

**PHILIPS**

**ANNUAL REPORT 1995**

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

SYED NASEEM AHMAD  
 RAFTO M. HABIB  
 NIZAM A. SHAM  
 J. A. RUTGERS  
 M. ASADULLAH SHEIKH  
 HAKIMULLAH SIDDIQUI  
 JAVED IQBAL

**REGISTERED OFFICE**

ISLAMIC CHAMBER OF COMMERCE,  
 INDUSTRY & COMMODITY  
 EXCHANGE BUILDING,  
 SF-2/7A, BLOCK-9, K.D.A. SCHEME-5,  
 CLIFTON, KARACHI-75600.

**FACTORIES**

F-54, SINDH INDUSTRIAL  
 TRADING ESTATE,  
 KARACHI.

D-98, SINDH INDUSTRIAL  
 TRADING ESTATE,  
 KARACHI.

**BANKERS**

ABN AMRO BANK  
 AMERICAN EXPRESS BANK LTD.  
 ANZ GRINDLAYS BANK  
 BANK OF AMERICA  
 CITIBANK N.A.  
 EMIRATES BANK  
 INTERNATIONAL LTD.  
 HABIB BANK LTD.  
 HONG KONG AND SHANGHAI  
 BANKING CORPORATION  
 MUSLIM COMMERCIAL BANK  
 NATIONAL BANK OF PAKISTAN  
 STANDARD CHARTERED BANK

**AUDITORS**

A. F. FERGUSON & CO.  
 CHARTERED ACCOUNTANTS

**KEY DATA**

	(Rs. in millions)	
	1995	1994
Sales	2,666	2,409
Operating Profit	280	230
Profit Before Taxation	196	149
Taxation	74	56
Profit after taxation	122	93
Dividend- Cash	75	60
Bonus Issue	-	10
Paid-up Capital	119	108
Shareholders' Equity	393	360
Earning per share	10.30	8.6
Number of Employees	1,048	1,040

**Report of the Directors for the year ended**

**December 31, 1995**

Syed Naseem Ahmad  
 Chairman & Managing Director

The Directors take pleasure in presenting their Report with the Audited Accounts of the Company for the year ended December 31, 1995.

**GENERAL OVERVIEW**

Our business has shown good trends in all the major segments, and we were able to realise our targets of turnover and profits. The year has been a period of stability and satisfaction for the Company which

has restored confidence leading to expectations of improved performance in the future.

During the year, the Government continued its policies of deregulation and liberalization of economy, although the pace of tariff reforms has slowed down against earlier indications. Pakistan's economy is still facing the crunch of revenue shortfall and higher inflation. This, coupled with devaluation of Pak Rupee, has had an adverse effect on the disposable income of the common man which has negatively influenced the market of consumer durables. In addition the imposition of regulatory duties during the last quarter, has put the business activities in a difficult and an uncertain situation.

With regard to the practice of illegal trade, while numerous steps have been taken by the government to curb smuggling, it is expected that further efforts in this respect would be taken to effectively control trading through irregular channels. Apart from the loss of revenue to the Government, these channels are causing severe concern for the business houses who find it impossible to compete with low priced products available in the market. We would like to emphasize that serious efforts towards documentation of economy are warranted and the Government should continue to take appropriate measures to impose GST at retail stage to curb duty evasion and to provide an even playing field for legitimate business activities.

Tariff reforms coupled with the opening up of economy has provided new avenues for business. However, it has exerted pressure on the local manufacturing units, which are operating under constraints of low market size and economy of scale, to compete with cheap imported products. In this regard, the Government should ensure reasonable and just protection to the local industries by maintaining differentials in Government levies.

**KEY DATA**

	Rs. in millions	
	1995	1994
Sales	2666	2409
Operating Profit	280	230
Profit before tax	196	149
Profit after tax	122	93

**SALES & PROFITS**

During the year sales increased by 11% over last year, which represents mainly volume increase attributable to the policy of diversification by providing new quality products to the consumers. This growth in sales has been achieved despite the law and order situation and erosion of purchasing power of the consumers. To achieve this, effective marketing policies were employed and good quality of products was maintained supported by improved service level. Operating profit shows significant improvement of 22% compared to last year mainly due to lower cost of sales as a result of volume increase and rationalization of duties. Profit after tax has substantially improved due to lowering of tax rate and through savings on financial charges.

**THE COMPANY AND THE SHAREHOLDERS**

Javed Iqbal  
Finance Director

We take pleasure in informing our investors that for the third consecutive year, we were awarded the coveted stock exchange award of Top Twenty-Five Companies. This is a significant achievement depicting management's desire for attaining higher targets of operational and financial performance.

The operating profit for 1995 is Rs. 280 million which represents a 22% increase over last year. The Company earned a profit after tax of Rs. 122 million against Rs. 93 million of last year.

The earning per share (EPS) amounted to Rs. 10.3 (1994: Rs. 8.6)

The Board of Directors propose for your

approval, payment of final dividend of 50% in addition to already paid interim dividend of 25% thus making a total dividend of 75% for the year 1995. The Board also recommends transfer of Rs. 32 million to General Reserve.

The profit and proposal for appropriations for the year are as follows:

(Rs. in thousands)

Profit before providing for taxation	195,868	
Provision for taxation		
Current	84,005	
Deferred	(9633)	74,327
	-----	
Profit after tax		121,496
Adding thereto		
Unappropriated profit brought forward		567
		-----
Profit available for appropriation		122,063
Appropriations recommended:		
General Reserve	32,000	
Interim dividend declared @ 25%	29,698	
Proposed final dividend @ 50%	59,396	121,094
	-----	-----
Unappropriated profit carried forward		969
	*****	

#### LIGHTING

##### M. Kamil Shahbaakar

General Manager-  
Light & Professional Systems

In this sector, the Company maintained its position of being the market leader, and continued the policy of upgrading the markets and providing excellent products to consumers at competitive prices. The Company maintained its emphasis on improved service level and offered itself as a total lighting solution Company. Special attention was placed on project business and we managed to acquire substantial orders for office lighting and also the prestigious project of flood lighting of Gaddafi Stadium for The World Cup.

The Company being conscious of energy constraints, responded by offering energy saving lamps to the consumers, and takes pleasure in informing you that the local assembly operation for these lamps commenced in the first quarter of 1995.

During the year, this sector recorded sizable sales growth of 15% against last year mainly through diversification, effective marketing strategies including efficient sales promotion activities. The operating profit improved by 14% which can be attributed to growth in sales volume.

#### CONSUMER ELECTRONICS

##### M. Farooq Farooqui

General Manager-  
Consumer Electronics & Domestic Appliances

The market of Television remained stagnant due to erosion of purchasing power which has affected the overall market of consumer durables. The Company followed its policy of diversification to reduce dependence on colour television and was able to offer a greater range of products. In this sector, the Company shifted its emphasis towards total entertainment market and started various new activities of audio systems, VCRs, Video/Audio Cassettes, etc. The Company also secured an order for car audio system.

The overall sales improved by 2% against preceding year. Limited growth in sales is due to lowering of prices of televisions, to pass on the benefit of duty relief to consumers and combat low priced sets in the market. The improvement in operating profit is the result of lower costs and control on overhead costs.

#### MAJOR DOMESTIC APPLIANCES

The Company continued optimal utilization of its local manufacturing facility and supplemented the product range through imported refrigerators. The profitability came under pressure due to changes in deletion programme and imposition of regulatory duty. In order to avoid adverse effects on the manufacturing activity, the Government should ensure adequate tariff protection to the industry against CBU imports.

