رہی ہے۔

بطور گواہ میرا / ہمارا ہاتھ ______ 2022

دستخط ______________________

نام ______________________

پتہ ____

____

شیئر ہولڈز نمبر:

نوٹ:

۱) ممبر سے درخواست ہے کہ وہ اپنا نام اور مکمل پتہ درج کریں۔

۲) 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 اُسکی نوٹری تصدیق شدہ کاپی) کمپنی کو اجلاس کی مقررہ تاریخ سے 48 گھنٹے قبل تک موصول ہو جانا چاہیے۔

۳) اس پراکسی فارم میں کسی بھی تبدیلی کی صورت میں دستخط کنندہ اپنے دستخط کرے گا۔

۴) مشترکہ ہولڈر ہونے پر مقدم شخص کے ووٹ جو کہ وہ خود دیں گے یا پراکسی اُن کے لئے دے گی، وہ تسلیم کیا جائے گا اور باقی کے ووٹ نہیں۔ اس کے لئے مقدم اشخاص کے ناموں کو اُس فہرست کے حساب سے وضع کیا جائے گا جو کہ ارکان کے رجسٹر میں ہوگی۔

۵) کمپنی اس پراکسی انسٹرومنٹ کو مہر کیساتھ یا وکیل اور افسر کی جانب سے اتھارائزڈ دیکھ کر قبول کرے گی۔

۶) نامزد کردہ پراکسی شخص کے لئے کمپنی کا رکن ہونا ضروری نہیں ہے۔

اعتراف

بورڈ سگنیفائی پاکستان کے ساتھ شامل تمام لوگوں کا تہہ دل سے شکریہ ادا کرنا چاہتا ہے جنہوں نے اسے پھلنے پھولنے اور سالوں تک مسلسل کارکردگی دکھانے کے قابل بنایا۔ ہمارے لوگوں کو کمپنی کی فلاح و بہبود کی ذمہ داری سونپی گئی ہے اور انہوں نے کووڈ۔19 کی وبا کی وجہ سے ان مشکل وقتوں میں کام کے ماحول اور ان کی لچک سے پیدا ہونے والے چیلنجوں پر قابو پا کر اپنی صلاحیت کا مظاہرہ کیا ہے۔ ہم ان کی لگن کو قدر کی نگاہ سے دیکھتے ہیں اور ان کے انتہائی احسان مند ہیں۔

ہم ہمارے معزز صارفین و کسٹمرز، سپلائرز، چینل پارٹنرز، بینکرز اور دیگر تمام اسٹیک ہولڈرز کے قابل قدر کاروباری تعاون کو تسلیم کرتے ہیں جنہوں نے گزشتہ سات دہائیوں سے ہماری کمپنی پر مسلسل اعتماد کا اظہار کیا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

اسد ایس جعفر
چیئرمین اور سی ای او

کامران مرزا
ڈائریکٹر

18 مئی 2022

2.3.8عام عوام

الف)مقامی	54757	0.0315فیصد
ب)غیر ملکی	------	------
دیگر(اگر ذکر کرنا چاہیں)۔مشترکہ کمپنیاں	1300	0.0007فیصد

عملداری کا بیان:

ڈائریکٹرز درج ذیل کے لیے سیکیورٹی ایکسچینج کمیشن آف پاکستان کے کوڈ آف گورننس کے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں۔

1) کمپنی کی انتظامیہ کے ذریعے تیار کردہ مالیاتی بیانات شفاف طریقے سے اس کی حالت، اس کے کام کے نتائج، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔
2) کمپنی کے کھاتوں کی مناسب کتابیں مرتب کی گئی ہیں۔
3) مالیاتی بیانات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے۔
4) پاکستان میں لاگو ہونے والے بین الاقوامی اکاؤنٹنگ معیارات کی مالیاتی گوشواروں کی تیاری میں پیروی کی گئی اور وہاں سے کسی قسم کے رقم کے انخلا کا مناسب طور پر انکشاف کیا گیا۔
5) اندرونی کنٹرول کا نظام ڈیزائن کے لحاظ سے درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔
6) مستقبل میں رقم کے انتظام کے حوالے سے کمپنی کی صلاحیت پر کوئی شک نہیں ہے۔
7) بہترین طریقوں پر عمل کرتے ہوئے کمپنی کے مالی امور میں کوئی بدانتظامی نہیں دیکھی گئی۔

