

Philips Electrical Industries of Pakistan Limited

Annual Report 1999

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COMPANY INFORMATION

Board of Directors

Javed Iqbal
Rafiq M. Habib
Nizam A. Shah
Muhammad Ali Khoja
Sayed Muzafar Ali Shah
Ludo Mees
Gerben de Jong

Management Team

Javed Iqbal
Jalees A. Siddiqi
Shahid Zaki
Arif Kably
Sohail Swaleh

Bankers

ABN Amro Bank
American Express Bank
ANZ Grindlays Bank
Bank of America
Emirates Bank International Ltd.
Hongkong & Shanghai Banking Corporation
Muslim Commercial Bank
National Bank of Pakistan
Standard Chartered Bank

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Registered Office

F-54, S.I.T.E.
Karachi-75730

DIRECTORS' REPORT - YEAR ENDED DECEMBER 31, 1999

During the year under review, economic conditions continued to remain unstable and market generally depressed. Total net sales amounted to Rs.2,588 million compared to Rs.2,690 million in 1998 showing a 4% reduction. The Company suffered operating loss of Rs.273 million against profit of Rs.216 million for the year .1998. The loss resulted mainly due to lower sales in the Lighting Division, closure of Lighting factories in the second half of the year, payment to officers and workers under Voluntary Separation Scheme to reduce cost of employment, and finally, increased financial charges owing to higher inventories and receivables.

Business Trends

As mentioned in our report for the six months ended 30th June 1999, in the Lighting Sector, which, in the past, has contributed major share of sales and profits for the Company in the previous years, the trend could not be maintained, due to influx of grey channel goods and availability of low quality and counterfeit products being sold in the market at lower prices. Net sales recorded were Rs.1,116 million against Rs.1,583 million last year (-30%). The Division ended up with operating loss of Rs.274 million compared to profit of Rs.189 million in 1998.

In terms of turnover, the Consumer Electronics Division showed significant improvement due to higher sales of color television sets and monitors. Sales amounted to Rs.1,127 million against

Rs.812 million last year (+39%). However, operating profit amounted to Rs.12 million compared to Rs.14 million last year, due to tough competition from other brands and general price erosion in the market.

In other activities which cover Projects involving Professional Products, Domestic Appliances and Personal Care and 'After Sale Service', sales amounted to Rs.345 million against Rs.295 million last year (+ 17%). However, the Division ended up with operating loss of Rs.11 million against a profit of Rs.13'million last year mainly due to provisions for, expected losses on contracts, receivables from Government agencies and obsolescence of inventories. The Domestic Appliances Division continues to face severe competition against low cost products available in the market through grey channels.

Profit & Loss

The loss shown in the accounts is recorded as follows: -

	Rs. in '000
Loss before taxation	(424,159)
Provision for taxation	(14,725)

Loss after tax	(438,884)
Unappropriated profit brought forward	1,431

Loss carried forward	(437,453)
	=====
Earning per share	(43.62)

Directors

During the year, Mr. Razi-ur-Rehman Khan, Dr. Amjad Waheed and Mr. Kamil Shahbazkar resigned from the Board and were replaced by Sayed Muzafar Ail Shah (Nominee of NIT) and Mr. Gerben de Jong, Chief Financial Officer, Philips Asia Pacific Region. The Board would like to place on record the appreciation for the contribution made by the outgoing Directors.

Auditors

The retiring auditors Taseer Hadi Khalid & Co., being eligible, offer themselves for re-appointment.

Pattern of Shareholding

A statement of the pattern of shareholding as at December 31, 1999 is shown on page 41 of this report. Koninklijke Philips Electronics N.V. (Royal Philips Electronics), The Netherlands, continues to hold 60% of the Company's share.

Future Outlook

The Lighting factories, which remained closed for the major period during the second half of the year 1999, are now operating normally and all efforts are being made to regain our market position. Senior level changes including re-organization of commercial department in Lighting, outsourcing of several activities and right sizing of the workforce have been effected. Through implementation of strict financial discipline, receivables and stocks are being controlled in order to reduce financial charges, and costs in general are being rationalized to enable us to compete effectively against other brands available in the market. The Consumer Electronics and Domestic Appliances Divisions are also making efforts to improve sales and profitability. However, our company will no longer have the technical support to participate in turn-key projects that have in the past contributed to sales and profits.

In spite of the remedial measures put in place to date to put the Company on profitable lines once again, a complete turnaround in a short period is not expected. It is envisaged that it will be unlikely that the Company will be in a position to pay dividends for the next three to four years.

However, our efforts to further augment the business will continue and the management hopes that the general economic conditions of the country will improve to supplement those endeavors.

On behalf of the Board:

Javed Iqbal

Chairman & Chief Executive Officer

April 27, 2000

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Philips Electrical Industries of Pakistan Limited as at 31 December 1999 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 except for the change referred to in note 2.6, with which we concur;

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 31 December 1999 and of the loss 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.

The accounts for the year ended 31 December 1998 were audited by another firm of auditors.

Karachi: April 27, 2000

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET AS AT DECEMBER 31, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
SHARE CAPITAL AND RESERVES			
Authorised capital			
16,000,000 ordinary shares of Rs.10 each		160,000	160,000
		=====	=====
Issued, subscribed and fully paid-up capital	3	100,617	100,617
Reserves	4	233,469	233,469
(Accumulated loss)/Unappropriated profit		(437,453)	1,431
		-----	-----
		(203,984)	234,900
		-----	-----
	5	(103,367)	335,517
SURPLUS ON REVALUATION OF FIXED ASSETS	6	236,707	65,935
REDEMABLE CAPITAL	7	--	73,000
DEFERRED LIABILITIES			
Provision for staff retirement benefits		22,128	14,985
CURRENT LIABILITIES			
Short-term loans	8	50,000	--
Current maturity of redeemable capital	7	73,000	24,000
Short-term finances under mark-up arrangements	9	1,123,727	805,476
Creditors, accrued expenses and other liabilities	10	367,583	337,119
Provision for turnaround expenses	11	--	48,600
Proposed dividend		--	25,154
		-----	-----
		1,614,310	1,240,349
COMMITMENTS			
	12	-----	-----
		1,769,778	1,729,786
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets	13	353,790	159,081
Capital work-in-progress	14	5,364	3,395
Stores held for capital expenditure		18,482	--
		-----	-----
		377,636	162,476
LONG-TERM INVESTMENTS	15	9,020	9,680
LONG-TERM LOANS AND ADVANCES	16	23,846	15,222
LONG-TERM DEPOSITS		6,702	6,051
DEFERRED TAXATION	17	119,074	9,499

DEFERRED COSTS	18	--	37,218
CURRENT ASSETS			
Stores and spares	19	29,196	25,899
Stock-in-trade	20	496,091	601,150
Contract work-in-progress	21	114,370	32,590
Trade debts	22	300,122	331,632
Deposits, prepayments and other receivables	23	129,882	215,697
Advance income tax		122,281	159,953
Cash and bank balances	24	41,558	122,719
		-----	-----
		1,233,500	1,489,640
		-----	-----
		1,769,778	1,729,786
		=====	=====

The annexed notes form an integral part of these accounts.