The sales increased by 19% over comparable period of last year which is mainly attributable to volume increase. In spite of increase in costs, low price level prevailed in the market mainly due to

pressure on the purchasing power of consumers. Consequently, the enhanced costs could not be fully passed on to the market which affected the overall profitability level.

#### **OTHER ACTIVITIES**

This sector includes activities of Domestic Appliances and Personal Care, Professional Systems, Medical Systems and 'After Sales Service'. These activities have a strong potential for future growth and the Company is presently investing in the market to maintain its presence.

The activity of Domestic Appliances and Personal Care has shown improvements during the year. The market of these products is predominantly catered to by the suppliers through irregular channels and continuity of which is posing a real threat to the activities of both local manufacturing and import based trading. As mentioned earlier, during the last quarter of the year, the Government imposed regulatory duty which has placed legitimate importers in a difficult situation and the Company had to restrict its business in this field.

The activities of Professional Systems and Medical Systems cater for the market of high-tech products/equipments. These activities are primarily project-based which require advanced professional know-how and are dependent on availability of Development budgets/funds. The Company, as a policy, concentrates on major projects and maintains its presence to capitalise on the opportunities offered by this sector.

As a part of our policy to ensure excellent service level to the customers and to provide confidence to the consumers in Philips products, an efficient set up is maintained for 'After Sales Service'.

In the above activities overall sales remained low in the professional and medical sector due to constraints of limited development budgets/funds. The improvement in profits is mainly in the activity of Domestic Appliances and Personal Care, which is a result of higher sales due to effective marketing efforts.

#### **HUMAN RESOURCES**

Jalees A. Siddiqi  
General Manager -Human Resources

On behalf of the Board of Directors and the Management, we would like to appreciate the commendable contribution made by the employees for achievement of the targets set for 1995. The Board is thankful for the efforts of the employees, to recover production losses caused by the law and order situation that prevailed last year. The industrial relations between the employees and the management remained peaceful and most cordial.

The Company continued its efforts towards development and training of the employees at all levels to prepare the organisation to meet the challenges of the highly competitive business environment. Special emphasis is placed on the motivation level of the employees through job satisfaction, change management and most conducive atmosphere for them to perform their best in realising the Company objectives. In this respect we are conscious of the importance of human resources and are committed to follow 'The Philips Way - Value people as our greatest resource'.

#### **SOCIAL RESPONSIBILITY**

The Company continued its support to the cause of social welfare, and during the year contributions were made to Layton Rahmatulla Benevolent Trust, and other organisations operating in the country which provide social services. We also contributed towards conservation of the environment by providing support to the World Wide Fund for Nature.

#### **PHILIPS QUALITY PROGRAMME**

Your Company has a strong conviction with regard to the importance of Total Quality Management for the improvement of business. To build a Winning Company, we need shared values, clear vision and objectives, distinctive skills and competitive processes. In this respect, we consider the involvement of all the employees in the Philips Quality drive a must.

During the year, various quality activities continued towards Philips Way and adopting Philips Values in all facets of Company operations. Lighting factories have already been certified for ISO 9002 and currently other sectors are preparing for the certification in 1996. During the course of the year, we also commenced efforts for

obtaining PQA-90 (the Philips Quality Award) by employing the techniques of process re-engineering for all the operations in the Company.

The ultimate objective of the Philips Quality drive is to deliver products and services which delight the customer and satisfy all other stake-holders in the Company.

**BOARD OF DIRECTORS**

The term of office of the present seven directors is due to expire on May 9, 1996. An election of Directors will be held at the forthcoming Annual General Meeting.

**AUDITORS**

The retiring auditors A.F. Ferguson & Co., being eligible offer themselves for re appointment.

**PATTERN OF SHAREHOLDERS**

A statement of the pattern of shareholding as at December 31, 1995 is shown on page 54 of Annual Report. Philips Electronics N.V. (formerly N.V. Philips Gloeilampenfabrieken) Eindhoven, The Netherlands maintained its holding of 60% in the total share capital of the Company.

**FUTURE OUTLOOK**

In all its business areas, the Company intends to follow the policy of diversification to ensure profitable growth in the years to come. Considering the strength of the organization alongwith the good quality of products, the Company will strive to maintain the profit trends of 1995.

These expectations are based on the assumption that appropriate measures and policies are adopted by the Government to create an environment conducive for the growth of business activities in the country. Amongst these measures are control over inflation, adequate protection to local industry while lowering duties, effective documentation of economy, and removal of disparity in Provincial taxes.

On behalf of the Board of Directors.

**SYED NASEEM AHMAD**

Chairman & Managing Director

Karachi: March 21, 1996.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Philips Electrical Industries of Pakistan Limited as at December 31, 1995 and the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 1995 and of the profit and cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

**A. F. Ferguson & Co.**

Chartered Accountants

Karachi: March 21, 1996

**BALANCE SHEET AS AT DECEMBER 31, 1995**

	NOTE	1995	1994
	(Rupees in thousands)		
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
1 6,000,000 ordinary shares of Rs. 10 each		160,000	160,000
Issued, subscribed and paid-up capital	3	118,792	107,993
Reserves	4	272,697	251,496
Unappropriated profit		969	567
		-----	
		273,666	252,063
		-----	
		392,458	360,056
<b>SURPLUS ON REVALUATION</b>			

<b>OF FIXED ASSETS</b>	5	65,935	65,935
<b>REDEEMABLE CAPITAL</b>	6	33,334	71,645
<b>DEFERRED LIABILITIES</b>			
Provision for staff retirement benefits		15,947	12,623
Deferred taxation	17	-	9,248
		15,947	21,871
<b>OBLIGATION UNDER FINANCE LEASES</b>	7	3,317	15,315
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Short-term finances under mark-up arrangements	8	257,101	158,032
Short-term loans	9	101,010	63,560
Current maturity of - redeemable capital	6	33,333	28,355
		- obligation under finance leases	
	74	11,999	15,045
Creditors, accrued and other liabilities	10	388,772	294,393
Provision for turnaround expenses	11	10,935	6,044
Taxation		47,246	28,878
Proposed dividend		59,396	48,597
		909,792	642,904
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		1420783	1177726

NOTE 1995 1994  
(Rupees in thousands)

<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	13	199,525	235,163
Capital work-in-progress	14	10,459	226
		209,984	235,389
<b>LONG-TERM INVESTMENTS</b>	15	16,500	22,000
<b>LONG-TERM LOANS AND ADVANCES</b>	16	15,193	7,111
<b>LONG-TERM DEPOSITS</b>		9,225	23,723
<b>DEFERRED TAXATION</b>	17	385	-
<b>CURRENT ASSETS</b>			
Stores and spares	18	20,537	21,091
Stock-in-trade	19	685,199	419,342
Trade debts	20	231,642	284,910
Deposits and short-term prepayments	21	83,460	57,613
Other receivables	22	94,763	49,490
Cash and bank balances	23	53,895	57,057
		1169496	889,503
		1,420,783	1,177,726

The annexed notes form an integral part of these accounts.

