CONTENTS

Corporate Information

Board of Directors

Mr. Naseem Saigol	Chief Executive Officer
Mr. Azam Saigol	
Mr. Murad Saigol	
Mr. Muhammad Zeid Yousaf Saigol	
Mr. Muhammed Abdullah Haroon Saigol	
Mr. Haroon Ahmad Khan	Managing Director
Syed Zubair Ahmad Shah	NIT Nominee
Mrs. Tahira Raza	NBP Nominee U/S 182 of the Ordinance
Mr. Akbar Hasan Khan	NBP Nominee U/S 182 of the Ordinance
Mr. Muhammad Khurram Khawaja	NBP Nominee U/S 182 of the Ordinance

Audit Committee

Mr. Azam Saigol
Chairman/Member

Mrs. Tahira Raza
Member

Syed Zubair Ahmad Shah
Member

Mr. Haroon Ahmad Khan
Member

Company Secretary

Muhammad Omer Farooq

Chief Financial Officer

Syed Manzar Hassan, FCA

Auditors

M/s Yousuf Adil Saleem & Co.
Chartered Accountants
(A member firm of Deloitte Touche Tohmatsu)

Legal Advisors

M/s Hassan & Hassan Advocates

Shares Registrar

Corplink (Pvt) Limited
Wings Arcade, 1-K Commercial
Model Town, Lahore.
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037

Bankers

Albaraka Islamic Bank
Bank Alfalah Limited
Bank of Khyber
Bank of Punjab
Deutsche Bank
Dawood Islamic Bank
Faysal Bank Limited
Habib Metropolitan Bank
KASB Bank Limited
Meezan Bank Limited

Bankers (Cont'd)

My Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank Limited

Registered Office

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35718274-6, 35717364-6
Fax: 042-35762707
E-mail: shares@saigols.com

Works

14-Km, Ferozepur Road, Lahore.
Tel: 042-35811951-7 (7 Lines)
Website: www.pel.com.pk

Transformer Facility

34-Km, Ferozepur Road,
Keath Village, Lahore.
Tel: 042-35935151-2

Karachi

Kohinoor Building,
25-West Wharf Road, Karachi.
Tel: 021-32200951-4
Fax: 021-32310303

Islamabad

Room # 1404, 14th Floor,
Green Trust Tower, Blue Area, Islamabad
Tel: 051-2824543, 2828941
Fax: 051-2273858

China

206, No. 1007, Zhong Shan Naun Er
Road, Shanghai, China
Tel: 86-21-64567713,
Fax: 86-21-54109971

Company Profile

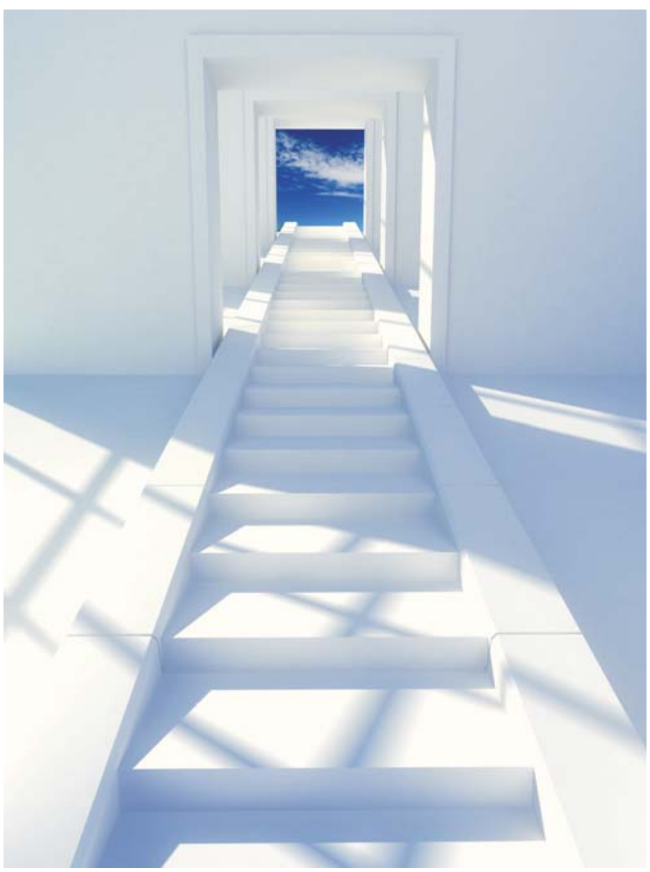
PEL is the pioneer manufacturer of electrical goods in Pakistan. In 1956, the Company was set up by Malik Brothers in technical collaboration with M/s AEG of Germany ("AEG") to manufacture transformers, switchgear, and electric motors. AEG exited from the venture and sold their share of PEL to the Malik Brothers in the late 1960s, which was subsequently acquired by the Saigol Group of Companies ("Group" or " Saigol Group") in 1978.

Since its inception, the Company has always been contributing towards the advancement and development of the engineering sector in Pakistan by introducing a range of quality electrical equipments and home appliances and by producing hundreds of engineers, skilled workers and technicians through its apprenticeship schemes and training programmes.

Until the acquisition by the Saigol Group, PEL was solely catering the power equipment market. The Company ventured into home appliances market in 1981 after acquisition as a part of the Group's long term strategy of diversification.

The Company comprises of two divisions; each offering a wide range of products as follows:

Power Division	Appliances Division
Distribution Transformers	Refrigerators
Power Transformers	Air Conditioners
Energy Meters	Deep Freezers
Switchgears	Microwave Ovens
EPC	Trading



Our Vision .....

To excel in providing engineering goods and services through continuous improvement.

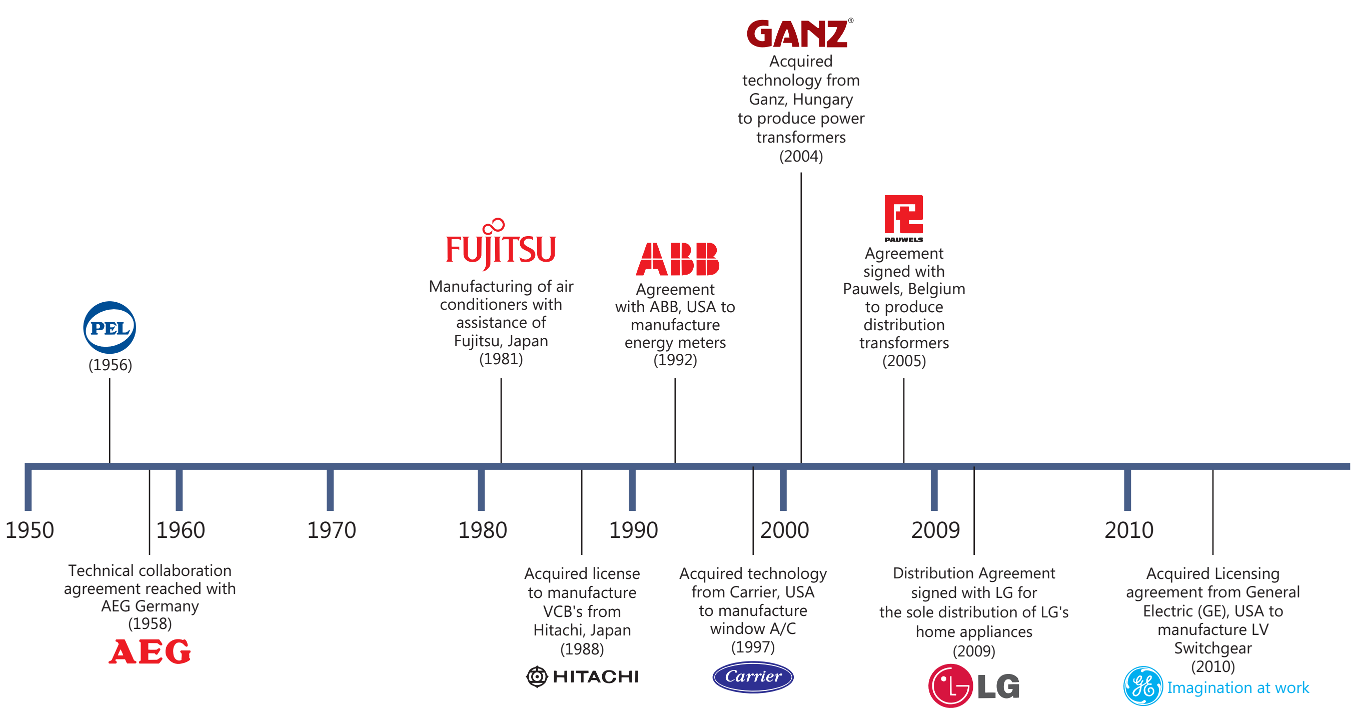
Our Mission .....