Javed Iqbal
Chief Executive

Sayed Muzafar Ali Shah
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>(Rupees in '000)</i>	
Net sales	25	2,587,817	2,689,871
Cost of sales	26	2,238,902	1,991,245
		-----	-----
Gross profit		348,915	698,626
Selling and administrative expenses	27	622,090	482,615
		-----	-----
Operating (loss)/profit		(273,175)	216,011
Other income	29	3,919	8,352
		-----	-----
		(269,256)	224,363
Financial charges	30	160,062	106,080
Other charges	31	(5,159)	13,395
		-----	-----
		154,903	119,475
		-----	-----
(Loss)/Profit before tax		(424,159)	104,888
Taxation	32	14,725	35,228
		-----	-----
(Loss)/Profit after tax		(438,884)	69,660
Unappropriated profit brought forward		1,431	1,018
		-----	-----
Available for appropriation		(437,453)	70,678
Appropriations:			
Interim dividend Rs. Nil (1998: Rs. 1.50) per share		--	15,093
Proposed final dividend Rs. Nil (1998: Rs. 2.50) per share		--	25,154
Transfer to general reserve		--	29,000
		-----	-----
		--	69,247
		-----	-----
(Accumulated loss)/unappropriated profit carried forward		(437,453)	1,431
		=====	=====
(Loss)/earnings per share - basic and diluted	33	(43.62)	6.90
		=====	=====

Cash flow from operating activities

Cash (used for)/generated from operations	34	(88,483)	29,638
Staff retirement benefits paid		(5,221)	(10,426)
Financial charges paid		(144,850)	(101,489)
Amortisation of deferred cost		37,218	(37,218)
Taxes paid		(86,628)	(109,811)
Long term deposits - net		(651)	952
Long term loans and advances - net		(8,624)	(1,285)
		-----	-----
Net cash flows from operating activities		(297,039)	(229,639)
Cash flow from investing activities			
Fixed capital expenditure		(82,436)	(47,472)
Sale proceeds of fixed assets sold		2,414	1,414
		-----	-----
Net cash flows from investing activities		(80,022)	(46,058)
Cash flow from financing activities			
Repayment of redeemable capital		(24,000)	(5,799)

Dividends paid	(48,351)	(14,471)
	-----	-----
Net cash flows from financing activities	(72,351)	(20,270)
	-----	-----
Net (decrease) in cash and cash equivalents	(449,412)	(295,967)
Cash and cash equivalents at beginning of the year	(682,757)	(386,790)
	-----	-----
Cash and cash equivalents at the end of year	35 (1,132,169)	(682,757)
	=====	=====

The annexed notes form an integral part of these accounts.

Javed Iqbal
Chief Executive

Sayed Muzafar Ali Shah
Director

NOTES TO THE ACCOUNT

1. LEGAL STATUS AND ACTIVITIES

The Company is incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) as a public limited company. Its shares are quoted on the Karachi and Islamabad Stock Exchanges. The Company is principally engaged in the production and sale of electrical and electronic goods and also executes projects under contracts. The Royal Philips Electronics, Eindhoven, The Netherlands is currently negotiating with a third party for the divestment of its world wide business of projects.

These financial statements have been prepared on a going concern basis as the holding company has assured that it will make its resources available to assist the company to regain profits and market share within the shortest possible time frame.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These accounts have been prepared in accordance with accounting standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC as applicable in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 Accounting Convention

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

2.3 Staff Retirement Benefits

Defined benefit plans

The Company operates defined benefit funded pension scheme for its management employees and gratuity scheme for its employees who have completed their minimum qualifying period of service. The pension scheme provides life pension to employees and thereafter to their spouse or dependent children. Contributions are made annually to these schemes on the basis of actuarial valuation. Last actuarial valuation was carried out as at 31 December 1998 and contributions are being made at the rate of 28.28% of basic salary for pension and at the rate of 8.33% of basic salary for gratuity scheme. Further, an additional provision at the rate of 11.59% of basic salary is also being made in respect of gratuity. The fair value of the pension fund's assets and liabilities at 31 December 1998 was Rs.72.201 million and Rs.108.504 million whereas the fair value of the gratuity fund's assets and liabilities was Rs.47.623 million and Rs.71.312 million.

The Company also operates an unfunded supplemental gratuity scheme for unionized staff. Provisions are made in the accounts to cover obligations on the basis of actuarial recommendations.

The projected unit credit method, using the following significant assumptions, is used for the valuation of the above mentioned schemes:

- * Discount rate is 12% per annum compound.
- * Expected rate of increase in salaries 12% per annum.
- * Expected rate of return on investment 14% per annum.

Defined Contribution Plan

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.

2.4 Warranty Obligations

A provision for warranties is recognised when the underlying products are sold and this provision is based on historical warranty data.

2.5 Taxation

Current

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.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.6 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. Capital work-in-progress is stated at cost.

Items of fixed assets costing Rs.10,000 or less individually are not capitalised 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 they are put to use and on deletions upto the month of deletion.

Gains and losses on disposals are taken to income currently.

Maintenance and repairs are charged to income as and when incurred. Upto last year, the cost of renewal, overhaul and replacement of parts of furnace used for glass production was being accrued over the period from one renewal to another renewal (two and a half years). However, in order to comply with the requirements of International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets", from current year the company has decided to capitalise these costs and depreciate them over a period of two and half years (also refer note 11). Consequently, the provision existing in the accounts as at 31 December 1998 amounting to Rs.48.6 million has been written back. Had there been no change in the accounting policy the loss for the year would have been higher by Rs.54 million.

2.7 Long Term Investments

These are stated at cost except where a permanent diminution in value is deemed to have occurred in which case the carrying value is appropriately reduced.

2.8 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. Provision is made against the cost of items which are slow moving or are likely to become obsolete.

2.9 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. 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. Cost of goods-in-transit reflects the purchase price only.

Net realisable value is the selling prices in the ordinary course of business, less estimated costs of completion and selling expenses.

2.10 Contract work-in-progress

Contract work-in-progress on long term contracts is calculated at cost, plus attributable profit to the extent that this is reasonably certain after making provisions

for contingencies, less any losses incurred or foreseen in bringing contracts to completion less amounts received and receivable or progress payments.