آڈیٹرز

آڈیٹرز، ای وائی فورڈ رہوڈز چارٹرڈ اکاؤنٹنٹس کمپنی کی سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو جائیں گے اور اہل ہونے کے پیش نظر انہوں نے سال 2022 میں دوبارہ تقرری کے لیے اپنی خدمات کی پیشکش کی ہے۔ بورڈ نے ان کی بطور آڈیٹر تقرری کی سفارش کی ہے جو آئندہ سالانہ اجلاس عام میں اراکین کی منظوری سے مشروط ہے۔

1.1 کمپنی کا نام   سگنیفائی پاکستان لمیٹڈ

2.1 شیئر ہولڈرز کی جانب سے شیئرز رکھنے کا طریقہ کار بمطابق 31.12.2021

2.2 شیئر ہولڈرز کی تعداد	شیئر ہولڈنگ	رکھے گئے کل شیئرز
250	ایک سے لے کر 100 تک شیئر ہولڈنگ	6121
103	101 سے لے کر 500 شیئرز تک شیئر ہولڈنگ	21093
14	501 سے لے کر ایک ہزار شیئرز تک شیئر ہولڈنگ	8936
11	1001 سے لے کر پانچ ہزار تک شیئر ہولڈنگ	19947
1	5001 سے لے کر 173800000 تک شیئر ہولڈنگ	173705045
	شیئر ہولڈنگ کی مناسب سلیب شامل کریں	
379	ٹوٹل	173761142

2.3 شیئر ہولڈرز کی کیٹیگریز	حاصل کیے گئے شیئرز	شرح
2.3.1 ڈائریکٹرز، چیف ایگزیکٹو آفیسر اور ان کی بیویاں اور بچے	------	-----
2.3.2 منسلک کمپنیاں، حلف نامے اور متعلقہ فریقین	173705085	99.9677 فیصد
2.3.3 این آئی ٹی اور آئی سی پی	-----	-----
2.3.4 بینک، ترقیاتی مالیاتی ادارے، بینک کے علاوہ مالیاتی ادارے	------	-----
2.3.5 انشورنس کمپنیاں	------	-----
2.3.6 مودارابا اور میوچل فنڈز	------	------
2.3.7 شیئرز ہولڈرز کی 10 فیصد ہولڈنگ	------	------

ڈیویڈنڈ:

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے اچھے خالص منافع کے پیش نظر ڈائریکٹرز کمپنی کے عام حصص سرمائے کے 19.06 فیصد نقد منافع کی سفارش کرتے ہوئے انتہائی خوشی محسوس کررہے ہیں۔

ہولڈنگ کمپنی:

ہولڈنگ کمپنی کا نام سگنیفائی ہولڈنگ BV ہے اور یہ نیدرلینڈز میں مقیم ہے۔

قومی خزانے میں حصہ ڈالنا

ملک کا ایک ذمہ دار ٹیکس دہندہ ہونے کے ناطے سال کے دوران کمپنی کا قومی خزانے/فیڈرل بورڈ آف ریونیو میں حصہ 654 ملین روپے (2020 میں 833 ملین روپے) بالواسطہ اور بلاواسطہ ٹیکسوں کے حساب سے تھا۔

بورڈ آف ڈائریکٹرز:

کمپنی کے ڈائریکٹرز کے نام درج ذیل ہیں جو ابھی یا سال کے دوران مختلف اوقات میں ڈائریکٹرز رہے ہیں:

1۔ جناب اسد ایس جعفر

2۔ جناب گوکٹگ گور

3۔ جناب کامران مرزا

4۔ جناب عامر جان محمد

شیئر ہولڈنگ کا طریقہ کار

پہلا حصہ

اہم مالیاتی مندرجات

مندرجات	2021	2020	شرح میں اضافہ
سیلز (ملین روپے)	4671	3772	23.8 فیصد
گروس منافع (ملین روپے)	1342	795	69 فیصد
سیلز کے مقابلے میں گروس منافع کی شرح	28.7 فیصد	21 فیصد	7.7 فیصد
ای بی آئی ٹی (ملین روپے)	601	120	401 فیصد
منافع قبل از ٹیکس (ملین روپے)	580	74	684 فیصد
بعد از ٹیکس منافع / نقصان (ملین روپے)	356	(130)	374 فیصد