To provide quality products and services to the complete satisfaction of our customers and maximize returns for all stakeholders through optimal use of resources.

To promote good governance, corporate values and a safe working environment with a strong sense of social responsibility.

Key Milestones .....

Below is the timeline of key milestones that PEL has achieved over its history.



Notice of Annual General Meeting

56th Annual General Meeting
April 30, 2012 at 11:00 a.m

Notice is hereby given that the 56th Annual General Meeting of the Shareholders of **Pak Elektron Limited** will be held on Monday, April 30, 2012 at 11:00 a.m. at Factory Premises, 14-Km, Ferozepur Road, Lahore to transact the following business:-

1. To confirm the minutes of Last Annual General Meeting held on April 30, 2011.
2. To receive and adopt the Annual Audited Accounts of the Company for the year ended December 31, 2011 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

By order of the Board

Lahore
April 09, 2012

M. Omer Farooq
Company Secretary

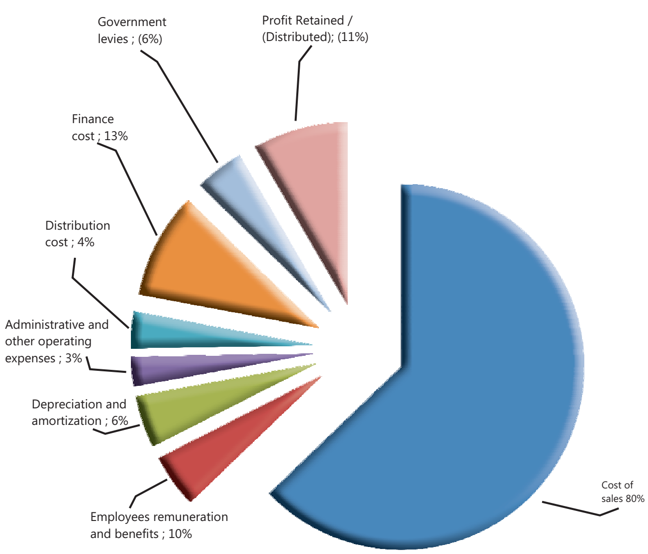
Note :

1. Share Transfer Books of the Company will remain closed from April 30, 2012 to May 06, 2012 (both days inclusive). Physical transfers/CDS Transactions IDs received in order at Company registrar office M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore.
2. A member entitled to attend and vote at this Meeting may to appoint another member as proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore, the Registered Office of the Company not later than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.
3. Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.
4. Members are requested to notify the Company change in their addresses, if any.

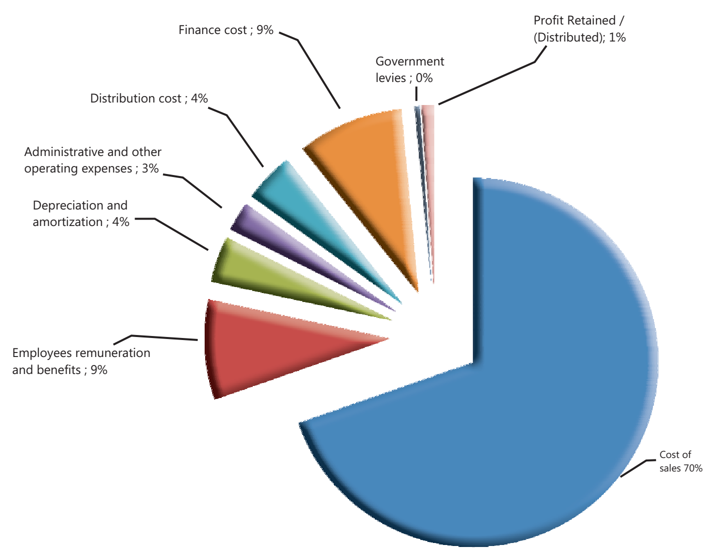
Statement of Value Addition

	2011 Rupees '000		2010 Rupees '000	
Wealth Generation				
Contract Revenue	380,797		507,842	
Sales	10,856,441		17,014,814	
Value Added	11,237,238		17,522,656	
Other Operating Income	36,032		50,936	
Wealth Created	11,273,270		17,578,881	
Wealth Distribution				
Cost of sales	9,027,454	80%	12,242,261	70%
Employees remuneration and benefits	1,173,525	10%	1,533,143	9%
Depreciation and amortization	697,828	6%	702,517	4%
Administrative and other operating expenses	392,063	3%	451,961	3%
Distribution cost	487,359	4%	764,180	4%
Finance cost	1,413,055	13%	1,623,611	9%
Government levies	(649,495)	(6%)	72,184	0%
(Loss) Profit for the year	(1,268,519)	(11%)	189,024	1%
Wealth Distribution	11,273,270	100%	17,578,881	100%

2011



2010

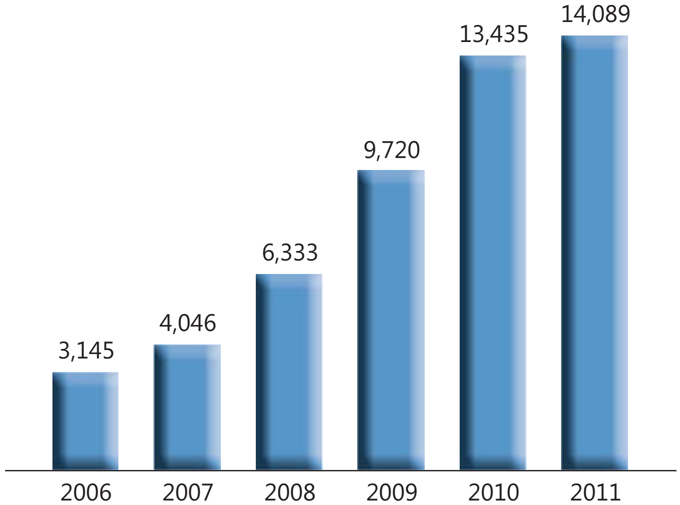


Stakeholder's Information

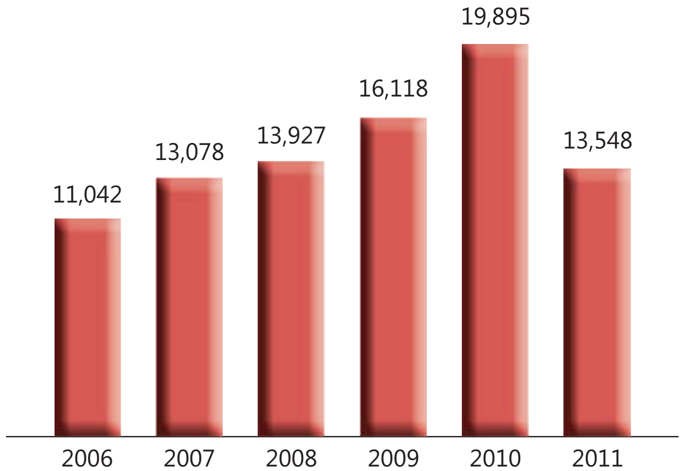
Key Operating and Financial data - Six years at a glance

Rs. in millions

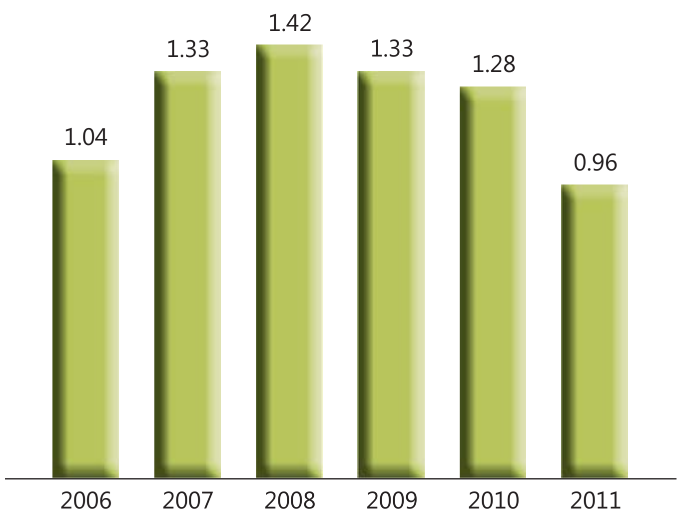
	2011	2010	2009	2008	2007	2006
Financial						
Gross Sales	13,548	19,895	16,118	13,927	13,078	11,042
Net Sales	11,237	17,523	14,622	12,652	11,813	9,408
Gross Profit	849	3,708	3,338	2,837	2,580	2,048
EBITDA	333	2,668	2,082	1,878	1,846	1,436
Financial Charges	1,413	1,624	1,373	994	937	742
(Loss) Profit before tax	(1,918)	261	394	630	707	517
(Loss) Profit after tax	(1,269)	189	261	452	582	442
(Loss) Earnings per Share - Basic	(10.95)	1.24	2.17	4.14	5.50	6.30
Share Capital - Ordinary	1,219	1,219	970	970	764	611
- Preference	450	450	526	526	605	605
Shareholders' Equity	3,498	4,566	4,007	3,677	3,241	2,683
Long Term Loans	4,571	4,969	3,597	2,650	1,501	433
Current Liabilities	9,622	9,006	6,554	6,605	5,178	6,048
Current portion of LTL / LF	1,145	1,234	763	432	349	427
Non-current assets	14,463	13,981	10,356	6,892	4,675	3,797
Fixed Assets	14,089	13,435	9,720	6,333	4,046	3,145
Current Assets	9,219	11,549	8,714	9,401	6,871	6,310
Total Assets	23,683	25,530	19,070	16,293	11,546	10,107
Current Ratio	0.96	1.28	1.33	1.42	1.33	1.04
Return on Equity	(31.45%)	4.41%	6.77%	13.08%	19.65%	17.73%
Debt Equity Ratio	0.57	0.52	0.47	0.42	0.32	0.14
Return on total capital emplyed	1.57%	16.83%	19.52%	21.39%	29.84%	33.43%
Dividend (%)						
Cash Dividend	-	-	-	-	-	-
Stock Dividend	-	-	10%	-	25%	25%
Production data						
Transformers - MVA	2,029	2,999	2,466	2,385	2,243	2,022
Switchgeras- Numbers	1,490	3,443	4,046	4,685	3,347	3,832
Energy Meters- Numbers	349,611	843,880	443,307	525,155	912,997	1,266,521
Air Conditioners- Tons	39,565	91,952	28,581	81,631	61,161	41,499
Refrigerators / Deep Freezers - Cfts	2,660,387	3,660,858	3,156,604	3,556,450	2,899,583	3,552,595