2.11 Foreign Currencies

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

2.12 Revenue Recognition

Sales are recognised at the time the product is delivered to the customer, net of sales taxes, customer discounts, rebates and similar charges. Service revenue is recognised over the contractual period or as services are rendered. Revenues from long-term contracts are recognised in accordance with the percentage of completion method. Provision for estimated contract losses, if any, is made in the period that such losses are determined.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	<i>Ordinary shares of Rs.10 each fully paid in cash</i>	<i>Ordinary shares of Rs.10 each issued as fully paid bonus shares</i>	<i>Ordinary shares of Rs. 10 each issued as fully paid for consid- eration other than cash</i>	<i>Total 1999</i>	<i>Total 1998</i>
Number of shares	5,691,521	4,368,033	2,100	10,061,654	10,061,654
				(Rupees in '000)	
Balance as at 01 January	56,915	43,681	21	100,617	91,470
Bonus shares issued during the year	--	--	--	--	9,147
	56,915	43,681	21	100,617	100,617

3.1 At 31 December 1999, 6,036,992 (1998: 6,036,992) ordinary shares of the Company were held by Royal Philips Electronics, Eindhoven, The Netherlands.

1999 **1998**
(Rupees in '000)

4. RESERVES

Capital		
Share premium	12,419	12,419
Revenue		
General reserve		
At 01 January	219,300	190,300
Transfer from profit and loss account	--	29,000
At 31 December	219,300	219,300
Self insurance reserve	1,750	1,750
	221,050	221,050
	233,469	233,469

5. STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve for issue of bonus shares	Revenue Reserves	Unappropriated profit/ (Accumulated loss)	Total
Balance as on 1 January 1998	91,470	12,419	9,147	192,050	1,018	306.10
Bonus shares issued during the year	9,147	--	(9,147)	--	--	--
Profit for the year	--	--	--	--	69,660	69,660
Transfers						

during the year	--	--	--	29,000	(29,000)	--
Proposed dividend	--	--	--	--	(40,247)	(40,247)
Balance as on 31 December 1998	100,617	12,419	--	221,050	1,431	335,517
Loss for the year	--	--	--	--	(438,884)	(438,884)
Balance as on 31 December 1999	100,617	12,419	--	221,050	(437,453)	(103,367)

1999 **1998**
(Rupees in '000)

6. SURPLUS ON REVALUATION OF FIXED ASSETS

	65,935	65,935
	170,772	--
	236,707	65,935

The above represents surplus over book value produced by revaluation of certain fixed assets referred to in note 13.2.

7. REDEEMABLE CAPITAL - Secured

(Non-participatory)

Long term finance utilised under mark-up arrangements

Emirates Bank International PJSC (EBI)	23,000	47,000
The Hongkong Shanghai Banking Corporation Limited (HSBC)	50,000	50,000
	73,000	97,000
Current maturity shown under current liabilities	(73,000)	(24,000)
	--	73,000

7.1 The particulars of the above long term finances are as follows:

	Sale Price	Purchase Price	Prompt Payment Rebate	Rate of Mark-up per annum	Repayment Number	Repayment Commencing from
	(Rupees in '000)					
EBI	47,000	60,697	3,424	15% Two (annual)		22 October 1999
HSBC	50,000	72,000	6,000	16% Lumpsum		15 January 2000

7.2 The above finances are secured by mortgage, ranking pari passu, by deposit of title deeds on the Company's immovable property at F-54, SITE including machinery installed therein.

7.3 In view of the substance of the transaction, the sale and repurchase of assets referred to above and in note 9.1 has not been recorded as such in the books.

1999 **1998**
(Rupees in '000)

8. SHORT TERM LOANS - secured

Lender	Rate of interest	Repayment		
Emirates Bank International	14%	20 March 2000	25,000	--
Emirates Bank International	14%	8 June 2000	25,000	--
			50,000	--

8.1 The above loans are secured by mortgage, ranking pari passu, by deposit of title deeds on the Company's immovable property at F-54, SITE including machinery installed therein.

9. SHORT TERM FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

Finance utilised under mark-up arrangements from banks (9.1)	1,123,727	805,476
	=====	=====

9.1 The facility for short term running finances available from various banks amounts to Rs.1,248 million (1998:Rs.1,053 million), which represents the aggregate of sale price of all mark-up arrangements between the Company and the banks with a corresponding purchase price of Rs.1,427.985 million (1998:Rs.1,304.566 million). The purchase prices are payable on various dates by 31 October 2000. Under the agreements the purchase price is subject to prompt payment rebates of Rs.134.205 million (1998:Rs.99.431 million). The rate of mark-up net of prompt payment rebates range from Rs. 0.27 to Rs. 0.41 (1998: Rs. 0.38 to 0.41) per thousand rupee per day. The arrangements are secured by way of pari passu charge against hypothecation of stock-in-trade and trade debts.

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in '000)</i>	

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	89,795	87,359
Accrued liabilities	132,141	100,965
Accrued mark-up on short term loans	1,194	--
Accrued mark-up on:		
Short term finances	35,837	21,243
Redeemable capital	2,954	3,330
Workers' profits participation fund	10.1	104
Dealers security deposits - non interest bearing	7,826	7,775
Advances from customers	76,157	70,789
Workers' welfare fund	4,519	4,519
Payable to pension fund	5,505	1,672
Retention money	--	20
Unclaimed dividends	1,108	1,529
Unpaid dividends	--	22,776
Corporate assets tax	2,224	2,084
Provision for expected loss on contract	1,320	--
Others	6,899	7,418
	-----	-----
	367,583	337,119
	=====	=====

10.1 Workers' profits participation fund		
Balance at the beginning of the year	5,640	3,804
Interest on funds utilised in the company's business	--	333
Allocation for the year	--	5,645
Amount paid during the year	(5,536)	(4,142)
	-----	-----
Balance at the end of the year	104	5,640
	=====	=====

10.2 Amounts due to associated undertakings included in creditors above aggregated Rs.71.262 million (1998:Rs.54.763 million).

11. PROVISION FOR TURNAROUND EXPENSES

Movement in and composition of turnaround expenses is as follows:

Provision for standstill costs of furnace	3,600	2,000
Provision for repairs and overhaul of furnace	45,000	25,000
	-----	-----
	48,600	27,000
Provision made during the year	--	21,600
Provision reversed during the year	(48,600)	--
	-----	-----
	(48,600)	21,600
	=====	=====
As on 31 December	--	48,600
	=====	=====

12. COMMITMENTS

Commitments

a) Capital expenditure contracted for but not incurred amounted to Rs.1.653 million (1998:Rs.4.6 million).

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

Year

1999	--	8,669
2000	7,013	7,341
2001	4,934	3,326
2002	3,805	384
2003	737	--

c) The facility for opening letters of credit and guarantees as at 31 December 1999 amounted to Rs.1,257 million (1998:Rs.1,535 million) of which the amount remaining unutilised at year end was Rs.1,022 million (1998:Rs.1,122 million).