Syed Naseem Ahmad Javed Iqbal  
Chief Executive Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1995**

	NOTE	1995	1994
		(Rupees in thousands)	
Sales	24	2,666,184	2,408,795
Cost of sales	25	2,027,970	1,872,652
Gross profit		638,214	536,143
Selling and administrative expenses	26	357,916	305,728
Operating profit		280,298	230,415
Other income	27	4,799	5,993
		285,097	236,408
Financial charges	28	65,461	74,561
Other charges	29	23,768	12,922
		89,229	87,483
Profit before taxation		195,868	148,925
Taxation	31	74,372	56,362
Profit after taxation		121,496	92,563
Unappropriated profit brought forward		567	800
Available for appropriation		122,063	93,363
Appropriations:			
Transfer to general reserve		32,000	28,000
Interim dividend Rs. 2.50 (1994: Rs. 1.50) per share		29,698	16,199
Proposed final dividend Rs. 5.00 (1994: Rs. 4.50) per share		59,396	48,597
		121,094	92,796
Unappropriated profit carried forward		969	567

The annexed notes form an integral part of these accounts.

Syed Naseem Ahmad Javed Iqbal  
Chief Executive Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1995**

	NOTE	1995	1994
		(Rupees in thousands)	
Cash flow from operating activities			
Cash generated from operations			
Staff retirement benefits paid	32	141,994	263,049
Financial charges paid		-147	5,172
Taxes paid		(63,165)	(70,020)
		(65,637)	(88,614)
Net cash inflow from operating activities		13,045	99,243
Cash flow from investing activities			
Fixed capital expenditure		(32,793)	(16,188)
Sale proceeds of fixed assets		202	1,798
Long-term deposits - net		14,498	(2,230)
Long-term loans and advances - net		(8,082)	675
Net cash (outflow) from investing activities		(26,175)	(15,945)
Cash flow from financing activities			
Proceeds from redeemable capital less repayments		(33,333)	96,400
Repayment of long-term loans		-	(4,253)
Repayment of obligation under finance leases		(15,044)	(44,098)
Short-term loans less repayments		37,450	63,560
Dividends paid		(78,174)	(70,224)
Net cash (outflow)/inflow from financing activities		-89,101	41,385
Net (decrease) / increase in cash and cash equivalents		(102,231)	124,683
Cash and cash equivalents at the beginning of year		(100,975)	(225,658)
Cash and cash equivalents at the end of year	33	(203,206)	(100,975)
		=====	=====

The annexed notes form an integral part of these accounts.

**NOTES TO THE ACCOUNTS FOR THE YEAR  
ENDED DECEMBER 31, 1995**

**1. LEGAL STATUS AND OPERATIONS**

The Company is a public company incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984). Its shares are quoted on Karachi and Islamabad Stock Exchanges and is principally engaged in the production and sale of electrical and electronic goods.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

**2.2 Staff retirement benefits**

The company operates defined benefit funded pension and gratuity schemes for its management employees. The scheme provides life pension to employees and thereafter to their spouse or dependent children. Contributions are made annually to these funds on the basis of actuarial recommendations at the rate of 14.5% of basic salary for pension and at the rate of 8.33% of basic salary for gratuity. Based on the latest actuarial valuation of the pension scheme and gratuity scheme as at December 31, 1994 and December 31, 1992 respectively, carried out once in every three years, the fair value of the pension fund's assets and liabilities were Rs 30,797 million and Rs 45,185 million whereas the fair value of the gratuity fund's assets and liabilities were Rs 22,622 million and Rs 34,560 million respectively. The future contribution rates of these schemes include allowances for deficit and surplus.

In addition, the Company operates an unfunded supplemental gratuity scheme for unionized staff. Provisions are made in the accounts to cover obligations on the basis of actuarial recommendations. Based on the latest actuarial valuation as at December 31, 1992, carried out once in every three years, the actuarial liability amounted to Rs 7,919 million.

Projected unit credit method, using following significant assumptions, is used for valuation of the above mentioned funded as well as unfunded schemes:

- Expected rate of increase in salaries 11% p.a. plus merit increases.
- Expected rate of interest on investment 12% per annum.

The actuarial valuation of the above gratuity schemes due as at December 31, 1995 is in progress.

The Company also operates a defined contribution provident fund for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of basic pay.

**2.3 Taxation**

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any.

The Company accounts for deferred taxation on all major timing differences using the liability method.

**2.4 Tangible fixed assets and depreciation**

Operating fixed assets are stated at cost less accumulated depreciation except leasehold land and buildings thereon which are stated at revalued amounts and subsequent additions thereto at cost less accumulated depreciation. Capital work-in-progress is stated at cost.

Items of fixed assets costing Rs 10,000 or less individually are not capitalized and are charged off in the year of purchase.

Depreciation is charged to income applying the straight-line method whereby the asset is written off over its estimated service life. Depreciation on additions is charged from the month in which it is put to use and on

deletions upto the month of deletions.

Gains and losses on disposals are taken to income currently.

Maintenance and repairs are charged to income as and when incurred. However, as the furnace used for glass production is required to be shut down for renewal, overhaul and replacement of parts after varying periods of use, the cost of such turnaround including overhead expenses are accrued over such periods.

**2.5 Long term investments**  
These are stated at cost except where a permanent diminution in value is deemed to have occurred in which case their cost is appropriately reduced.

**2.6 Stores and spares**  
These are valued at weighted average cost with the exception of stores relating to consumer electronics activities which are valued on first-in-first out basis. The value of slow moving items is appropriately reduced. In addition adequate provision is made for the items which are likely to become obsolete.

**2.7 Stock-in-trade**  
Stock-in-trade is valued at the lower of cost and net realisable value. Cost has been arrived at on first-in-first-out basis. Cost in relation to work-in process and manufactured goods include direct material, wages and applicable manufacturing overhead. Cost of goods-in-transit reflects the purchase price only.

Net realisable value is determined by considering the prevailing selling prices in the ordinary course of business less costs necessarily to be incurred to make the sale.

**2.8 Foreign currencies**  
Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating to those ruling at the balance sheet date except where forward exchange contracts have been entered into for repayment of loans in which case the rate contracted for is used and where the repayment of a foreign currency loan will be made in rupees at a rate of exchange guaranteed by the State Bank of Pakistan in which case the guaranteed rate of exchange is used. Any foreign currency bank balances arising out of the proceeds of a foreign currency loan whose repayment is to be made at a rate of exchange guaranteed by the State Bank of Pakistan are also translated at the guaranteed rate of exchange.

Exchange gains and losses are included in income currently except those arising on translation of liabilities for goods in transit which are reflected in the value of the underlying items.

**2.9 Revenue recognition**  
Sales are recorded on despatch of goods.

**2.10 Mark-up on long-term finance and finance charge under the lease agreements**

Mark-up on long-term finance and finance charge under lease agreements are allocated to the deferred payment period so as to produce a constant periodic rate of financial cost on the remaining balance of Principal liability for each period.

	1995	1994
	(Rupees in million)	
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
8130750 ordinary shares of Rs 10 each fully paid in cash	81,307	81,307
3,745,425 (1994: 2,665,500) ordinary shares of Rs 10 each issued as fully paid bonus shares	37,455	26,656
3,000 ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	30	30
-----	-----	-----
11,879,175	118,792	107,993
-----	-----	-----

At December 31, 1995, 7,127,505 (1994: 6,479,550) ordinary shares of the Company were held by Philips Electronics N.V. (formerly N.V. Philips Gloeilampenfabrieken) Eindhoven, The Netherlands.