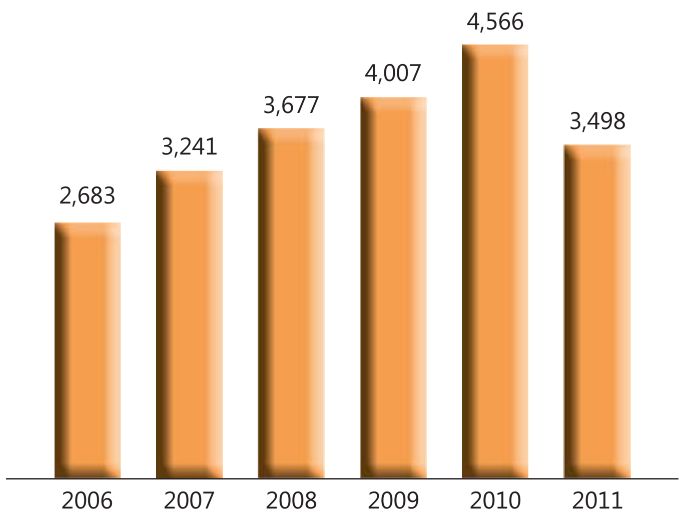
Fixed Assets - Rs. in millions



Gross Sales - Rs. in millions



Current Ratio



Shareholders Equity - Rs. in millions

Director's Report to the Shareholders

The Directors are presenting their report together with Company's audited financial statements for the year ended December 31, 2011.

OPERATING RESULTS AND PERFORMANCE OVERVIEW

Company managed to achieve sales of Rs. 13.548 billion during the year ended December 31, 2011 which is lower by Rs. 6.347 billion in comparison to the last financial year of 2010. The company sustained post tax loss of Rs. 1.269 billion in comparison to profit of Rs. 189 million of the corresponding financial year of 2010. This is mainly because of lower sales and lesser absorption of fixed cost.

In the year under reporting company has been facing turbulent time because of the two back to back unfortunate incidents which have played havoc in the operating results of the company: These incidents were:

a) Holding of LG air conditioner inventory by Custom authorities due to erroneous shipping documentation by LG (supplier). This has resulted in stuck up inventory of over Rs. 1 billion which had to be carried by the company over one year.

b) Stoppage in distribution transformers ordering for almost one year due to delay in Governmental approvals to change in specifications of transformers.

The above two incidents not only affected the sales of LG Air conditioners and Distribution Transformers but also left consequential effects on the sales of other products in appliances and power divisions. The above events have caused lower sales, lower inventory turnover which was planned for full capacities, extra costs incurred and thus resulting in overall lower operations. The debt level of the company requires higher sales volumes in order to absorb financial cost but because of lower productions targeted sales levels could not be achieved. All these factors had led to the sustained losses.

Summary of the results is as under:

Rupees in millions

	2011	2010
Gross Sales	13,548	19,895
Gross Profit	849	3,708
Operating (Loss) Profit	(505)	1,880
Financial Charges	1,413	1,624
(Loss) Profit before tax	(1,918)	261
(Loss) Profit after tax	(1,269)	189
(Loss) Earnings per share (Basic) - Rupees	(10.95)	1.24
(Loss) Earnings per share (Diluted) - Rupees	(10.95)	1.19

Economy

The macro economy growth has ranged in 2.7% to 3%. This is much lower than the regional growth which is ranging from 5% to 8%. Interest rates were reduced during the year but the rate cuts were lower than expectations. In the regional context interest rates are ranging from 8.5% to 11%. The lower growth is because of acute power shortage forcing industry to resort to higher energy cost alternatives, governance problems etc. All these factors are escalating the cost of production for the local industry. Due to pressures on the country's forex reserves there have been fears of massive devaluation of Pak rupee. Although actual devaluations less than what was feared, this has also resulted in increase in input costs in addition to the impact of high inflation in the country. The current year 2012 likely to be election year, which is expected to ignite the infrastructure re building activity. Directors are optimistic that your company would achieve additional sales in the year 2012 because of sizeable orders in hand and enhanced re-building activity for power infrastructure.

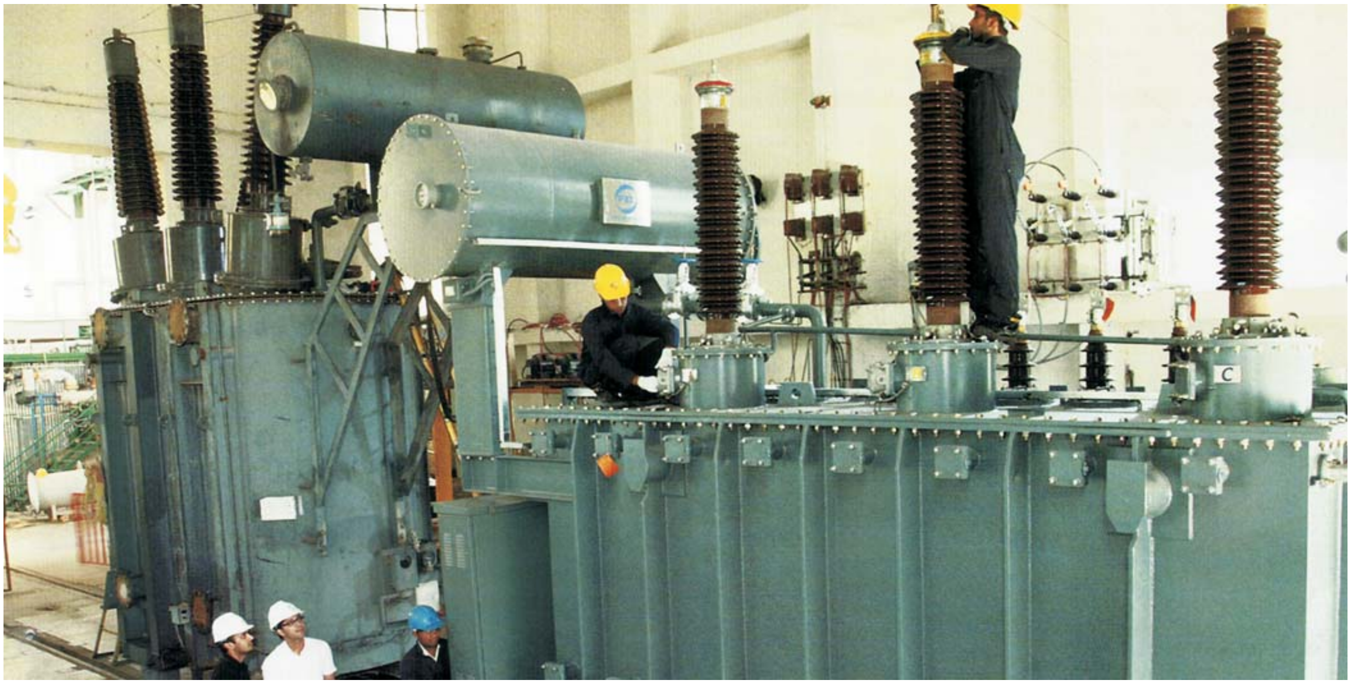
Distribution Transformers

Introduction of new concepts and technology has its associated challenges especially in a system which is averse to changes. This is exactly what was experienced by the Company in the year 2011 after their initiative to introduce energy efficient transformers in Pakistani power distribution network. The company has to undergo many hindrances like resistance to change and professional acrimony by competitors etc. As a consequence of all this, implementation of new specifications in WAPDA was delayed resulting in lack of ordering in local market in 2011.