13. OPERATING ASSETS

13.1 The following is a statement of operating assets:

	(Rupees in '000)									
	<i>Cost or valuation as at 1 Jan 1999</i>	<i>Surplus on Revaluation</i>	<i>Additions/ (Deletions) Transfer*</i>	<i>Cost or valuation as at '31 Dec 1999</i>	<i>Accumulated depreciation as at 1 Jan 1999</i>	<i>Depreciation charge for the year/Deletion Transfer*</i>	<i>Released on revaluation</i>	<i>Accumulated depreciation as at 31 Dec 1999</i>	<i>Net book value at 31 Dec 1999</i>	<i>Annual rate of depreciation %</i>
Leasehold land (factory)	23,632	129,728	--	153,360	2,754	236	(2,990)	--	153,360	1
Building on leasehold land (factory)	82,707	(19,201)	16,553	80,059	52,381	4,874	(57,255)	--	80,059	2-10
Lease land and building (office and others)	4,140	--	--	4,140	3,490	198	--	3,688	452	5-10
Electric installations	11,961	--	--	11,961	8,846	513	--	9,359	2,602	5-20
Plant and machinery	275,509	--	13,094 (1,246) 6,591 *	293,948	228,663 (406) 4,773*	8,998	--	242,028	51,920	10-33
Factory equipment	18,359	--	6,731	25,090	11,739	1,812	--	13,551	11,539	10-25
Office machines	101,708	--	17,253 (1,287) 17,475*	135,149	51,937	19,391 (628) 11,066	--	81,766	53,383	7-20
Motor vehicles	3,228	--	127 (852)	2,503	2,353	418 (743)	--	2,028	475	20
1999	521,244	110,527	53,758 (3,385) 24,066*	706,210	362,163	36,440 (1,777) 15,839*	(60,245)	352,420	353,790	
1998	476,239	--	47,167 (2,162)*	521,244	333,922	29,365 (1,124)		362,163	159,081	

* Transfer includes assets transferred from Refrigerator Manufacturing Company of Pakistan Limited (RMCPPL) with cost of Rs. 17.5 million and accumulated depreciation of Rs. 11.1 million.

13.2 As at 31 December 1999, certain fixed assets of the Company were revalued by a professional valuer Iqbal Nanjee & Co. The valuation was determined on the following basis:

Leasehold land (factory)- Present Market Value of similar properties in the area.

Building on leasehold land (factory)- Present cost of construction discounted for approximate depreciation.

The surplus arising on revaluation was credited to surplus on revaluation of fixed assets account.

13.3 The date and amount of revaluation of certain fixed assets as at 31 December 1999 is given below:

	Leasehold land (factory)	Building on leasehold land (factory)	Total
	(Rupees in '000)		
At 31 December 1980			
Revaluation increment	4,838	13,913	18,751
At 01 January 1990			
Revaluation increment	17,720	29,464	47,184
At 31 December 1999			
Revaluation increment	132,718	38,054	170,772

13.4 Had there been no revaluation, the net book value of revalued leasehold land and building would amount to:

<i>Net Book Value</i>	
1999	1998

(Rupees in '000)

Leasehold land (factory)	770	781
Building on leasehold land (factory)	26,581	12,731
	-----	-----
	27,351	13,512
	=====	=====

13.5 Detail of assets disposed off during the year:

	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Net book value</i>	<i>Sale proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of buyers</i>
Plant and machinery	1,246	407	839	839	Transfer due to demerger	Refrigerator Manufacturing Company of Pakistan Limited, D-98, SITE, Karachi.
Other Machines						
	27	11	16	20	Company Policy	Mr. Iftikhar Ahmed (Ex-executive)
	19	8	11	13	Company Policy	Mr. Iftikhar Ahmed (Ex-executive)
	27	11	16	10	Negotiation	Fine Electric, Mehran Manzil, Pakistan Chowk, Karachi.
	18	3	15	15	Company Policy	Mr. S. Khalid Ali (Ex-executive)
	26	13	13	19	Company Policy	Mr. Naveed-ur-Rehman (Ex-executive)
	18	9	9	13	Company Policy	Mr. Naveed-ur-Rehman (Ex-executive)
	27	7	20	20	Company Policy	Mr. Ameer Azam Khan (Ex-executive)
	19	5	14	14	Company Policy	Mr. Ameer Azam Khan (Ex-executive)
	25	2	23	23	Company Policy	Mr. S.G. Mujtaba Hussain (Ex-executive)
	27	9	18	20	Company Policy	Mr. Ekhlaq Ahmed (Ex-executive)
	12	4	8	9	Company Policy	Mr. Ekhlaq Ahmed (Ex-executive)
	30	9	21	22	Company Policy	Mr. Ekhlaq Ahmed (Ex-executive)
	23	18	5	13	Company Policy	Mr. Muhammad Aslam (Ex-executive)
	27	10	17	21	Company Policy	Mr. A.T. Khalid (Ex-executive)
	18	6	12	15	Company Policy	Mr. A.T. Khalid (Ex-executive)
	29	8	21	22	Company Policy	Mr. Altaf Hussain (Ex-executive)
	27	9	18	21	Company Policy	Mr. Altaf Hussain (Ex-executive)
	27	4	23	23	Company Policy	Mr. Qazi Fakhir (Ex-executive)
	23	3	20	20	Company Policy	Mr. Qazi Fakhir (Ex-executive)
	26	19	7	15	Company Policy	Mr. Taufiq Hussain (Executive)
	32	2	30	30	Company Policy	Mr. Taufiq Hussain (Executive)
	65	37	28	42	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	79	21	58	62	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	18	6	12	13	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	20	2	18	19	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	57	26	31	41	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	29	6	23	23	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	29	8	21	22	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	105	15	90	88	Company Policy	Mr. Kamil Shahbazker (Ex-director)
	20	1	19	19	Company Policy	Mr. Kamil Shahbazker (Ex-director)
Items with book value below Rs.5,000	358	335	23	129		
	-----	-----	-----	-----		
	1,287	627	660	836		
	=====	=====	=====	=====		
Motor vehicles						
Mitsubishi Pajero	679	657	22	652	Tender	Mr. Ashiq Ali, A-154, Block-C, North Nazimabad, Karachi.
Motor Cycle	56	35	21	21	Insurance claim	Royal Insurance Company
Motor Cycle	56	35	21	21	Insurance claim	Royal Insurance Company
Motor Cycle	61	16	45	45	Insurance claim	Royal Insurance Company
	-----	-----	-----	-----		
	852	743	109	739		
	=====	=====	=====	=====		
	3,385	1,777	1,608	2,414		
	=====	=====	=====	=====		

1999 **1998**
(Rupees in '000)

14. CAPITAL WORK-IN-PROGRESS

Plant, machinery and equipment under installation	5,364	1,695
Advances to suppliers/contractors	--	1,700
	-----	-----
	5,364	3,395
	=====	=====

15. LONG TERM INVESTMENTS

Shifa International Hospital Limited 2,200,000

(1998: 2,200,000) fully paid ordinary shares of Rs. 10 each		
Market value Rs. 7.150 million (1998:Rs.17.6 million)	22,000	22,000
Provision for diminution in value of investment	(12,980)	(12,320)
	-----	-----
	9,020	9,680
	=====	=====

15.1 The company is currently negotiating with majority shareholders of Shifa International Hospital Limited to repurchase the above investments. Provision for diminution in value is based on the estimated selling price.