	1995	1994
	(Rupees in million)	
<b>4. RESERVES</b>		
<b>Capital</b>		
Share Premium	43,197	53,996
At January 1		
Transfer to reserve for issue of bonus shares	-	(10,799)
-----	-----	-----
At December 31	43,197	43,197
Reserve for issue of bonus shares		
At January 1	10,799	-
Transfer from share premium	-	10,799
Bonus shares issued during the year	(10,799)	-
-----	-----	-----
At December 31	-	10,799
-----	-----	-----
	43,197	53,996
<b>Revenue</b>		
General Reserve		
At January 1	195,000	167,000
Transfer from profit and loss account	32,000	28,000
-----	-----	-----
At December 31	227,000	195,000
Self insurance reserve		
At January 1 and December 31	2,500	2,500
-----	-----	-----
	229,500	197,500



	----- 272,697 ***** 1995	----- 251,496 ***** 1994
(Rupees in million)		
<b>5. SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
At January 1 and December 31	65,935 *****	65,935 *****
The above represents surplus over book value produced by revaluations of certain fixed assets referred to in note 13.2.		
<b>6. REDEEMABLE CAPITAL- Secured</b>		
Long-term finance utilised under mark-up arrangement		
Purchase price payable	83,312	134,964
Less: Prompt payment rebate	3,330	6,993
	----- 79,982	----- 127,971
Less: Mark-up not due	13,315	27,971
	----- 66,667	----- 100,000
Less: Current maturity shown under current liabilities	33,334	28,355
	----- 33,334 *****	----- 71,645 *****

The Company has arranged a long-term finance of Rs 100 million from Emirates Bank International Limited. The amount utilised represents 'sale price' of the agreement with a corresponding 'purchase price' of Rs 134,964 million. A rebate of Rs 6,993 million shall be available to the Company if all instalments are paid on due dates. The rate of mark-up is 16 percent per annum on outstanding liability. The purchase price is payable in six half yearly instalments commencing from March 25, 1995.

The above finance is secured by an equitable mortgage of the Company's immovable properties.

In view of the substance of the transaction, sale and repurchase of assets referred above and in note 8.1 has not been recorded as such in the books.

	----- 1995 (Rupees in million)	----- 1994
<b>7. OBLIGATION UNDER FINANCE LEASES</b>		
Standard Chartered Mercantile Leasing Company Limited		
Lease - 1 (note 7.1)	-	1,368
Askari Leasing Limited		
Lease - 2 (note 7.2)	-	9,254
Atlas BOT Lease Company Limited		
Lease - 3 (note 7.3)	3,317	4,693
	----- 3,317 *****	----- 15,315 *****

**7.1 Lease - 1**

The Company entered into a lease agreement with Standard Chartered Mercantile Leasing Company Limited in 1992, for a period of four years, in the amount of Rs 5,861 million for financing computer system. Quarterly lease payments include a finance charge of 17.69 percent per annum, which is used as a discounting factor.

**7.2 Lease - 2**

The Company entered into a lease agreement with Askari Leasing Limited in 1993, for a period of three years, in the amount of Rs 20.0 million for financing glass furnace. Quarterly lease payments include a finance charge of 20.88 percent per annum, which is used as a discounting factor.

**7.3 Lease - 3**

The Company entered into a lease agreement with Atlas BOT Lease Company Limited in 1994, for a period of four years, in the amount of Rs 6,623 million for financing moulds and dies of refrigerators. Quarterly lease payments include a finance charge of 20.39 percent per annum, which is used as a discounting factor.

7.4 The amount of future payments for the above leases and the period in which these payments will become due are:

	----- 1995 Rupees in thousands			----- TOTAL	----- 1994	
	LEASE 1	LEASE 2	LEASE 3			
Year to December 31, 1995	-	-	-	-	-	18,940
Year to December 31, 1996	1,491	-	10,224	2,233	13,948	13,948
Year to December 31, 1997	-	-	-	2,233	2,233	2,233
Year to December 31, 1998	-	-	-	1,779	1,779	1,779
	----- 1,491	----- 10,224	----- 6,245	----- 17,960	----- 36,900	----- 36,900
Less: Finance charges not due	123	970	1,551	2,644	6,540	6,540
	----- 1,368	----- 9,254	----- 4,694	----- 15,316	----- 30,360	----- 30,360
Less: Current maturity shown under current liabilities	1,368	9,254	1,377	11,999	15,045	15,045
	----- -	----- -	----- 3,317	----- 3,317	----- 15,315	----- 15,315
	*****	*****	*****	*****	*****	*****

	----- 1995 (Rupees in thousands)	----- 1994
<b>8. SHORT-TERM FINANCES UNDER MARK-UP ARRANGEMENTS - Secured</b>		
Finances utilised under mark-up arrangements from banks (note 8.1)	257,101 *****	158,032 *****

8.1 The Company has arranged short-term running finances from various banks on mark-up basis. Under these arrangements the Company can avail finances aggregating upto Rs 408 million (1994: Rs 392.50 million) which represent the aggregate 'sale price' of all mark-up agreements with a corresponding 'purchase price' of Rs 500.9 million (1994: Rs 467.20 million). The rate of mark-up on these finances range from 0.5205 to 0.8752 (1994: 0.5205) per Rs 1,000 per diem or part thereof on the price outstanding. The prompt payment rebate ranging from 0.0679 to 0.5190 (1994: 0.0406 to 0.1781) per Rs 1,000 per diem where due under these agreements, is based on the payment of 'purchase price' by the dates specified in the agreements. The 'purchase price' of the agreements are payable during the period from January 1, 1996 to December 31, 1996. The finances under mark-up arrangements are secured by way of pari passu charges against hypothecation of Company's stock-in-trade and trade debts.

8.2 The facility for opening letters of credit and guarantees as at December 31, 1995 amounted to Rs 957.85 million (1994: Rs 738.51 million) of which the amount remaining unutilised at year end was Rs 480.32 million (1994: Rs 439.74 million).

**9. SHORT-TERM LOANS - Unsecured**

Lender	Rate of Interest	Repayment	(US Dollars in	1995	1994	1995	1994
			thousands)	(Rupees equivalent in thousands)	(Rupees equivalent in thousands)	(Rupees equivalent in thousands)	
The Sakura Bank Limited, Hamburg	0.5% above 6 months LIBOR	May 22, 1997	1,000	1,000	35,370	31,750	
- do -	- do -	February 22, 1997	2,000	1,000	65,640	31,810	
					101,010	63,560	
					=====		
					1995	1994	
					(Rupees in thousands)		

**10. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	127,895	111,450
Accrued liabilities	144,556	93,570
Accrued interest on short-term loans	1,786	526
Accrued mark-up on Short-term finances	10,622	8,051
Long-term finance	2,827	4,263
Accrued finance charge on obligation under finance leases	153	252
Workers' profits participation fund (note- 10.1)	10,686	8,109
Dealers' security deposits - non interest bearing	10,149	8,808
Sales tax payable	12,158	16,830
Advances from customers	45,937	33,645
Workers' welfare fund	8,069	3,069
Payable to - provident fund	962	870
- pension fund	5,372	-
- gratuity fund	980	-
Retention money	26	34
Unclaimed dividends	733	612
Corporate assets tax	2,000	2,000
Others	3,861	2,304
	=====	=====
	388,772	294,393
	=====	=====

**10.1 Workers' Profits participation fund**

Balance at the beginning of the year	8,109	9,560
Interest on funds utilised in the Company's business	1,654	1,829
Allocation for the year	1,0659	8,082
Less: Amount paid during the year	9,736	11,362
	=====	=====
Balance at the end of the year	10,686	8,109
	=====	=====

**10.2**

Amount due to associated undertakings at year end aggregated Rs 88.594 million (1994: Rs. 60.496 million).