However, the Company in its endeavors to seek new buyers /markets was quick to shift its focus towards the local private market and also export to countries like Saudi Arabia. It is pertinent to mention that we are now qualified manufacturer for the prestigious state owned utility in Saudi Arabia; Saudi Electric Company (SEC). Moreover, few private clients in Saudi Arabia are now our regular customers and we have gained a reputation for manufacturing specialized custom-made big distribution transformers.

We are focusing attention towards development of export markets and have special focus on Afghanistan and Saudi/GCC markets due to enormous export potential in these markets. It is a great pleasure to inform you that your company has won its first order for supply of transformers to Da Afghanistan Breshna Sherkat (Power utility of Afghanistan) which will pave the way towards building a strong customer base in Afghanistan.

PEL Unit-2 continues to be the flagship of the Company by maintaining its image of being one of the best state-of-the-art manufacturing set up in this region. With the



highest quality human capital, the Company is committed to not only maintain, but enhance its image in local as well as global markets.

Your company has brought a number of changes in the structure of transformer factory with a view to achieve a lean and efficient management as well as factory structure and we are now ready to cater for the full range of distribution transformers to meet standardized as well as customized design requirements of our customers.

Power Transformers

During the year under review the production remained lower and the company managed to sell 15 transformers. However, company has got significant number of orders which will be supplied in the year 2012. The budgeted sales for the next year are more than four times as compared to last year. This is based on the orders in hand and expected ordering. We are continuously working for improvement in design of our transformers to achieve optimum performance with lean design.

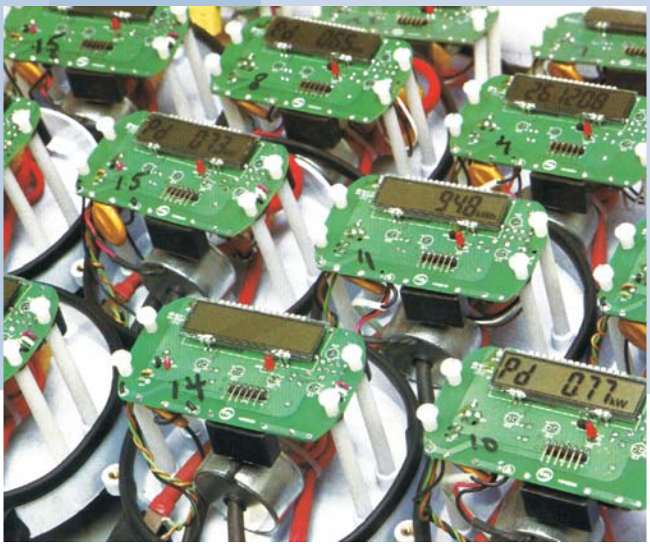
Moving forward the power transformer industry is seeing a bigger challenge from Chinese manufacturers because the present duty regime does not provide any protection to the local manufacturers against foreign manufacturers who are quoting at lesser prices and thus are affecting our market share in a number of tenders. Your company has taken up the case for anti-dumping duty as well as inclusion of domestic preference clause and we are making all out efforts to preserve our hard earned market position and business from such threats.

Energy Meter

Energy Meter continued its journey of steady growth and innovation. The company achieved improvements in a number of areas such as development of new up-graded version of Automatic Meter Reading (AMR) Software, up-grades in the GSM/GPRS modem to ensure reliable transfer of data from meters to the server. Using PEL's AMR system now the customer can down load the complete data available in the meter over GPRS network including instantaneous values, metering data, tampering events data & load profile data. Strong functions like “Scheduler” i.e. retrieving data from different meters on pre-defined time interval or specific dates defined by the user/customer were added in the AMR software.

An Automatic Meter Reading pilot project communicating over GSM/GPRS network were installed at one of the Discos . The data from these meters can be read over the internet from any location around the world.

We foresee further strong demand for PEL's Energy



meters due to their superior technology and reliability.

The quantities of production and sales remained moderate as compared to last year. This is mainly due to low ordering from WAPDA/Discos.

Switchgear

Switchgear sales remained constant due to slowdown in economic and industrial activity and orders from WAPDA remained depressed. Subsequent to the year end, we have received sizeable orders from WAPDA and private clients and we are confident to reach our normal sales and profit levels in the coming year. We have the capability and expertise to provide switchgear products for 220 KV and 132 KV networks.

We are taking constant measures to bring in new developments in this area by introducing more efficient products of quality acceptable to WAPDA/Discos.

EPC Contracting

During the current year, focus has been on consolidating the business and completion of ongoing jobs . Side by side we have also been looking for opportunities where we can earn steady margin by utilizing our factory products and the expertise of our own staff. We have during the year won an order for electrification of selected sectors of DHA, Lahore.

PEL has by the grace of Allah completed the qualification period of 5 years in construction of 132 KV grid stations.

Work on 220 KV Shalamar grid station is actively underway and we expect it to be commissioned by third quarter in 2012.

Refrigerators

Refrigerator market remained steady during the year despite acute load shedding and high rate of inflation resulting in lower savings in the country. Refrigerator has become a necessity for meeting the basic storage requirement of edibles including cooling of water and producing ice. With rural prosperity demand for refrigerators in rural areas is surging.

In order to up keep our market and to meet the challenges of growing competition your company has automated refrigerator assembly process and installation of integrated performance testing line. The company has launched its new product range under the name of Desire series. Market remained very receptive to this new series. Idea behind this new improved series was to satiate the aesthetics and beauty needs of our customers simultaneously with providing them a robust cooling machine. With the introduction of this new series perception of dealers and customers has totally changed and Desire is rated at top end of direct cool refrigerator market.

The company is at the same time focusing on cost savings through R&D improvements without compromising on quality and brand image. With brand new state of the art R & D equipment installed and encouraged by the market response to Desire series company is focusing on launching two more refrigerator models equipped with improved design. All above measures are resulting in to improvement of margins as well as terms of sale for this product.

The production during the year is low mainly because of the consequential effects of the two severe problems faced by your company as explained earlier. However in the year 2012 company is focusing to increase the production levels with more improved models .

Air conditioners

Air conditioner market is not very bullish because of ongoing power crises and glut of Chinese air conditioners. The company sold the available stocks and is operating at an optimum inventory level. We have during the year terminated our agreement with LG of Korea and signed a settlement Agreement with them. While keeping a close eye on the energy crisis and the buying power of consumers we intend to take minimum risk on its salable quantities and especially on the piling up of inventory for this product.

Deep Freezers

Our corporate sales market is at reasonable levels with our capability to produce customized product range. We are getting repeat orders from our valued corporate buyers. Proven quality of our deep freezers and our prompt after sales service has also helped us to maintain and develop stronger relation with our corporate customers.

Through ongoing R&D we are improving the quality of our products and we are also planning to add new models.

Other domestic appliances

Sales of other domestic appliances which includes Microwave ovens, water dispensers and washing machines has been on the slower side mainly because of increase in material costs and slower inventory movements for the imported goods. However in the FY 2012 we will continue to operate with moderate quantities in order to keep our market presence.

LG Electronics

Consequent to problems faced by the company on account of stuck up inventory we have decided to sever the LG business. For the massive losses sustained by the company because of wrong shipping documentation and held up inventories the company claimed and received compensation from LG. We are optimistic that because of its strong brand severing LG brand will have no bearing on the company's sales.

Future Outlook

Despite having challenges emanating from the sluggish and tarnished economy because of increasing power shortages, soaring inflation and political instability, the directors are optimistic to increase company's sales and achieve a partial if not a complete turnaround during the ongoing year 2012. In the macro perspective rural prosperity, increasing foreign remittances is enabling reasonable purchase power for the consumer industry. Together with requirements for electrification power distribution infrastructure. The challenge for us is to produce adequate quantities to cope up with the demands of our buyers.

In addition regional export markets are also opening up and we are finding that reasonable export potential is emerging.

With this outlook directors are also keeping an eye apprehensively on rising energy costs, depreciating rupee, rising inflation which may pave the way for interest rate hikes. These factors may increase the cost of doing business.

We are committed to improve technologically our product range in order to match the global standards through consistent R & D.

Dividend and equity

Because of losses no dividend is declared for the year ended December 31, 2011.

Transactions with related parties

Transaction with related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method. The company has fully complied with the best practices on Transfer pricing as contained in the relevant rules and regulations.

In order to have better marketability and controls for its appliances wing PEL group has incorporated a new marketing company named as PEL Marketing (Private) Limited. This is a wholly owned subsidiary of PEL.