زیر جائزہ سال کے دوران کمپنی کی فروخت میں 23.8 فیصد اضافہ ہوا جس کی سیلز ویلیو 4.671 ارب روپے تھی جو کہ اس سے ایک سال قبل 3.772 ارب روپے تھی۔ فروخت میں یہ اضافہ بنیادی طور پر کووِڈ کے بعد مارکیٹ کھلنے، مارکیٹ میں مواقع سے فائدہ اٹھانے کے سلسلے میں ہماری سیلز اور سپورٹ ٹیموں کی اہم کوششوں اور کسٹمر کی مرکزیت پر انتھک توجہ کی وجہ سے ہوا۔

گروس منافع میں گزشتہ سال کے مقابلے 547 ملین (28.7 فیصد) کا اضافہ ہوا جس کی بنیادی وجہ مصنوعات کی مقامی سطح پر تیاری میں اضافہ، سال کے دوران زیادہ فروخت، جس نے فروخت کی لاگت سے متعلق مقررہ لاگت کو جذب کیا اور پچھلے سال کی کچھ ایڈجسٹمنٹس بھی شامل ہیں۔ فروخت میں اس اضافے سے تنظیم کی مقررہ انتظامی اور تقسیمی لاگت کو جذب کرنے میں بھی مدد ملی۔ نتیجتاً کمپنی نے قبل از ٹیکس 580 ملین روپے کا مضبوط منافع اور سال کے لیے 356 ملین روپے کا خالص منافع حاصل کیا۔

سال کے دوران کمپنی نے پاکستان میں فلپس برانڈ کی مصنوعات کی مقامی سطح پر تیاری کے لیے سگنیفائی نیدرلینڈز BV کے ساتھ ایک تکنیکی لائسنسنگ معاہدہ کیا۔ یہ معاہدہ یکم جنوری 2021 سے نافذ العمل ہے۔ اس معاہدے کے تحت کمپنی اپنی مقامی مصنوعات پر مخصوص نرخوں پر رائلٹی ادا کرے گی۔

آرڈرز کا نتیجہ تھی جو کووڈ کے بدترین دور میں پاکستان منتقل کر دیے گئے تھے اور دوسرے پڑوسی ممالک کے مقابلے میں اسے بہت بہتر طریقے سے سنبھالا گیا تھا اور بیرون ملک مقیم پاکستانیوں کی طرف سے مسلسل ترسیلات زر کی وجہ سے بھی ایسا ممکن ہو سکا تھا۔

اب اپریل 2022 سے حکومت میں تبدیلی کی وجہ سے ہم خاص طور پر مختصر مدت کے اقتصادی فیصلوں کے حوالے سے مستقبل میں مشکل وقت کی پیش گوئی کر رہے ہیں، جو موجودہ حکومت کی مختصر مدت سے منسلک ہیں۔ مستقبل کے لائحہ عمل کا انحصار اس بات پر بھی ہوگا کہ آئی ایم ایف کے ساتھ ملاقاتیں کیسی رہتی ہیں۔

صنعت کا جائزہ

2021 میں صنعت نے کم ڈیوٹیوں اور ٹیکسوں کے فوائد حاصل کرنے کے لیے لائٹنگ پراڈکٹس کے پورٹ فولیو کی مقامی سطح پر تیاری کو جاری رکھا۔ تاہم جون 2021 میں وفاقی بجٹ کے نتیجے میں آؤٹ پٹ اسٹیج پر سیلز ٹیکس میں ریلیف کو ہٹا دیا گیا جس سے درآمدی بنیاد پر لوکلائزیشن کا فائدہ کم ہو گیا۔ چونکہ ایک بڑا صنعتی سیٹ اپ وجود میں آیا تھا اور کافی سرمایہ کاری کی گئی تھی، اس لیے صنعتیں اب بھی بڑی تعداد میں لاگت سے فائدہ حاصل کرنے کے لیے بقا کی جنگ لڑ رہی ہیں۔

سگنیفائی پاکستان روشنی کی صنعت میں سرخیل کی حیثیت رکھنے والے فلپس برانڈ کے منتخب پورٹ فولیو کی مقامی اسمبلی میں منتقل ہو گیا ہے۔ اس میں ایل ای ڈی بلبوں کی مقامی اسمبلی اور پچھلے سال کے کچھ پیشہ ورانہ روشنی کے سامان شامل ہیں۔