**11. PROVISION FOR TURNAROUND EXPENSES**

Movement in and composition of turnaround expenses is as follows:

	1995	1994
	(Rupees in thousands)	(Rupees in thousands)
Provision for standstill costs		
Furnace		
At January 1	2240	2171
Provision during the year	2,355	69
	-----	-----
At December 31	4,595	2,240
Other machines		
At January 1	-	2,991
Provision written back	-	(2,991)
	-----	-----
At December 31	-	-
Provision for repairs and overhaul		
Furnace		
At January 1	3,804	1,829
Provision during the year	2,536	1,975
	-----	-----
At December 31	6,340	3,804
Other machines		
At January 1	-	15,609
Provision written back	-	(15,609)
	-----	-----
At December 31	-	-
	10,935	6,044

**12. CONTINGENCIES AND COMMITMENTS**

12.1 Commitments

(a) Capital expenditure contracted for but not incurred amounted to Rs 3.0 million (1994: Rs 1.0 million).

(b) Commitments for rentals under operating lease agreements in respect of vehicles and machinery are as follows:

Year	1995 (Rupees in thousands)	1994
1995	-	7,912
1996	8,803	6,589
1997	6,829	4,581
1998	4,656	1,499
1999	599	-

13. OPERATING ASSETS

13.1 The following is a statement of operating assets:

	Cost or valuation at January 1, 1995	Additions/ (deletions) *Transfer	Cost or valuation at December 31, 1995	Accumulated depreciation at Jan 1, 1995	Depreciation charge for the year/ (deletions) * Transfer	Accumulated depreciation at December 31, 1995	Net book value at December 31, 1995	Annual rate of depreciation %
(Rupees in thousands)								
Leasehold land (factory)	23,632	-	23,632	1,810	236	2,046	21,586	1
Building on leasehold land (factory)	78,349	165	78,514	37,977	3,570	41,547	36,967	2-10
Leasehold land and building - Office & others	4,140	-	4,140	2,686	201	2,887	1,253	5-10
- Factory	24,766	57	24,823	6,224	1,260	7,484	17,339	5
Electric installations	11,851	52	11,903	6,799	511	7,310	4,593	5-20
Plant and machinery	240,654	3,745 *80,000	324,399	164,319	39,129 *55,816	259,264	65,135	10-33
Factory equipment	11,680	1,402	13,082	6,491	1,161	7,652	5,430	10-25
Office machines	41,369	15,467	56,836 (190)	22,878	4,950	27,733 (95)	28,913	7-20
Motor vehicles	2,444	1,672 (210)	3,906	1,646	474 (165)	1,955	1,951	20
Under finance lease:								
- Plant and machinery	106,629	*(80,000)	26,629	62,745	5,394 *(55,816)	12,323	14,306	10-33
- Office machines	5,861	-	5,861	2,637	1,172	3,809	2,052	14-20
	551,375	22,560 (400)	573,535	316,212	58,058 (260)	374,010	199,525	
<b>1994</b>	<b>524,433</b>	<b>28,851 (1909)</b>	<b>551,375</b>	<b>261,909</b>	<b>55,146 (843)</b>	<b>316,212</b>	<b>235,163</b>	

13.2 The date and amount of revaluation included in the net book value of certain fixed assets as at December 31, 1995 is given below:

	Leasehold land (factory)	Building on leasehold land (factory)	Total
(Rupees in thousands)			
(a) At December 31, 1980			
Revaluation increment	4,838	13,913	18,751
Less: Depreciation thereon	723	10,437	11,160
	4,115	3,476	7,591
(b) At January 1, 1990			
Revaluation increment	17,720	29,464	47,184
Less: Depreciation thereon	1,062	8,839	9,901
	16,658	20,625	37,283
	20,773	24,101	44,874
<b>1994</b>	<b>20,998</b>	<b>26,270</b>	<b>47,268</b>

13.3 Moulds and dies for manufacture of components of certain products costing Rs 55.25 million included in plant and machinery under finance lease above, are held by M/s Ali Brothers Engineering, M/s Lumenengineering, M/s. Dicom Industries Ltd. and M/s Blowplast (Pvt) Ltd., who, under an arrangement with the Company, use these moulds for manufacturing the components for the Company.

13.4 Details of assets deleted during the year including items sold by negotiation:

Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
(Rupees in thousands)				
Office machines	18	7	11	13Mr. Jan Mohammad (Ex-executive)

				4th Floor, Hawa Manzil Hurmusji Street Garsi Khata, Arambagh Karachi
	12	5	7	9-do
	21	6	15	17Mr. Mirza Iqbal Baig (Ex-executive) D-4, Phase II, Royal Apartments, Block 2, Gulshan-e-Iqbal, Karachi
	12	4	8	9-do
	21	6	15	17Mr. Javed Akber (Ex-executive) 135-F, Block II, PECHS, - Karachi
	12	3	9	10- do -
	17	14	3	19Mr. M.A. Bari (Ex-executive) 915/18, Federal 'B' Area Karachi
	45	43	2	25Mr. Arif A. Sattar (Ex-executive) P-15/2, Block 5, KDA Scheme 5, Clifton, Karachi
	32	7	25	20- do -
Motor vehicle	210	165	45	63Mr. Abid Sheikh (Ex-executive) A-4 Bellview Apartments FL-6, Block 7, Clifton, Karachi

-----	400	260	140	202
=====				

		1995	1994
		(Rupees in thousands)	
<b>14. CAPITAL WORK-IN-PROGRESS</b>			
Plant and machinery		10,459	226
		=====	
<b>15. LONG-TERM INVESTMENTS - at cost</b>			
Shifa International Hospitals Limited, quoted 2,200,000 (1994: 2,200,000) ordinary shares of Rs 10 each		22,000	-
Less: Provision for diminution in value of investments		5,500	
		-----	
		16,500	22,000
		=====	

During the year, Shifa became a quoted company and based on the investee's last available accounts, six months period ended June 30, 1995, the above investments represent 4.4% (December 31, 1994: 5.2%) of the paid-up capital. The market value as at December 31, 1995 amounted to Rs 16.5 million (1994: Based on net assets Rs 22 million). The Chief Executive is Dr. Zaheer Ahmed.

**16. LONG-TERM LOANS AND ADVANCES**

	Current portion 1995	1994	Long-term portion 1995	1994
	(Rupees in thousands)		(Rupees in thousands)	
Considered good, due from:				
- Executives	1,874	1540	943	825
- Other employees	5,910	6311	14,250	6,286
	-----	-----	-----	-----
	7,784	7851	15,193	7,111
	=====	=====	=====	=====

(note 22)

The amount outstanding for period exceeding three years from:

- Executives		382	462
		=====	
- Other employees		515	718
		=====	

Loans and advances to executives and employees were given for house building and purchase of company products. These are repayable in equal monthly instalments varying from 33 to 102.

The maximum amount due from executives at the end of any month during the year was Rs 3.1 million (1994: Rs 2 million).