Material changes

There has been no other material change since December 31, 2010 and the Company has not entered into any commitment which would affect its financial position at the date.

Statement of ethics and business practices

The board has adopted the statement of ethics and business Practices. All employees have been informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Loss/Earnings per share

Basic loss per share works out to Rs. 10.95 (earning per share Rs. 1.24 Dec 31, 2010)

Consolidated Financial Statements

Consolidated Financial Statements of the Company together with its subsidiary company PEL Marketing (Private) Limited are also included.

Operating and financial data

The key operating and financial data for six years is annexed

Corporate governance - Statement of Directors' Responsibilities.

In compliance of the corporate governance, we give below the statements on Corporate and financial reporting framework:

- To the financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company has been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Value of investments of Provident fund as on December 31, 2011 is Rs. 163 million.
- The board of directors presently comprises 10 individuals, out of which 4 are independent non executive directors while four are working executive directors and one executive director as managing director.

Board Meetings

Meetings of board of directors are held regularly to take notice of the results of corporate operations and their management and to make decisions concerning company's business activities. Meetings also take place to consider business trends and operational plans of the Company.

During the period under review, Board of Directors held four meetings. Attendance by each director during these meetings were as follows:

Mr. M Naseem Saigol	4
Mr. M. Azam Saigol	4
Mr. M. Murad Saigol	3
Mr. Haroon Ahmad Khan	4
Mr. M. Zeid Yousaf Saigol	1
Mr. Abdullah Haroon Saigol	1
Syed Zubair Ahmed Shah (NIT nominee)	4
Mr. Rizwan Hameed - NBP nominee (Resigned on 28-10-11)	1
Mr. Wajahat A. Baqai - NBP nominee (Resigned on 28-10-11)	3
Syed Iqbal Ashraf - NBP nominee (Resigned on 29-08-2011)	2
Ms. Tahira Raza - NBP nominee (Appointed on 28-10-2011)	1
Mr. M. Khurram Khawaja - NBP nominee (Appointed on 28-10-11)	-
Mr. Akbar Hasan Khan - NBP nominee (Appointed on 28-10-2011)	-

Pattern of Shareholding

The information under this head along with information under clause XIX (i) and (j) of the code of corporate governance is annexed.

Auditors and their report

M/s Yousuf Adil Saleem & Company, Chartered Accountants, Lahore, retires and being eligible, has offered them for re-appointment. As suggested by the Audit committee, the Board of Directors has recommended their re-appointment as auditors of the Company for the year ending December 31, 2012, at a fee to be mutually agreed.

Acknowledgement

We take this opportunity thank all our customers, shareholders, bankers, employees, CBA and workers for their continued support and guidance.

On behalf of the Board

Lahore
April 09, 2012

Naseem Saigol
Chief Executive Officer

Review Report to the Members on

Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **PAK ELEKTRON LIMITED** ("the Company") to comply with the relevant Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider wether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiiia) of Listing Regulations 35 notified by The Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

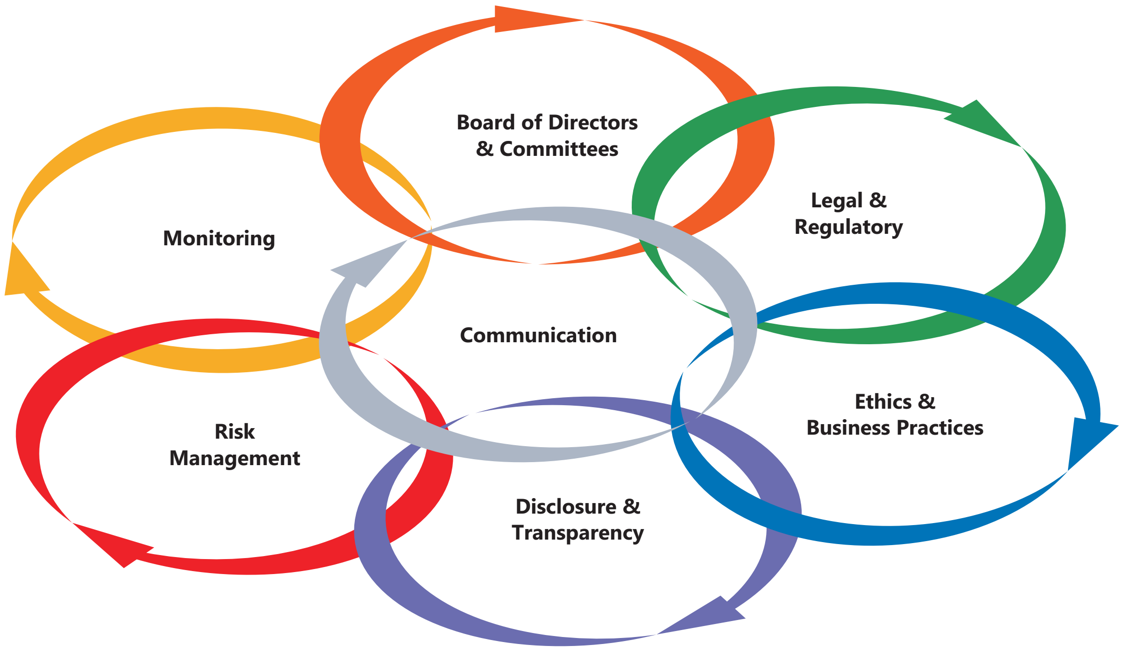
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.

M. Yousuf Adil Saleem & Co.
(Chartered Accountants)

Mohammad Saleem
(Engagement Partner)
Date: April 09, 2012
Lahore.

Statement of Compliance

with best practices of Code of Corporate Governance for the year ended December 31, 2011



The statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37,43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The Company comprises of six non-executive and Four executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in the payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared.
4. Three casual vacancies occurred in the Board of Directors during the period.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda were circulated at least seven days before the meetings were appropriately recorded and circulated.

9. The Directors are aware of their fiduciary responsibilities and most of them have attended orientation courses.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. Financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises 4 members, of whom majority are non executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the Company and they are involved in the internal audit function on a full time basis.3

18. In compliance of the requirements of Listing Regulation number 37 of the Karachi Stock Exchange (Guarantee) Limited, the related party transactions have been placed before the Audit committee and approved by the Board of Directors.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.

We confirm that all other material principles contained in the Code have been substantially complied with.

Lahore	**M. Naseem Saigol**
April 9, 2012	Chairman/Chief Executive

Financial Statements

for the year ended December 31, 2011

Auditors' Report to the Members

We have audited the annexed balance sheet of **PAK ELEKTRON LIMITED** ("the Company") as at December 31, 2011 and the related profit and loss account/statement of comprehensive income, cash flow statement and statement of changes in equity 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 purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied except for change in accounting policy as stated in note 4 to these financial statements 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/statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and 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, 2011 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

M. Yousuf Adil Saleem & Co.
(Chartered Accountants)

Mohammad Saleem
(Engagement Partner)
Date: April 09, 2012
Lahore.

Balance Sheet
as at December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	5	2,500,000	2,500,000
Issued, subscribed and paid up capital	6	1,668,264	1,668,264
Capital reserves	7	164,134	164,134
Unappropriated profit		1,665,649	2,733,582
		3,498,047	4,565,980
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	8	3,962,040	4,162,626
NON-CURRENT LIABILITIES			
Long-term financing - secured	9	4,548,852	4,954,333
Liabilities against assets subject to finance lease	10	21,841	14,776
Deferred taxation	11	1,973,350	2,751,515
Deferred income	12	56,069	74,935
		6,600,112	7,795,559
CURRENT LIABILITIES			
Trade and other payables	13	1,478,889	1,496,489
Interest and mark-up accrued	14	823,896	380,197
Short-term borrowings	15	6,174,860	5,895,077
Current portion of:			
- long-term financing	9	1,106,375	1,138,026
- liabilities against assets subject to finance lease	10	38,393	96,185
		9,622,413	9,005,974
CONTINGENCIES AND COMMITMENTS	16		
		23,682,612	25,530,139

The annexed notes 1 to 48 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

	Note	2011	2010
		Rupees '000	*Rupees '000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	14,089,185	13,434,709
Intangible assets	18	314,874	457,744
		14,404,059	13,892,453
Long-term investments	19	4,495	13,447
Long-term deposits	20	54,636	75,515
CURRENT ASSETS			
Stores, spare parts and loose tools	21	109,582	108,405
Stock-in-trade	22	4,136,282	5,652,089
Trade debts - unsecured	23	3,774,283	3,924,775
Advances	24	625,559	680,611
Trade deposits and short-term prepayments	25	227,555	247,266
Other receivables		17,241	45,869
Other financial assets	26	7,491	26,810
Sales tax refundable	27	-	169,589
Income tax refundable		198,105	349,557
Cash and bank balances	28	123,324	343,753
		9,219,422	11,548,724
		23,682,612	25,530,139