16. LONG TERM LOANS AND ADVANCES

Current portion Long term portion

	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>(Rupees in '000)</i>	<i>(Rupees in '000)</i>	<i>(Rupees in '000)</i>	<i>(Rupees in '000)</i>
Considered good, due from:				
Director	--	11	--	--
Executives	4,613	3,255	9,106	2,836
Other employees	5,167	4,055	14,740	12,386
	-----	-----	-----	-----
	10,000	7,321	23,846	15,222
	=====	=====	=====	=====
Amounts outstanding for period exceeding three years, due from:				
Executives			569	254
			=====	=====
Other employees			2,751	7,220
			=====	=====

Loans and advances were given for house building, transport and purchase of company products. These are repayable in equal monthly installments varying from 30 to 102.

The maximum amount due from a director and executives at the end of any month during the year was Rs.0.065 million (1998:Rs.0.011 million), and Rs.15.629 million (1998:Rs.6.091 million) respectively.

<i>1999</i>	<i>1998</i>
<i>(Rupees in '000)</i>	

17. DEFERRED TAXATION

This is composed of the following:

Debit balance arising in respect of

Provisions for:

- obsolescence of spares	988	898
- obsolescence of stocks	26,261	--
- doubtful debts - trade	22,654	9,379
- others	4,726	2,904
Carry forward of tax loss	66,351	--
Turnaround expenses	--	14,580
	-----	-----
	120,980	27,761

Credit balance due to:

- accelerated tax depreciation allowances	(1,906)	(7,096)
- capitalisation of deferred cost	--	(11,166)
	-----	-----
	119,074	9,499
	=====	=====

18. DEFERRED COSTS

Voluntary separation schemes	37,218	41,869
Amortised during the year	(37,218)	(4,651)
	-----	-----
	--	37,218
	=====	=====

18.1 Upto last year the cost of voluntary separation scheme (vss) was being amortised over a period of twenty seven months as the management was of the view that future economic benefits of the scheme would be available to the Company for that period. However, during 1999, the Company reassessed the future economic benefits of VSS and as some of the production units in which the VSS were offered during the year were closed down, the Company decided to charge off the VSS cost including the opening balance as period cost.

19. STORES AND SPARES

Stores	864	886
Spares, including items in transit Rs.0.029 million (1998:Rs.0.429 million)	31,325	28,006
Provision for obsolescence	(2,993)	(2,993)
	-----	-----
	28,332	25,013
	-----	-----
	29,196	25,899
	=====	=====

20. STOCK-IN-TRADE

Raw materials, including goods-in-transit Rs.42.802 million (1998:Rs.42.408 million)	165,430	224,614
Work-in-process	14,253	14,538
	-----	-----
	179,683	239,152
Material advance to suppliers	28,981	14,518
Provision for obsolescence	(52,219)	(21,378)
	-----	-----
	156,445	232,292
	-----	-----
Finished goods including goods-in-transit Rs.30.682 million (1998:Rs.80.655 million)	355,612	355,649
Service stocks including goods-in-transit Rs.0.046 million (1998: Rs. Nil)	11,393	13,209
	-----	-----
	367,005	368,858
Provision for obsolescence	(27,359)	--
	-----	-----
	339,646	368,858
	-----	-----
	496,091	601,150
	=====	=====

21. CONTRACT WORK-IN-PROGRESS

Work in progress on long term contracts at cost plus attributable profit less provision for losses	320,491	186,703
Amount received and receivable	(206,121)	(154,113)
	-----	-----
	114,370	32,590
	=====	=====

22. TRADE DEBTS

Unsecured		
Considered good	300,122	331,632
Considered doubtful	68,649	30,788
	-----	-----
	368,771	362,420
Provision for doubtful debts	(68,649)	(30,788)
	-----	-----
	300,122	331,632
	=====	=====

23. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits	8,572	10,871
Custom deposit	3,714	9,314
Margin against letters of credit	31,474	53,958
Short term prepayments	19,047	27,315
Sales tax and excise duty prepayments	1,594	18,465
Current account balances with statutory authorities	398	398
Current portion of long term loans and advances	10,000	7,321
Advances to suppliers	2,638	11,352
Advances for reimbursable expenses		
Directors	95	109
Executives	649	1,242
- Other employees	44	214
	-----	-----
Due from government		
- Customs duty refundable	5,016	5,838
- Value regulatory duty and other claims	13,354	9,117
	-----	-----
	18,370	14,955
Provision there against	(14,322)	(9,681)
	-----	-----
	4,048	5,274

Receivable from:		
- Provident fund	20,573	9,558
- Gratuity fund	13,628	3,070
Due from associated undertakings	10,859	52,483
Others	2,549	4,753
	-----	-----
	129,882	215,697
	=====	=====

23.1 The maximum amount due from associated undertakings at the end of any month during the year amounted to Rs.10.859 million (1998: Rs. 52.483 million).

24. CASH AND BANK BALANCES

With banks on current account	4,618	96,245
In hand - cash	2,417	2,496
- cheques	18,745	--
	-----	-----
	21,162	2,496
Remittances in transit	15,778	23,978
	-----	-----
	41,558	122,719
	=====	=====

25. OPERATING RESULTS

	<i>Light</i>		<i>Consumer Electronics</i>		<i>Other Activities</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	(Rupees in '000)							
Sales	1,299,577	1,781,844	1,254,654	898,661	381,268	311,149	2,935,499	2,991,654
Sales tax	(183,890)	(198,488)	(127,682)	(86,798)	(36,110)	(16,497)	(347,682)	(301,783)
Netsales	1,115,687	1,583,356	1,126,972	811,863	345,158	294,652	2,587,817	2,689,871
Cost of sales (note-26)	971,852	1,076,285	978,668	669,691	288,382	245,269	2,238,902	1,991,245
Selling & administrative expenses (note-27)	418,210	318,169	136,119	128,455	67,761	35,991	622,090	482,615
	1,390,062	1,394,454	1,114,787	798,146	356,143	281,260	2,860,992	2,473,860
Operating (loss)/profit	(274,375)	188,902	12,185	13,717	(10,985)	13,392	(273,175)	216,011

25.1 Inter-segment pricing

Transfers between business segments are recorded at cost.