	1995	1994
	(Rupees in thousands)	
<b>17. DEFERRED TAXATION</b>		
This is composed of the following:		
Credit balance arising due to		
Accelerated depreciation allowance and finance lease rentals	17,737	25,965
Debit balances arising in respect of:		
Provision for turnaround, spares obsolescence, staff retirement benefits and doubtful debts	18,122	16,717
	-----	-----
	385	9,248

=====		
<b>18. STORES AND SPARES</b>		
Stores	4,884	4,768
Spares, including items in transit Rs 1.46 million (1994: Nil)	18,646	19,316
	-----	-----
Less: Provision for obsolescence	2,993	2,993
	-----	-----
	15,653	16,323
	-----	-----
	20,537	21,091
=====		
<b>19. STOCK-IN-TRADE</b>		
Raw materials, including goods-in transit Rs 86.712 million (1994: Rs 79.469 million)	310,209	187,213
Work-in-process	14,658	13,070
Others	1,151	1,459
	-----	-----
	326,018	201,742
Finished goods including goods-in transit Rs. 33.772 million (1994: Rs 13.986 million)	344,536	205,908
Service stocks including goods-in transit Rs 0.632 million (1994: Nil)	14,645	11,692
	-----	-----
	359,181	217,600
	-----	-----
	685,199	419,342
=====		
<b>20. TRADE DEBTS</b>		
Unsecured		
Considered good	231,642	284,910
Considered doubtful	14,704	12,182
	-----	-----
	246,346	297,092
Less: Provision there against, net of amount written off Rs 2.392 million (1994: Rs. 0.134 million)	14,704	12,182
	-----	-----
	231,642	284,910
=====		
The maximum amount due at the end of any month during the year from an associated undertaking was	-	3,332
=====		
<b>21. DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Trade deposits	14,826	10,991
Margin against letter of credit	4,264	5,317
Short-term prepayments	16,983	12,049
Prepaid customs duty through an associated undertaking	12,629	7,651
Sales tax excise duty prepayments	33,193	10,049
Current account balances with statutory authorities	1,496	1,595
Others	69	61
	-----	-----
	83,460	57,613
=====		
<b>22. OTHER RECEIVABLES - Considered good</b>		
Current portion of long-term loans and advances - note 16	7,784	7,851
Advances to suppliers	51,425	20,426
Advances for reimbursable expenses - executives - employees	375 1,515	503 871
Due from government		
Customs duty refundable	7,249	5,239
Value regulatory duty and other claims (note 22.1)	6,201	6,193
Octroi claims	7,852	7,852
	-----	-----
	21,302	19,284
Provision there against	(10,336)	(2,848)
	-----	-----
	10,966	16,436
Receivable from associated undertakings	20,077	-
Receivable from gratuity fund	-	839
Retention money	477	504
Receivable from a leasing modaraba	988	577
Others	1,156	1,483
	-----	-----
	84,763	49,490
=====		

**22.1** This includes an amount of Rs 4.9 million (1994: Rs 4.9 million) paid under protest against levy of 'Value Regulatory Duty' of Rs 9.9 million by the Controller of Customs Valuation on refrigerators imported during 1990 through an associated company. The Company preferred an appeal with the Member (Judicial) Central

Board of Revenue who in 1994 upheld it in Company's favour. The Company expects to recover the above amount in the ensuing year.

	1995	1994
	(Rupees in thousands)	
<b>23. CASH AND BANK BALANCES</b>		
With banks on current account	25,055	17,491
In hand - cash	4,085	1,279
- cheques	11,392	9,342
Remittances in Transit	15,477	10,621
	13,363	28,945
	53,895	57,057
	*****	

**24. OPERATING RESULTS**

	Light		Consumer Electronics		Major Domestic Appliances		Other Activities		Total	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
	(Rupees in thousands)									
Sales	1,253,540	1,092,659	600,161	586,929	672,668	566,172	139,815	163,035	2,666,184	2,408,795
Cost of sales (note-25)	885,206	771,679	482,128	511,793	544,018	Apr-01	Apr-00	130,035	2,027,970	1,872,652
Selling & administrative expenses (note-26)	200,567	173,617	70,101	54,418	69,774	48,726	17,474	28,967	357,916	305,728
	1,085,773	945,296	552,229	566,211	613,792	507,871	134,092	159,002	2,385,886	2,178,380
Operating profit	167,767	147,363	47,932	20,718	58,876	58,301	5,723	4,033	280,298	230,415
	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

**24.1 Inter-segment pricing**

Transfers between business segments are recorded at cost.

**24.2 Segment assets employed (%)**

	31	34	29	25	29	29	11	12	100	100
	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

**25. COST OF SALES**

Opening stock of finished goods	81,688	73,725	30,998	37,416	65,276	56,348	39,638	54,869	217,600	222,358
Cost of goods manufactured (note - 25.1)	502,979	502,085	374,285	397,915	337,611	292,155	-	-	1,214,875	1,192,155
Purchase goods	331,791	235,762	113,670	11,080	187,438	112,561	82,830	69,716	715,729	449,119
Sales tax	77,467	41,795	55,218	76,380	56,080	63,357	10,415	7,608	199,180	189,140
Inter-departmental transfers	-	-	-	-	-	-	39,767	37,480	39,767	37,480
	993,925	853,367	574,171	542,791	646,405	524,421	172,650	169,673	2,387,151	2,090,252
Less: Closing stock of finished goods	108,719	81,688	92,043	30,998	102,387	65,276	56,032	39,638	359,181	217,600
	885,206	771,679	482,128	511,793	544,018	459,145	116,618	130,035	2,027,970	1,872,652
	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

**25.1 Cost of goods manufactured**

	Light		Consumer Electronics		Major Domestic Appliances		Total	
	1995	1994	1995	1994	1995	1994	1995	1994
	(Rupees in thousands)							
Opening stock	74,507	73,188	53,714	69,402	73,521	104,721	201,742	247,311
Purchase materials	350,009	296,964	354,435	330,049	308,755	224,616	1,013,199	851,629
Excise duty	2,432	53,564	13,340	21,069	30,031	7,325	45,803	81,958
Salaries, wages and welfare cost (note 26.1)	82,872	70,247	22,334	18,868	29,977	25,034	135,183	114,149
Repairs and maintenance	9,736	7,862	2,181	1,320	4,823	4,387	16,740	13,569
Provision for turnaround expenses (written back) (note -11) - furnace	4,891	2,044	-	-	-	-	4,891	2,044
- Other machines	-	(18,600)	-	-	-	-	-	(18,600)
Stores and spares consumed	25,889	23,193	879	315	936	1,078	27,704	24,586
Technical assistance fee	-	-	-	-	1,253	1,249	1,253	1,249
Sales tax on own glass consumption	3,945	4,862	-	-	-	-	3,945	4,862
Fuel and power	39,679	26,563	502	513	4,897	4,198	45,078	31,274
Rent, rates and taxes	191	252	90	133	112	154	393	539
Insurance	536	847	736	557	501	376	1,773	1,780
Depreciation	23,688	23,436	3,774	3,976	26,294	24,008	53,756	51,420
Other expenses	11,516	12,170	3,649	5,427	6,547	6,010	21,712	Jan-00
Provision for doubtful debts- other	-	-	7,488	-	-	-	7,488	-
Inter-departmental transfers	-	-	-	-	(39,767)	(37,480)	(39,767)	(37,480)
	629,891	576,592	463,122	451,629	447,880	365,676	1540893	
Less: Closing stock	126,912	74,507	88,837	53,714	110,269	73,521	326,018	201,742
	502,979	502,085	374,285	397,915	337,611	292,155	1,214,875	1,192,155