HAROON A. KHAN
Managing Director

Profit and Loss Account / Statement of Comprehensive Income

for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000* (Restated)
Revenue	29	13,547,832	19,895,448
Sales tax and discount	30	2,310,594	2,372,792
Revenue - net		11,237,238	17,522,656
Cost of sales	31	10,388,689	13,814,754
Gross profit		848,549	3,707,902
Other operating income	32	36,032	50,936
		884,581	3,758,838
Distribution cost	33	692,835	1,057,011
Administrative expenses	34	682,815	751,074
Other operating expenses	35	13,890	65,934
Finance cost	36	1,413,055	1,623,611
		2,802,595	3,497,630
(Loss) / profit before taxation		(1,918,014)	261,208
Provision for taxation	37	(649,495)	72,184
(Loss) / profit for the year		(1,268,519)	189,024
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(1,268,519)	189,024
(Loss) / earnings per share		*Rupees*	*Rupees*
Basic	40	(10.95)	1.24
Diluted	40	(10.95)	1.19

The annexed notes 1 to 48 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Cash Flow Statement
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000* (Restated)
Cash flows from operating activities			
(Loss)/profit before taxation		(1,918,014)	261,208
Adjustments for:			
Depreciation on property, plant and equipment		693,645	698,015
Amortization of intangible assets		4,183	4,502
Provision for impairment in value of investments		9,052	9,459
Finance cost		1,413,055	1,623,611
Provision for doubtful debts, advances and security deposits		121,821	80,717
Impairment of goodwill		140,569	80,325
Provision for obsolete and slow moving stocks		3,732	2,745
Provision/(reversal) for compensated absences		15,228	(1,054)
Loss due to change in the fair value of other financial assets		743	1,712
Loss on sale of investments at fair value through profit and loss		2,376	-
Loss on sale and lease back		1,719	1,385
Amortization of grant-in-aid		(2,772)	(2,918)
Gain on sale and lease back activities (net of amortization during the year)		(16,094)	(23,255)
Gain on disposal of property, plant and equipment		(12,954)	(7,318)
		2,374,303	2,467,926
Cash generated from operations before working capital changes		456,289	2,729,134
Working capital changes	45	1,783,204	(2,352,005)
Cash generated from operations		2,239,493	377,129
Finance cost paid		(969,356)	(1,577,177)
Compensated absences paid		(11,090)	(10,715)
Income tax refunded/(paid)		22,782	(186,537)
		(957,664)	(1,774,429)
Net cash used in operating activities		1,281,829	(1,397,300)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,382,955)	(758,436)
Purchase of intangible assets		(1,882)	(31,437)
Proceeds from disposal of property, plant and equipment		42,607	47,092
Proceeds from sale and leaseback activities		73,462	41,690
Proceeds from sales of investments at fair value through profit and loss		16,200	-
Long-term deposits made during the year		28,486	14,537
Investment made in wholly owned subsidiary		(100)	-
Purchase of other financial assets		-	(1,000)
Net cash used in investing activities		(1,224,182)	(687,554)
Cash flows from financing activities			
Repayment of long-term financing		(437,132)	(799,691)
Proceeds from long-term financing		-	2,029,307
Repayment of liabilities against assets subject to finance lease		(120,727)	(91,366)
Proceeds from short-term borrowings - net		279,783	1,188,187
Dividend paid		-	(21,093)
Net cash from financing activities		(278,076)	2,305,344
Net increase/(decrease) in cash and cash equivalents		(220,429)	220,490
Cash and cash equivalents at beginning of the year		343,753	123,263
Cash and cash equivalents at end of the year	28	123,324	343,753

The annexed notes 1 to 48 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Statement of Changes in Equity
for the year ended December 31, 2011

		Capital reserves		Revenue reserves	
	Share capital	Premium on issue of shares	Reserve for bonus shares	Unappropriated profit	Total
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*
Balance as at December 31, 2009	1,593,720	131,931	-	2,461,255	4,186,906
Total comprehensive income for the year ended December 31, 2010	-	-	-	189,024	189,024
Final dividend for the year ended December 31, 2009 @ Rs. 0.95 per preference share	-	-	-	(21,093)	(21,093)
Transferred to reserve for bonus shares	-	-	106,747	(106,747)	-
Issue of bonus shares	106,747	-	(106,747)	-	-
Conversion of preference shares	(32,203)	32,203	-	-	-
Transfer to unappropriated profit on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	211,143	211,143
Balance as at December 31, 2010	1,668,264	164,134	-	2,733,582	4,565,980
Total comprehensive loss for the year ended December 31, 2011	-	-	-	(1,268,519)	(1,268,519)
Transfer to unappropriated profit on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	200,586	200,586
Balance as at December 31, 2011	1,668,264	164,134	-	1,665,649	3,498,047

The annexed notes 1 to 48 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Notes to the Financial Statements
for the year ended December 31, 2011

1 LEGAL STATUS AND OPERATIONS

1.1 Pak Elektron Limited ("PEL" or "the Company") was incorporated in Pakistan on March 03, 1956 as a public limited company under the Companies Act, 1913 (replaced by the Companies Ordinance, 1984). Registered office of the Company is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The Company is currently listed on all three Stock Exchanges of Pakistan. The principal activity of the Company is manufacturing and sale of electrical capital goods and domestic appliances. The Company was appointed as official distributor of LG's home appliances in 2009. Due to certain business reasons the distribution agreement between the Company and LG has been terminated during the year.

The Company is currently organized into two main operating divisions - Power Division and Appliances Division. The Company's activities are as follows:

Power Division: manufacturing and distribution of transformers, switchgears, energy meters, power transformers, construction of grid stations and electrification works.

Appliances Division: manufacturing, assembling and distribution of refrigerators, air conditioners, microwave ovens, televisions, generators and washing machines.

These financial statements are the separate financial statements of the Company in which investments in subsidiary and associated entities are accounted for on the basis of cost rather than on the basis of reported results. Consolidated financial statements are prepared separately.

1.2 These financial statements are presented in Pak Rupees, which is the functional currency of the Company and figures are rounded off to the nearest thousand of rupees unless otherwise stated.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (the "IASB") as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted the following new Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the SECP that are relevant to its operations and effective for Company's accounting period beginning on or after 1 January 2011.

IAS 1, (AMENDMENT) 'PRESENTATION OF FINANCIAL STATEMENTS'

IAS 1, (Amendment) 'Presentation of Financial Statements' (effective from annual periods beginning on or after 1

Notes to the Financial Statements
for the year ended December 31, 2011

January 2011). The amendments clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

IAS 24, 'RELATED PARTY DISCLOSURES (REVISED 2009)'
IAS 24, 'Related Party Disclosures (Revised 2009)' (effective from annual periods beginning on or after 1 January 2011). It simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party.

IAS 27, (AMENDMENTS) 'CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS'
IAS 27, Amendments 'Consolidated and Separate Financial Statements' (effective from annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering.

IAS 32, 'FINANCIAL INSTRUMENTS: PRESENTATION'
IAS 32, 'Financial Instruments: Presentation' (effective from annual periods beginning on or after 1 February 2010). It changes the definition of financial liability in order to classify right issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IAS 34, (AMENDMENT) 'INTERIM FINANCIAL REPORTING'
IAS 34, (Amendment) 'Interim Financial Reporting' (effective from annual periods on or after 1 January 2011). It adds further examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality that describe other minimum disclosures.

IFRS 3, (AMENDMENTS) 'MEASUREMENT OF NON-CONTROLLING INTERESTS'
IFRS3, (Amendments) 'Measurement of Non-controlling Interests' (effective from annual periods on or after 1 July 2010). The amendments clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation.

IFRS 7, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: DISCLOSURES'
IFRS 7, (Amendments) 'Financial Instruments: Disclosures' (effective from annual periods on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosures should be made in line with the quantitative disclosures to better understand users to evaluate an entity's exposure to risks arising from financial instruments and amended the existing disclosures.

2.3 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning on or after 1 January 2012. These standards, interpretations and the amendments are either not relevant to the Company’s operations or are not expected to have significant impact on the Company’s financial statements other than increase in disclosures in certain cases.

Notes to the Financial Statements
for the year ended December 31, 2011

IAS 1, (AMENDMENTS) 'PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME'
IAS 1, (Amendments) 'Presentation of Items of Other Comprehensive Income' (effective from annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

IAS 12, (AMENDMENTS) 'DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS'
IAS 12, (Amendments) 'Deferred Tax: Recovery of Underlying Assets' (effective from annual periods beginning on or after 1 January 2012). The amendments provide an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset’s economic benefits over the life of the asset.