اس وقت سگنیفائی پاکستان کی فروخت کا تقریباً 50 فیصد مقامی طور پر تیار کیے گئے پورٹ فولیو پر مبنی ہے اور اسے اگلے دو سے تین سالوں میں 65 فیصد تک بڑھانے کا منصوبہ ہے۔ یہ حکمت عملی یقینی طور پر غیر ملکی زرمبادلہ پر (کسی حد تک) بوجھ کو کم کرتی ہے، مقامی روزگار کو فائدہ پہنچاتی ہے اور مقامی صنعتی سرگرمیوں کو فروغ دیتی ہے۔

مالیاتی کارکردگی

سال 2021 کے لیے ہماری مالی کارکردگی کا تقابلی خلاصہ درج ذیل ہے:

ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 دسمبر 2021 کوختم ہونے والے سال کے لیے کمپنی کے مالیاتی نتائج کا جائزہ پیش کرتے ہوئے خوش ہیں۔

اقتصادی جائزہ

سال 2021 کا آغاز کووِڈ سے کچھ نجات ملنے کے ساتھ ہوا اور معیشت نے بحالی کا عمل شروع کیا، البتہ کچھ اتار چڑھاؤ آئے کیونکہ کووِڈ کی مختلف اقسام کی خبریں آتی رہیں۔ خوش قسمتی سے یہ اقسام زیادہ دیر تک نہیں پھیلی اور معیشت کی رفتار برقرار رہی اور معیشت کے بہت سے شعبوں میں ترقی دیکھنے میں آئی۔ ٹیکسٹائل کی برآمدات میں بے انتہا اضافہ ہوا اور بیرون ملک مقیم پاکستانیوں کی جانب سے ترسیلات زر بھاری تعداد میں بھیجی جاتی رہیں۔ حکومت سال 22-2021 کے لیے جی ڈی پی کی شرح نمو 4.8 فیصد (2020-2021: 0.5 فیصد) کو ہدف بنا رہی ہے اور سال 2022-2023 کے لیے متوقع شرح نمو 5 فیصد ہے۔

کنزیومر پرائس انڈیکس کا آغاز جنوری 2021 میں 5.7 فیصد کے ساتھ ہوا اور دسمبر 2021 تک بتدریج بڑھ کر 12.3 فیصد تک پہنچ گیا۔ پیٹرولیم مصنوعات کی بلند قیمتوں، روپے کی قدر میں کمی، زرعی اجناس کی قیمتوں میں اضافے بالخصوص بین الاقوامی سطح پر کھانے کی قیمتوں میں اضافہ اعلیٰ رجحان کی نشاندہی کرتا ہے۔

اسٹیٹ بینک آف پاکستان جنوری 2021 میں KIBOR کی شرح کا آغاز 7.4 فیصد سے کر کے نومبر میں 9.32 فیصد تک رکھنے میں کامیاب رہا لیکن یہ دسمبر میں 10.26 فیصد کے ساتھ دوہرے ہندسوں پر چلا گیا۔ تاہم موجودہ شرح مہنگائی کو روکنے کی کوشش کے طور پر تیزی سے بڑھ کر 12.77 فیصد ہوگئی ہے۔ عام طور پر کاروباری اداروں نے سال 2021 کے دوران شرح سود کو ایک ہندسے میں رکھنے کے حکومتی اقدامات کو سراہا تھا کیونکہ اس سے انہیں اپنی مالیاتی ضروریات کا انتظام کرنے میں مدد ملی۔

اسٹیٹ بینک آف پاکستان کی مارکیٹ پر مبنی پالیسی کی بنیاد پر فری فلوٹنگ امریکی ڈالر اور روپے کی قدر میں فرق کی عکاسی کرتا ہے جو جنوری 160 روپے سے شروع ہوا، جون میں کم ہو کر 152 تک ہو گیا تھا اور ستمبر تک 166 روپے کی حد میں رہا تھا اور دسمبر میں 174 روپے کو چھو گیا تھا۔ تقابلی جائزہ لیا جائے تو 2021 کی تیسری سہ ماہی تک امریکی ڈالر اور روپے کی برابری کی مستحکم شرح ٹیکسٹائل کے مضبوط برآمدی