26. COST OF SALES

Opening stock of finished goods	162,487	174,295	158,174	58,908	67,875	86,265	388,536	319,468
Cost of goods manu- factured (note-26.1)	767,573	815,793	385,738	478,670	52,916	55,139	1,206,227	1,349,602
Purchased goods	302,993	248,684	537,845	290,287	168,986	171,740	1,009,824	710,711
	1,233,053	1,238,772	1,081,757	827,865	289,777	313,144	2,604,587	2,379,781
Provision for expected loss on contract	--	--	--	--	1,320	--	1,320	--
Inter departmental transfers	(40,250)	--	--	--	40,250	--	--	--
Closing stock of finished goods	(220,951)	(162,487)	(103,089)	(158,174)	(42,965)	(67,875)	(367,005)	(388,536)
	971,852	1,076,285	978,668	669,691	288,382	245,269	2,238,902	1,991,245
	=====	=====	=====	=====	=====	=====	=====	=====
	<i>Light</i>	<i>Light</i>	<i>Consumer Electronics</i>	<i>Consumer Electronics</i>	<i>Other Activities</i>	<i>Other Activities</i>	<i>Total</i>	<i>Total</i>
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	(Rupees in '000)							

26.1 Cost of goods manufactured

Opening stock	124,799	140,469	101,523	55,012	12,831	15,414	239,153	210,895
Purchased materials	369,900	467,963	285,794	455,783	42,094	43,122	697,788	966,868
Excise duty	--	1,204	--	82	--	--	--	1,286
Salaries, wages and welfare cost (note 27.1)	230,123	172,910	26,244	28,635	5,312	6,158	261,679	207,703
Repairs and maintenance	19,069	14,914	1,517	1,623	441	1,453	21,027	17,990
Provision for turnaround expenses (note 11)	--	21,600	--	--	--	--	--	21,600
Stores and spares consumed	10,551	20,831	413	389	33	21	10,997	21,241
Technical assistance fee	--	--	--	--	100	--	100	--
Fuel and power	50,678	57,545	3,388	2,648	562	--	54,628	60,193
Rent, rates and taxes	828	3,571	50	56	153	29	1,031	3,656
Insurance	2,083	1,953	545	560	230	--	2,858	2,513
Depreciation	21,950	18,545	8,240	6,677	1,816	629	32,006	25,851
Other expenses	24,332	19,087	3,463	4,827	1,366	1,144	29,161	25,058
Provision for obsolescence	28,146	--	2,548	--	147	--	30,841	--
Provision for other doubtful debts	--	--	4,641	3,900	--	--	4,641	3,900
	882,459	940,592	438,366	560,192	65,085	67,970	1,385,910	1,568,754
Closing stock	(114,886)	(124,799)	(52,628)	(81,522)	(12,169)	(12,831)	(179,683)	(219,152)
	767,573	815,793	385,738	478,670	52,916	55,139	1,206,227	1,349,602

27. SELLING AND ADMINISTRATIVE EXPENSES

	<i>Light</i>		<i>Consumer Electronics</i>		<i>Other Activities</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	(Rupees in '000)							
Salaries, wages and welfare cost (note-27.1)	63,685	63,352	37,579	33,172	43,592	35,877	144,856	132,401
Direct selling expenses	133,542	92,056	20,262	33,257	3,543	2,496	157,347	127,809
Repairs and maintenance	5,833	764	2,233	230	1,601	1,667	9,667	2,661
Fuel and Power	2,054	1,590	2,077	1,662	1,408	1,972	5,539	5,224
Rent, rates and taxes	5,499	2,876	428	2,911	715	1,096	6,642	6,883
Insurance	16	59	7	5	690	780	713	844
Publicity	37,161	50,341	30,430	19,600	4,614	6,252	72,205	76,193
Depreciation	2,180	1,552	1,390	1,091	864	871	4,434	3,514
Outward freight	71,359	68,702	17,263	8,413	2,095	2,382	90,717	79,497
Provision for doubtful debts-trade	25,903	(278)	5,027	7,394	6,931	4,000	37,861	11,116
Provision for obsolescence	25,504	--	--	--	1,855	--	27,359	--
Services charged to other departments	6,845	1,114	7,538	7,528	(14,383)	(8,642)	--	--
Others	39,297	43,425	16,284	19,186	17,510	7,548	73,091	70,159
Services charged to RMCPL	(668)	(7,384)	(4,399)	(5,994)	(3,274)	(20,308)	(8,341)	(33,686)
	418,210	318,169	136,119	128,455	67,761	35,991	622,090	482,615

27.1 Salaries, wages and welfare cost, shown under cost of goods manufactured (note 26.1) and selling and administrative expenses (note 27) includes staff retirement benefits amounting to Rs. 38.968 million (1998:Rs. 24.382 million), cost of voluntary separation schemes charged off and amortisation for the year amounting to Rs. 75.23 million (1998:32.319 million) and Rs. Nil (1998:4.651 million) (note 18) respectively.

28. INFORMATION ABOUT BUSINESS SEGMENTS

	(Rupees in '000)			
	<i>Light</i>	<i>Consumer Electronics</i>	<i>Other Act.</i>	<i>Total</i>
Segment assets	729,433	323,764	267,081	1,320,278
Un-allocated corporate assets				449,500

Consolidated total assets				1,769,778
Segment liabilities	(77,578)	(14,440)	(81,857)	(173,875)
Un-allocated corporate liabilities				(1,462,563)
Consolidated total liabilities				(1,636,438)
Capital expenditure	31,176	7,931	12,135	
Depreciation	13,735	5,099	1,572	
Non-cash expenses other than depreciation	80,931	7,575	10,253	

(Rupees in '000)

	1998			Total
	Light	Consumer Electronics	Other Act.	
Segment assets	675,870	426,735	159,961	1,262,566
Un-allocated corporate assets				467,220
Consolidated total assets				1,729,786
Segment liabilities	(155,653)	(35,675)	(48,259)	(239,587)
Un-allocated corporate liabilities				(1,088,747)
Consolidated total liabilities				(1,328,334)
Capital expenditure	13,531	2,054	1,031	
Depreciation	13,291	4,696	857	
Non-cash expenses other than depreciation	278	11,295	3,444	

28.1 In order to comply with the requirements of International Accounting Standard 14 Segment Reporting' the activities of company have been grouped into three segments of related products and services. The lighting segment mainly relates to manufacturing and/or supply of lamps, luminaries and gears. Consumer electronics segment relates to the assembly and/or supply of television, audio, video and PC monitors. Other activities comprise of Domestic Appliances and Personal care (DAP), professional systems and after sales service together with the Business Electronics and Projects segment which caters to the market of high tech products/equipments and is primarily project based.