IAS 19, 'EMPLOYEE BENEFITS (AMENDED 2011)'
IAS 19, 'Employee Benefits (Amended 2011)' (effective from annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IFRS 7, (AMENDMENTS) 'DISCLOSURES: TRANSFERS OF FINANCIAL ASSETS'
IFRS 7, (Amendments) 'Disclosures: Transfers of Financial Assets' (effective from annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

IFRS 9, 'FINANCIAL INSTRUMENTS'
IFRS 9, 'Financial instruments' (effective from annual periods beginning on or after 1 January 2013) introduces new requirements for classifying and measuring financial assets that must be applied starting from 1 January 2013 with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting.

IFRIC 20, 'STRIPPING COST IN THE PRODUCTION PHASE OF A SURFACE MINING'
IFRIC 20, 'Stripping Cost in the Production Phase of a Surface Mining' (effective from annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

Notes to the Financial Statements
for the year ended December 31, 2011

Standards and amendments	Effective date (accounting period beginning on or after)
IFRS 1 – First Time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 9 – Financial Instruments	1 January 2013
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11	1 January 2013
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11	1 January 2013

2.4 INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE COMPANY

The following interpretations to existing standards have been published and are mandatory for the Company's accounting year beginning on or after 1 January 2011 but are not relevant for the Company's operations:

Amendments to IFRS 3 – Transitional Requirements for Contingent Consideration from a Business Combination that Occurred before the Effective Date of the Revised IFRS (effective for annual periods beginning on or after 1 July 2010).The amendments state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has not been settled or otherwise resolved at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). For such contingent consideration, the cost of the business combination is adjusted if and when payment of the contingent consideration is probable and the amount can be measured reliably.

Amendments to IFRS 3 – Unreplaced and Voluntarily Replaced Share based Payment Awards (effective for annual periods beginning on or after 1 July 2010). The amendments expand the current guidance on the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

Amendments to IFRIC 13 Customer Loyalty Programmes - Fair Value of Award Credit (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Amendments to IFRIC 14: IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps.

Notes to the Financial Statements
for the year ended December 31, 2011

2.5 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

PROPERTY, PLANT AND EQUIPMENT

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

STOCK IN TRADE

The Company reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

PROVISION FOR IMPAIRMENT OF TRADE DEBTS AND OTHER RECEIVABLES

The Company assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

TAXATION

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note to these financial statements.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Notes to the Financial Statements
for the year ended December 31, 2011

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention as modified by:

- revaluation of certain property, plant and equipment
- financial instruments at fair value

3.2 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payments. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liabilities. Finance charges are charged to profit and loss account / other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's policy on borrowing costs.

3.3 IJARAH TRANSACTIONS

Ujrah payments under an Ijarah are recognized as an expense in the profit and loss account / other comprehensive income on a straight-line basis over the Ijarah terms unless another systematic basis are representative of the time pattern of the user's benefit, even if the payments are not on that basis.

3.4 EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of ten percent of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions are charged to profit and loss account / other comprehensive income.

COMPENSATED ABSENCES

The Company provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

Notes to the Financial Statements
for the year ended December 31, 2011

3.5 DEFERRED INCOME - GRANT-IN-AID

Grant was received from United Nations Industrial Development Organization ("UNIDO") under Montreal Protocol for phasing out Ozone Depleting Substance ("ODS"). Grant relating to property, plant and equipment is treated as deferred income and an amount equivalent to depreciation charged on such assets is transferred to profit and loss account / other comprehensive income.

3.6 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are measured at the fair value of the consideration to be paid in future for goods and services received whether billed to the Company or not.

3.7 PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost except free hold land, building on lease hold land and plant and machinery, which are stated at re-valued amount, less accumulated depreciation and any identified accumulated impairment in value. Lease hold land, capital work-in-progress and stores held for capital expenditure are stated at cost. All other assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes borrowing cost as referred to in accounting policy for borrowing cost. Assets produced internally are valued by taking the material at moving average cost, labour at actual cost and factory overheads proportionate to labour cost.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account / statement of comprehensive income commencing when the asset is ready for its intended use by applying the reducing balance method except for computers, which are depreciated by using the straight-line method. Freehold land is not depreciated.

In respect of additions and disposals during the year, depreciation is charged when the asset is available for use and upto the month preceding the asset's classification as held for sale or de-recognition, whichever is earlier, respectively.

Notes to the Financial Statements
for the year ended December 31, 2011

Assets are de-recognised when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its un-appropriated profits.

ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.9 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the excess of the cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. This is stated at cost less any accumulated impairment losses, if any.

TECHNOLOGY TRANSFER

The intangible assets in respect of technology transfer are amortized over the useful life of plant and machinery involved in use of such technology. Amortization of intangible commences when it becomes available for use.

COMPUTER SOFTWARE AND ERP

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. These costs are amortized over their estimated useful lives. Amortization of intangible commences when it becomes available for use.

3.10 INVESTMENTS

INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are

Notes to the Financial Statements
for the year ended December 31, 2011

adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

INVESTMENT IN ASSOCIATES

Investments in associates are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

An investment is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account / other comprehensive income.

DE-RECOGNITION

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.11 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at lower of moving average cost or net realizable value less allowance for obsolete and slow moving items. Stores, spare parts and loose tools in bonded warehouse and in-transit are valued at cost comprising invoice price plus other charges incurred thereon up to the balance sheet date.

3.12 STOCK-IN-TRADE

Stock-in-trade, except for stock-in-transit and stock in bonded warehouse, are valued at lower of cost or net realizable value.

Stock-in-transit and stock in bonded warehouse are valued at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

The cost in relation to raw material, packing material and goods purchased for resale represent the moving average cost.

Notes to the Financial Statements
for the year ended December 31, 2011

Average manufacturing cost in relation to work-in-process and finished goods, consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

3.13 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at their original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit and balances with banks.

3.15 IMPAIRMENT

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account / other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the amount that would have been determined (net of depreciation and amortization), had no impairment loss been recognized in previous years. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

3.16 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company

Notes to the Financial Statements
for the year ended December 31, 2011

has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales of goods are recognized when goods are delivered and title has been transferred.

- Commission income is recognized on receipt of credit advice from supplier.

- Profit on saving account and investment is accrued on a time basis with reference to the principal outstanding and at the effective profit rate applicable.

- Dividend income from investments is recognized when right to receive payment has been established.

Contract revenue and contract costs relating to long-term construction contracts are recognized as revenue and expenses respectively by reference to stage of completion of contract activity at the balance sheet date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. Expected losses on contracts are recognized as an expense immediately.

3.18 BORROWINGS

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any. Overdraft also includes cheques issued by the Company in excess of the balances at bank.

3.19 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

All other borrowing costs are recognized in profit and loss account / other comprehensive income in the period in which these are incurred.

3.20 TAXATION

CURRENT

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account

Notes to the Financial Statements
for the year ended December 31, 2011

applicable tax credit, rebates, losses and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes prior year adjustments, arising due to assessments finalized during the year.

DEFERRED

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" and "Technical Release - 30" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account / other comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

3.21 FOREIGN CURRENCIES

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the date of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the balance sheet date, except where forward exchange contracts have been entered into for repayments of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on translation are included in profit and loss account / other comprehensive income for the year.

3.22 RELATED PARTY TRANSACTIONS

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price with reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

3.23 DIVIDEND

Dividend distribution to the Company’s shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company’s shareholders.

Notes to the Financial Statements
for the year ended December 31, 2011

3.24 SEGMENT REPORTING

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, share of profit/(loss) of associates, finance costs, and provision for taxes.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment. The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments.

3.25 WARRANTY COST

The company accounts for its warranty obligations when the underlying product or service sold or rendered. The Provision is based on historical warranty data and weighing all possible outcomes against their associated possibilities.

4 CHANGE IN ACCOUNTING POLICY

In prior years, Investment in associate was presented under the equity method of accounting, during the year the Company has change its accounting policy for investment in associate from "Equity method" as defined in IAS 28 "Investments in Associate" to "Cost Method" as required in IAS 27 "Consolidated and Separate Financial Statements" for the preparation of separate financial statements.

Due to above adoption, the Investment in associate has been restated to exclude the share of post acquisition profit of Rs. 66.912 million and Rs. 61.623 million and decrease in the amount of impairment by Rs. 66.912 million and Rs. 61.623 million in the year 2010 and 2009 respectively. Profit and loss account for the year 2010 has also been restated for the similar change.