26. SELLING & ADMINISTRATIVE EXPENSES

	Light		Consumer	Major Domestic		Other Activities		Total		
	1995	1994	Electronics 1995	1994	Appliances 1995	1994	1995	1994	1995	1994
	(Rupees in thousands)									
Salaries, wages and welfare cost (note 26.1)	35,401	25,404	14,747	10,696	9,976	7,790	22,628	25,804	82,752	69,694
Direct selling expenses	78,726	60,370	11,737	13,117	10,147	1,937	1,623	2,709	102,233	78,133
Repairs and maintenance	1,607	1,555	717	687	575	475	999	1,185	3,898	3,902
Fuel and power	1,189	881	557	465	427	315	1,735	1,406	3,908	3,067
Rent, rates and taxes	3,846	3,168	1,803	1,671	1,329	1,133	1,103	1,175	8,081	7,147
Insurance	132	41	62	22	46	15	30	21	270	99
Publicity	21,595	34,368	14,502	9,079	13,914	9,964	3,153	3,895	53,164	57,306
Depreciation	2,017	1,626	900	796	664	540	721	764	4,302	3,726
Outward freight	26,765	24,135	6,536	4,926	11,629	9,128	1,036	1,223	45,966	39,412
Other expenses	29,289	21,609	11,754	8,780	6,619	6,411	766	3,108	48,428	39,908
Provision for doubtful debts - trade	-	460	602	125	-	350	4,312	2,399	4,914	3,334
Services charged to other departments	-	-	6,184	4,054	14,448	10,668	(20,632)	(14,722)	-	-
	200,567	173,617	70,101	54,418	69,774	48,726	17,474	28,967	357,916	305,728

26.1 Salaries, wages and welfare cost, shown under cost of goods manufactured (note 25.1) and selling and administrative expenses (note 26) includes:

	1995	1994
	(Rupees in thousands)	
Contribution to		
- pension fund	6,061	2,676
- gratuity fund	4,024	3,275
- provident fund	4,563	3,936
Provision for supplemental gratuity	3,471	4,337
	18,119	14,224

	1995	1994
	(Rupees in thousands)	
27. OTHER INCOME		
Interest on loans and advances	155	167
Income on bank deposits / portfolio management scheme	-	84
Gain on sale of fixed assets	62	732
Scrap sales	4,338	4,812
Others	244	298
	4,799	5,993

	1995	1994
28. FINANCIAL CHARGES		
Interest on		
Short-term loans	4,575	4,896
Workers' profits participation fund	1,654	1,829
Mark-up on		
Short-term finances	28,873	39,225
Term finance certificates	-	21
Long-term finance	13,227	4,263
Finance lease charges	6,866	6,944
Bank charges, excise duty and others	6,049	7,067
Loss on exchange and forward exchange contracts (net) in respect of short-term loans and others	4,217	10,316
	65,461	74,561

	1995	1994
29. OTHER CHARGES		
Directors' fees	2	2
Auditors' remuneration (note 30)	1,323	1,035
Legal and professional charges	1,284	1,505
Workers' profits participation fund	10,659	8,082
Workers' welfare fund	5,000	Jan-00
Provision for diminution in value of investment	5,500	-
Federal education fee (written back)	-	(500)
	23,768	12,922

	1995	1994
30. AUDITORS' REMUNERATION		
Audit fee	325	275
Tax and other advisory services, special reports / certifications and audit of various funds	958	725
Out of pocket expenses	40	35
	1,323	1,035

31. TAXATION

Current - for the year	84,005	50,000
Deferred - for the year	(9,633)	6,362
	<u>74,372</u>	<u>56,362</u>
	=====	=====

32. CASH GENERATED FROM OPERATIONS

Profit before taxation	195,868	148,925
Adjustment for non cash charges and other items:		
Provision for diminution in value of investment	5,500	-
Depreciation	58,058	55,146
Profit on sale of fixed assets	(62)	(732)
Provision for staff retirement benefits	3,471	4,337
Financial charges	65,461	74,561
Working capital changes-note 32.1	(186,302)	(19,188)
	<u>141,994</u>	<u>263,049</u>
	=====	=====

32.1 Working capital changes

(Increase) / decrease in current assets

Stores and spares	554	(2,303)
Stock-in-trade	(265,857)	50,327
Trade debts	53,268	(72,137)
Deposits and short-term prepayments	(25,847)	13,011
Other receivables	(45,273)	13,080
	<u>(283,155)</u>	<u>1,978</u>
	=====	=====

Increase / (decrease) in current liabilities

Creditors, accrued and other liabilities	91,962	(4,610)
Provision for turnaround expenses	4,891	(16,556)
	<u>(186,302)</u>	<u>(19,188)</u>
	=====	=====

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

	1995	1994
	(Rupees in thousands)	
Cash and bank balances	53,895	57,057
Short-term finances under mark-up arrangements	(257,101)	(158,032)
	<u>203,206</u>	<u>(100,975)</u>
	=====	=====

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts of the year for remuneration, including benefits, to chief executive, director and executives of the Company were as follows:

	Chief Executive		Director		Executives		Total	
	1995	1994	1995	1994	1995	1994	1995	1994
	(Rupees in thousands)							
Managerial remuneration	1,371	1,310	909	758	20,710	14,783	22,990	16,851
Retirement benefits	283	271	188	157	4,279	3,055	4,750	3,483
Perquisites:								
Medical expenses	26	16	31	87	963	551	1,020	654
Housing	576	576	400	333	8,243	5,940	9,219	6,849
Conveyance	-	-	-	-	2,965	2,156	2,965	2,156
Leave fare assistance	265	243	73	61	1,657	1,183	1,995	1,487
Company's contribution to provident fund	109	105	73	61	1,657	1,183	1,839	1,349
	<u>2,630</u>	<u>2,521</u>	<u>1,674</u>	<u>1,457</u>	<u>40,474</u>	<u>28,851</u>	<u>44,778</u>	<u>32,829</u>
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons (including those who worked part of the year)	1	1	1	1	88	64	90	66
	=====	=====	=====	=====	=====	=====	=====	=====

In addition, the chief executive, a director and certain executives are provided with free use of cars and certain household items in accordance with their entitlements. Aggregate amount charged in the accounts for fee to three directors was Rs. 2 thousand (1994: two directors Rs. 2 thousand).

35. DONATIONS

Recipients of donations do not include any donee in which a director or his spouse had any interest.

36. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1995	1994
	(Rupees in thousands)	
Purchases (include fixed asset items Rs. 2.408 million; 1994: Nil)	638,445	345,904
Clearing charges	-	9,197

37. CAPACITY AND PRODUCTION

	1995		1994	
	Capacity	Production	Capacity	Production
Television sets	100,000	51,405	100,000	44,623



Lamps	59,500,000	47,389,891	59,500,000	48,946,261
Glass-soda lime/lead	1,200,000 kg	100&1,200,000kg		100&
Refrigerators	25,000	29,508	25,000	27,010

The shortfall in production as compared to capacity in respect of television sets is due to low demand. The sanctioned capacity for lamps was enhanced last year for future growth.

**38. COMPARATIVE FIGURES**

Previous year's figures have been reclassified, wherever necessary for the purposes of comparison.