Note
1999
1998
(Rupees in '000)

29. OTHER INCOME

Mark-up on loans and advances		30	76
Gain on sale of fixed assets (net)		806	376
Scrap sales		2,811	7,362
Others		272	538
		3,919	8,352

30. FINANCIAL CHARGES

Interest on:			
- Short term loans		5,057	13,750
- Workers' profits participation fund		770	333
Mark-up on:			
Short term finances		136,318	75,490
- Redeemable capital		14,195	12,478
Bank charges, excise duty and others		3,795	4,545
Forward contract charges net of exchange (gain)/loss		(73)	(516)
		160,062	106,080

31. OTHER CHARGES

Directors' fees		2	3
Auditors' remuneration	31.1	548	1,839
Legal and professional charges		4,320	3,318
Workers' profits participation fund		--	5,645
Workers' welfare fund		--	2,027

Deferred cost charged off		37,218	--
Reversal of turnaround expenses	11	(48,600)	--
Provision for diminution in the value of investments		660	--
Donations	31.2	254	450
Others		439	113
		-----	-----
		(5,159)	13,395
		=====	=====

31.1 Auditors' Remuneration

Audit fee		475	475
Other advisory services, special reports/certifications and audit of various funds		--	1,312
Out of pocket expenses		73	52
		-----	-----
		548	1,839
		=====	=====

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

32. TAXATION

Current - for the year		60,500	29,804
- for prior years		63,800	36
Deferred		(109,575)	5,388
		-----	-----
		14,725	35,228
		=====	=====

32.1 The income tax assessments of the company have been finalised upto and including assessment year 1997-98 (income year 1996-97). The current year charge for taxation is based on minimum tax under section 80D as well as presumptive tax under section 80C of the Income Tax Ordinance, 1979.

32.2 The income tax assessment of the company for assessment year 1997-98 was reopened by the Inspecting Additional Commissioner (IAC) under section 66-A of the Income Tax Ordinance, 1979 assessing the income of the company under the presumptive tax regime. The Company has filed an appeal against the IAC's order. No provision has been made for the additional tax liability resulting from the use of incorrect amounts at the time of reassessment amounting to Rs. 45 million which may arise in case of adverse decision in appeals as the management is confident of a favourable outcome in appeal.

33. (LOSS)/EARNINGS PER SHARE - Basic and Diluted

(Loss)/profit after taxation for the year		(438,884)	69,660
		=====	=====
Weighted average number of ordinary shares		10,062	10,062
		=====	=====
(Loss)/earnings per share - basic and diluted		(43.62)	6.90
		=====	=====

34. CASH (USED For)/GENERATED FROM OPERATIONS

(Loss)/profit before taxation		(424,159)	104,888
Adjustment for non cash charges and other items:			
Provision for diminution in value of investments		660	--
Depreciation		36,440	29,365
Profit on sale of fixed assets		(806)	(376)
Provision for staff retirement benefits		12,364	4,929
Financial charges		160,062	106,080
Working capital changes	34.1	126,956	(215,248)
		-----	-----
		(88,483)	29,638
		=====	=====

34.1 Working capital changes

(Increase)/decrease in current assets			
Stores and spares		(3,297)	(235)
Stock-in-trade		105,059	(44,155)
Contract work-in-progress		(81,780)	(32,590)
Trade debts		31,510	(78,076)
Deposits, prepayments and other receivables		85,815	(60,504)
		-----	-----
		137,307	(215,560)
		=====	=====

Increase/(decrease) in current liabilities

Creditors, accrued and other liabilities (excluding accrued mark-up, unclaimed and unpaid dividend)	38,249	(21,288)
Provision for turnaround expenses	(48,600)	21,600
	(10,351)	312
	126,956	(215,248)

35. CASH AND CASH EQUIVALENTS

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

Short term loans	8	(50,000)	--
Short term finances under mark-up arrangements	9	(1,123,727)	(805,476)
Cash and bank balances	24	41,558	122,719
		(1,132,169)	(682,757)

36. LONG TERM SUPPLY AND INSTALLATION CONTRACTS

Contract revenue for the year	113,590	70,830
Contract costs incurred to date	293,373	160,185
Recognised profit to date	27,118	26,518
Advances received	61,573	13,499
Retention money receivable	10,015	5,978

37. EMPLOYEES

Number of employees as on 31 December	740	1,076
---------------------------------------	-----	-------

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	<i>Chief Executive</i>		<i>Director</i>		<i>Executives</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	(Rupees in '000)							
Managerial remuneration	2,007	2,049	2,007	1,675	47,409	40,773	51,423	44,497
Retirement benefits	578	472	578	386	13,669	9,390	14,825	10,248
Perquisites:								
-Medical expenses	51	201	185	94	2,925	2,688	3,161	2,983
-Housing	1,167	1,074	1,167	1,002	23,875	19,995	26,209	22,071
-Conveyance					8,684	6,357	8,684	6,357
Company's contribution to provident fund	200	205	200	168	4,741	4,077	5,141	4,450
Group insurance	5	5	5	4	111	106	121	115
Club subscriptions	60	60	60	50	342	267	462	377
	4,068	4,066	4,202	3,379	101,756	83,653	110,026	91,098
Number of persons (including those who worked part of the year)	1	2	1	2	158	190	160	194

38.1 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.

The aggregate amount charged in the accounts for fees to four directors was Rs. 2.5 thousand (1998:three directors Rs. 3 thousand). The chief executive, director and 54 (1998:63) executives have also been provided with telephone facility at their residences.

38.2 Technical advisory fees paid during the year to a non-executive director amounted to Rs. 113 thousand (1998: Rs. 96 thousand).

1999 **1998**
(Rupees in '000)

39. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchases (includes fixed assets amounting to Rs. 0.443 million (1998:Rs. 0.29 million))	1,142,396	950,482
	=====	=====
Sales and services rendered (include fixed assets amounting to Rs. 0.839 million (1998: Rs. 0.033 million))	9,179	352
	=====	=====
Transfer of fixed assets	6,409	--
	=====	=====

40. PLANT CAPACITY AND ACTUAL PRODUCTION

	1999		1998	
	Capacity	Production	Capacity	Production
Television sets	100,000	61,192	100,000	66,774
Lamps	59,500,000	40,290,111	59,500,000	65,479,632
Glass-soda lime/lead	1,200,000 kg	100%	1,200,000 kg	100%

The shortfall in production as compared to capacity in respect of television sets and lamps is due to low demand.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of company's financial assets and liabilities are estimated to approximate their carrying value.

42. INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Based on contractual repricing or maturity dates of the financial instruments, whichever dates are earlier, the Company is exposed to interest rate risk in respect of following:

(Rupees in '000)

Interest rate sensitivity position	Less than one month	One month to one year	Non interest bearing	Total
Financial Assets				
Long term investments	--	--	9,020	9,020
Long term loans and advances	--	--	23,846	23,846
Long term deposits	--	--	6,702	6,702
Trade debts	--	--	300,122	300,122
Short term deposits and other receivables	--	--	77,767	77,767
Cash and bank balances	--	--	41,558	41,558
	-----	-----	-----	-----
	--	--	459,015	459,015
	-----	-----	-----	-----
Financial Liabilities				
Short term loans	--	50,000	--	50,000
Current maturity of redeemable capital	50,000	23,000	--	73,000
Short term finances under mark-up arrangements	--	1,123,727	--	1,123,727
Creditors, accrued expenses and other liabilities	--	--	290,046	290,046
	-----	-----	-----	-----
	50,000	1,196,727	290,046	1,536,773
	-----	-----	-----	-----
Net financial assets 1999	(50,000)	(1,196,727)	168,969	(1,077,758)
	=====	=====	=====	=====
1998	--	(902,476)	271,272	(631,204)
	=====	=====	=====	=====

Effective mark-up rates	1999	1998
	%	%
Short term loans	10.12	15.26
	=====	=====
Short term finances	12.87	13.33
	=====	=====

43. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed completely to perform as contracted. The company does not have significant exposure to any individual customer. To reduce exposure to credit risk the company applies credit limits to its customers.

The sector wise analysis of trade receivables is given below:

1999 1998

(Rupees in '000)

Public Sector		
Government	18,132	14,276
Armed forces	16,174	11,929
Communication	976	696
Oil and gas	5,701	133
Health	2,202	2,026
Others	12,766	14,112
	-----	-----
	55,951	43,172
Private Sector		
Institutional	16,734	31,368
Trade	216,562	255,799
Banks	517	340
Others	21,568	23,176
	-----	-----
	255,381	310,683
	-----	-----
	311,332	353,855
	=====	=====

The above analysis also includes advances to suppliers and trade deposits.

44. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. In respect of anticipated future transactions, the following forward exchange contracts have been taken at the balance sheet date to hedge the foreign currency liabilities to group companies and others.

Foreign currency purchases	101,352	60,694
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45. GENERAL

45.1 Prior year figures have been reclassified, wherever necessary, for the purposes of comparison.

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

Javed Iqbal
Chief Executive

Sayed Muzafar Ali Shah
Director

TEN - YEAR REVIEW

(Rupees in Million)

PARTICULARS	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
INCOME & DIVIDEND										
Sales	953	1396	1774	2304	2409	2666	3365	2911	2690	2588
Profit before tax	63	113	156	175	149	196	103	69	105	(424)
As percentage of Sales	%	6.60	8.10	8.80	7.60	6.20	7.30	3.10	2.10	3.90
Profit after tax	43	49	88	106	93	121	76	39	70	(439)
As percentage of Sales	%	4.50	3.50	5	4.60	3.90	4.60	2.30	1.20	2.60
Earning per share	Rs.	4.40	5	9	9.90	8.60	10.30	6.40	3.90	6.90
Dividend per share	Rs.	2.50	3.50	5.50	7	6	7.50	4	2.50	4
Bonus Issue			1:10		1:10		1:10	1:10		--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
ASSETS										
Tangible fixed assets	272	271	264	269	235	210	209	145	162	378
Long term investments										
advances & deposits	16	28	45	51	53	41	34	31	31	40
Deferred taxation	4	3	2			0.40	5	15	9	119
Deferred Costs									37	-
Stores, Spares & Stock in trade	231	285	323	488	441	706	772	556	627	525
Trade debts & others receivables	306	249	175	275	334	326	351	406	460	479
Deposits & short term prepayments	56	40	53	71	58	83	81	46	121	65
Cash and Bank balances	6	27	36	45	57	54	51	66	123	42
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL-A	891	903	898	1199	1178	1420	1503	1265	1570	1648
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
LIABILITIES										
Short term finances & borrowings	245	188	139	321	265	403	507	556	829	1247
Creditors, accrued & other liabilities	118	155	190	295	294	389	338	347	337	367
Provision for turnaround expenses	21	27	36	23	6	11	5	27	49	-
Provision for Sales tax & other contingencies	1									-

Taxation	22	70	65	67	29	47	(22)	(80)	(160)	(122)
Dividends	17	23	36	54	49	59	18	23	25	-
TOTAL - B	424	463	466	760	643	909	846	873	1080	1492
Net Investments (A - B)	467	440	432	439	535	511	657	392	490	156
REPRESENTED BY:										
Share Capital	98	98	98	108	108	119	119	91	101	101
Reserves & Unappropriated profit	154	169	203	224	252	273	301	215	235	(204)
Surplus on revaluation of fixed assets		66	66	66	66	66	66	66	66	237
Shareholders' interest (net worth)	318	333	367	398	426	458	486	372	402	134
Debentures, long term loan, finance lease, redeemable capital & deferred liabilities	149	107	65	41	109	53	171	20	88	22
TOTAL	467	440	432	439	535	511	657	392	490	156
Number of employees at year end	848	903	973	1061	1040	1048	1045	972	1076	740

PATTERN OF SHAREHOLDING

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
457	1	100	13,952
369	101	500	88,505
98	501	1000	66,925
111	1001	5000	233,900
8	5001	10000	57,416
6	10001	15000	70,328
2	15001	20000	36,940
3	20001	25000	64,107
1	25001	30000	25,621
2	35001	40000	74,872
1	50001	55000	54,670
2	70001	75000	140,771
1	80001	85000	81,620
2	95001	100000	198,000
1	120001	125000	123,605
1	145001	150000	146,674
1	230001	235000	234,048
1	390001	395000	392,225
1	1920001	1925000	1,920,479
1	6035001	6040000	6,036,992
1069			10,061,654

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1038	625,474	6.22%
Investment Companies	1	123,605	1.23%
Insurance Companies	5	722,745	7.18%
Joint Stock Companies	9	44,122	0.44%
Financial Institutions	13	2,444,224	24.29%
Foreign Companies	2	64,492	0.64%
* Associated Company	1	6,036,992	60.00%
	1069	10,061,654	100.00%

* Represents 60% Shareholding of Royal Philips Electronics, Eindhoven, The Netherlands and includes their nominee shareholders.

NOTICE OF 46TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Forty-sixth Annual General Meeting of Philips Electrical Industries of Pakistan Limited will be held on Thursday, June 15, 2000 at 11:00 a.m. at Khorshed Mahal, Avani Hotels, Fatima Jinnah Road, Karachi to transact the following business:

- To receive and adopt the audited accounts of the Company for the year ended December 31, 1999 and the Reports of the Directors and the Auditors thereon.

2. To appoint Auditors and fix their remuneration.

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

By the order of the Board

MUHAMMAD ASRAF
Company Secretary

Karachi: May 15, 2000

NOTES:

(1) Share Transfer Books of the Company will remain closed from Thursday, June 1, 2000 to Thursday, June 15, 2000 (both days inclusive) for the purposes of the Annual General Meeting.

(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. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original NIC or original passport at the time of the Meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.