**TEN-YEARS REVIEW**

(Rupees in Million)

PARTICULARS	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
<b>INCOME &amp; DIVIDEND</b>										
Sales	613	741	730	725	953	1396	1774	2304	2409	2666
Profit before tax	39	33	44	33	63	113	156	175	149	196
As percentage of Sales	6.34	4.5	6.0	4.6	6.6	8.1	8.8	7.6	6.2	7.3
Profit after tax	24	19	26	18	43	49	88	106	93	121
As percentage of Sales	3.9	2.6	3.6	2.5	4.5	3.5	5	4.6	3.9	4.6
Earning per share	Rs. 4.9	3.9	5.3	1.8	4.4	5	9	9.9	8.6	10.3
Dividend per share	Rs. 3.0	2.5	2.5	2.0	2.5	3.5	5.5	7.0	6.0	7.5
Bonus Issue							1:10		1:10	
<b>ASSETS</b>										
Tangible fixed assets	107	183	188	170	272	271	264	269	235	210
Long term investments, loans advances & deposits	4	6	7	7	16	28	45	51	53	41
Deferred taxation	13	4	2	4	4	3	2			4
Stores, Spares & Stock in trade	134	175	168	186	231	285	323	488	441	706
Trade debts & others receivables	167	212	235	353	306	249	175	275	334	326
Deposits and short term prepayments	11	9	12	20	56	40	53	71	58	83
Cash and Bank balances	8	7	6	2	6	27	36	45	57	54
<b>TOTAL - A</b>	<b>444</b>	<b>596</b>	<b>618</b>	<b>738</b>	<b>891</b>	<b>903</b>	<b>898</b>	<b>1199</b>	<b>1178</b>	<b>1420</b>
<b>LIABILITIES</b>										
Short term finances & borrowings	181	219	265	300	245	188	139	321	265	403
Creditors, accrued & other liabilities	44	82	61	59	118	155	190	295	294	389
Provision for turnaround expenses	12	20	19	24	21	27	36	23	6	11
Provision for Sales tax & other contingencies	32	26	22	7	1					
Taxation	6	6	10	12	22	70	65	67	29	47
Dividends	11	11	8	12	17	23	36	54	49	59
<b>TOTAL - B</b>	<b>286</b>	<b>355</b>	<b>382</b>	<b>412</b>	<b>424</b>	<b>463</b>	<b>466</b>	<b>760</b>	<b>643</b>	<b>909</b>
<b>Net investments (A- B)</b>	<b>158</b>	<b>241</b>	<b>236</b>	<b>326</b>	<b>467</b>	<b>440</b>	<b>432</b>	<b>439</b>	<b>535</b>	<b>511</b>
<b>REPRESENTED BY:</b>										
Share Capital	49	49	49	98	98	98	98	108	108	119
Reserves & Unappropriated profit	68	75	89	135	154	169	203	224	252	273
Surplus on revaluation of fixed assets	19	19	19	19	66	66	66	66	66	66
Shareholders' interest (net worth)	117	124	138	252	318	333	367	398	426	458
Debentures, long term loan, finance lease, redeemable capital & deferred liabilities	41	117	98	74	149	107	65	41	109	53
<b>TOTAL</b>	<b>158</b>	<b>241</b>	<b>236</b>	<b>326</b>	<b>467</b>	<b>440</b>	<b>432</b>	<b>439</b>	<b>535</b>	<b>511</b>
Number of employees at year end	871	857	828	649	848	903	973	1061	1040	1048

**PATTERN OF SHAREHOLDING  
AS AT DECEMBER 31, 1995.**

**Shareholding**

No. of Shareholders	From	To	Total Shares held
419	1	100	10,150
356	101	500	82,361
96	501	1000	68,243
101	1001	5000	198,222
8	5001	10000	56,236
3	10001	15000	36,399
1	15001	20000	16,456
1	20001	25000	22,000
1	45001	50000	45,423
3	50001	55000	158,617
1	75001	80000	78,870
1	130001	135000	134,300
1	140001	145000	142,900
1	165001	170000	166,452
1	180001	185000	182,867
1	210001	215000	214,500
1	250001	255000	253,827
1	465001	465000	463,078
1	670001	675000	670,847
1	1750001	1755000	1,750,022
1	7125001	7130000	7,127,505
-----	-----	-----	-----
1000			11,879,175
-----			-----

Categories of Shareholders	Number	Shares held	Percentage
Individuals	992	1,413,492	11.90
Investment companies	1	1,750,022	14.73

Insurance companies	4	734,442	6.18
Financial institutions	2	853,714	7.19
*Associated companies	1	7,127,505	60.00
	-----	-----	-----
	1000	11,879,175	100.00
	*****	*****	*****

\* Represents 60% Shareholding of Philips Electronics N.V. (formerly N.V. Philips Gloeilampenfabrieken) Eindhoven, The Netherlands and includes their nominee shareholders.

NOTICE OF 42ND ANNUAL GENERAL MEETING

NOTICE is hereby given that the Forty-second Annual General Meeting of Philips Electrical Industries of Pakistan Limited will be held on Sunday, May 5, 1996 at the Pearl Continental Hotel, Club Road, Karachi at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 41st Annual General Meeting of the Company held on May 22, 1995.
2. To receive and adopt the audited accounts of the Company for the year ended December 31, 1995 and the Reports of the Directors and the Auditors thereon.
3. To declare dividend (The Directors have recommended final dividend @ 50% in addition to interim dividend already paid @ 25%, thus making a total dividend of 75% i.e., Rs. 7.50 per share for the year 1995).
4. To elect seven Directors in accordance with the provisions of the Companies Ordinance, 1984 for a term of three years commencing from May 10, 1996. The Directors have fixed, under sub-section (1) of Section 178 of the Companies Ordinance, 1984 the number of elected Directors of the Company at seven. The retiring Directors are Messers Syed Naseem Ahmad, J.A. Rutgers, Javed Iqbal, Nizam A. Shah, Rafiq M. Habib, Asadullah Sheikh, and Hakim Ullah Siddiqui. The aforesaid retiring Directors and M. S.W. Plokker (in place of Mr. J.A. Rutgers), being eligible, offer themselves for re-election.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

6. To approve the remuneration of the Chief Executive and full time working Director of the Company.

A statement under Section 160 of the Companies Ordinance, 1984, pertaining to the Special Business is annexed to this Notice.

7. To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

The Share Transfer Books of the Company will remain closed from Monday April 22, 1996 to Sunday May 5, 1996 (both days inclusive).

NOTES:

(i) A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

(ii) The dividend will be paid to those members whose names appear on the Register of Members, as at the close of business on April 21, 1996.

(iii) Any person who seeks to contest election to the office of Director shall file with the Company, not later than 14 days before the date of the Meeting, a notice of his intention to offer himself for election as Director together with his consent to act as a Director.

(iv) Members are requested to immediately notify the change of their address, if any.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984. IN SUPPORT OF THE SPECIAL BUSINESS TO BE TRANSACTED AT 42ND ANNUAL GENERAL MEETING OF THE COMPANY.

Item 6 of the Agenda: Remuneration of Chief Executive and full time working Director.

It is necessary to obtain Shareholders approval for the holding of office of profit by any Director as well as their remuneration. For this purpose it is intended to propose the following resolution be passed as an Ordinary Resolution namely:

"RESOLVED that a sum of not exceeding Rs. 5.50 Million per annum be and is hereby approved for payment as remuneration to the Chief Executive and Rs. 3.50 Million per annum to the Finance Director of the Company for a period of three years and the Board of Directors be and are hereby authorized to fix their remuneration within the aforesaid limit in accordance with their respective contracts of service and the rules of the Company".

"FURTHER RESOLVED that in the event of any of the aforesaid office falling vacant, the approval hereby given shall be equally applicable to any other person appointed to fill such vacancy".