Notes to the Financial Statements
for the year ended December 31, 2011

	2011	2010
	Rupees '000	*Rupees '000*
5 AUTHORIZED CAPITAL		
150,000,000 (December 31, 2010: 150,000,000) ordinary shares of Rs. 10 each.	1,500,000	1,500,000
100,000,000 (December 31, 2010: 100,000,000) preference shares of Rs. 10 each divided into:		
62,500,000 'A' class preference shares of Rs. 10 each	625,000	625,000
37,500,000 'B' class preference shares of Rs. 10 each	375,000	375,000
	1,000,000	1,000,000
	2,500,000	2,500,000

6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2011	2010		Note	2011	2010
No. of shares	*No. of shares*			*Rupees '000*	*Rupees '000*
		Ordinary shares of Rs. 10 each fully paid			
23,749,434	23,749,434	**In cash**		237,494	237,494
		Other than cash:			
137,500	137,500	-against machinery		1,375	1,375
408,273	408,273	-issued on acquisition of PEL Appliances Limited		4,083	4,083
6,040,820	6,040,820	-issued against conversion of preference shares	6.2	60,408	60,408
91,532,718	91,532,718	-as bonus shares		915,328	915,328
121,868,745	121,868,745		6.1	1,218,688	1,218,688
		Fully paid A class preference shares of Rs. 10 each			
44,957,592	44,957,592	**In cash**	6.2	449,576	449,576
166,826,337	166,826,337			1,668,264	1,668,264

Notes to the Financial Statements
for the year ended December 31, 2011

	2011	2010
	No. of shares	*No. of shares*
6.1 Reconciliation of number of shares of Rs. 10 each:		
Ordinary shares		
At beginning of the year	121,868,745	106,746,955
Add: - Issued during the period as bonus shares	-	10,674,695
- Issued against conversion of preference shares	-	4,447,095
At end of the year	121,868,745	121,868,745

6.2 'A' Class Preference Shares

The Company issued 'A' class preference shares to various institutional investors amounting to Rs. 605.00 million against authorized share capital of this class amounting to Rs. 625.00 million. As at December 31, 2011 outstanding balance of such preference shares amounted to Rs. 449.58 million (December 31, 2010: Rs. 449.58 million). The SECP issued order to Lahore Stock Exchange (Guarantee) Limited ("LSE") dated February 6, 2009 against the listing of these preference shares. However, the Company took up the matter with the honorable Lahore High Court which granted the stay order against the said order of SECP and also directed LSE not to delist the shares. The matter is pending adjudication to date.

The Company offered re-profiling of shares to the preference shareholders, who did not convert their preference shares into ordinary shares in response to the conversion notices issued by the Company. The Company has appointed an Advisor who has confirmed that the investors to the instrument have, in principle, agreed to the Re-profiling Term Sheet and commercial terms and conditions therein. The SECP has allowed the Company to proceed with the Re-profiling subject to fulfillment of legal requirements. The legal documentation has been prepared and circulated amongst the concerned investors and signed on April 20, 2011 except National Bank of Pakistan.

The revised terms of Re-profiling are:

Coupon Rate

Investors will be entitled to an annual coupon rate of 14.70% p.a. (based on 1 year KIBOR as of Modification Date) on cumulative basis, payable if and when declared by the Board of Directors of the Company.

Voting Right

Preference shares do not carry any voting rights.

Call Option

The Company shall have the option to redeem the issue in full or in part, within ninety days of the end of the financial year, commencing from the expiry of the 6th anniversary of the issue date ("Redemption Period") by giving at least thirty days notice.

Notes to the Financial Statements
for the year ended December 31, 2011

The redemption will be at the option of the Company and subject to availability of funds and compliance with the provisions of Section 85 of the Companies Ordinance 1984.

Company shall create a Capital Redemption Reserve fund in accordance with the provisions of the Companies Ordinance 1984.

Conversion Option

Preference shares will be convertible only at the option of the investors into common shares of the Company at the conversion date, i.e. last business day of each financial quarter commencing from the 7th (seventh) anniversary of the issue date. This option will be available from 7th (seventh) anniversary till the 9th (ninth) anniversary of the issue. During this period the investors can convert up to 25% of their preferred shares at the conversion ratio by giving a thirty days notice to the issuer.

In case the issuer does not exercise the Redemption Option within 60 days of 9th (ninth) anniversary of the issue , the investors will have the option to convert their entire holding of preference shares in full or a part at conversion price on the conversion date by giving a 30 days notice to the Company.

Conversion Ratio

The conversion of preference shares will be based on the conversion ratio A/B, where:

Conversion between 7th and 9th anniversary

A = Preference share price, i.e. issue price plus any cumulative unpaid dividends.

B = Minimum conversion price, i.e. 32.5% discount to the average price of the common share quoted in the daily quotation of Karachi Stock Exchange during the 360 working days prior to the Conversion Date.

Conversion after the 9th anniversary

A = PKR 10 plus unpaid dividend.

B = Spot price of PEL ordinary shares on Conversion Date.

As on December 31, 2011 an amount of approximately Rs.108.80 million has been accumulated on account of preference dividend which is payable if and when declared by the Board, to be appropriated out of the distributable profits for that year. In case the preference dividend continues to be accumulated it would be settled at the time of exercising the redemption or conversion option in accordance with the respective term sheet with the Investor.

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
7	**CAPITAL RESERVES**			
	Premium on issue of shares	7.1	164,134	164,134
	Reserve for bonus shares	7.2	-	-
			164,134	164,134
7.1	**Premium on issue of shares**			
	Balance at beginning of the year		164,134	131,931
	Add: premium on conversion of preference shares		-	32,203
	Balance at end of the year		164,134	164,134
7.2	**Reserve for bonus shares**			
	Balance at beginning of the year		-	-
	Add: transfer for issue of bonus shares during the year		-	106,747
			-	106,747
	Less: bonus shares issued during the year		-	106,747
	Balance at end of the year		-	-
8	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of deferred tax**			
	Surplus on revaluation of property, plant and equipment at beginning of the year		4,162,626	4,373,769
	Less: transfer to un-appropriated profits on account of incremental depreciation charged during the year - net of deferred taxation		200,586	211,143
	Surplus on revaluation of property, plant and equipment at end of year		3,962,040	4,162,626

Notes to the Financial Statements
for the year ended December 31, 2011

9 LONG-TERM FINANCING - Secured

9.1 From banking companies and financial institutions

Description	Note	2011	2010	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance I	9.2	54,270	72,970	Six months average ask side rate KIBOR plus 175 bps per annum. KIBOR will be set on the last working day at the beginning of each bi-annual period for the mark-up due at the end of that period. (Rate setting date.)	First pari passu charge over fixed assets of the Company and personal guarantees of sponsoring directors of the Company.	This loan was obtained from the National Bank of Pakistan (NBP). Sixteen quarterly equal installments of Rs. 18.750 million each would be paid commencing from December 31, 2007. During the year the Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Sukuk Funds (I)		514,286	600,000	Three month KIBOR plus 175 bps with Floor of 10% and Cap of 25%. Three months KIBOR will be set on the last business day before the first drawdown and subsequently on the last business day prior to the beginning of each semi-annual period for the usage payment due at the end of the period.	First pari passu charge on present and future plant and machinery of the Company amounting to Rs. 1,600 million.	These were issued in September 2007 for the purpose of refinance of existing machinery with diminishing musharaka facility. Profit would be paid on quarterly basis in arrears commencing from June 30, 2009. The Company has entered into Master Addendum to original financing agreements with Bank Islami (Trustee and Investment Agent) dated June 28, 2011. As per terms of Master Addendum, the outstanding principal is deferred till June 28, 2013. Remaining six outstanding installments out of fourteen shall be repaid commencing from June 28, 2013 on quarterly basis.
Sukuk Funds (II)		1,100,000	1,100,000	Three month KIBOR plus 100 bps with Floor of 8% and Cap of 25%. Three months KIBOR will be set on the last business day before the first drawdown and subsequently on the last business day prior to the beginning of each semi-annual period for the usage payment due at the end of the period.	First pari passu charge on present and future property, plant and machinery of the Company amounting to Rs. 1,467 million.	These were issued for the purpose of refinance of existing machinery with diminishing musharaka facility. Profit would be paid on quarterly basis in arrears commencing from June 30, 2011. The Company has entered into Master Addendum to original financing agreements with Bank Islami (Trustee and Investment Agent) dated June 30, 2011. As per terms of Master Addendum, the outstanding principal is deferred till June 30, 2013 and shall be repaid in sixteen quarterly installments commencing from June 30, 2013.
Term Finance		450,000	475,000	Three month ask side KIBOR plus 300 bps Markup is set on 3 preceding days prior to the beginning of that quarter.	First charge on present and future fixed assets of the company with 25% margin, assignments of receivables two times of monthly requirements, personal guarantees of sponsoring directors of the Company and mortgage of land or any other security acceptable to Pak-Libya up to 50% of the financing amount.	This syndicate term finance is obtained in May 2009 from the Pak-Libya Holding Company (Private) Limited for the purpose of meeting its existing operational expenses. Markup on it would be paid on quarterly basis in arrears commencing from August 26, 2010. The Company has entered into Restructuring Agreement with Pak-Libya Holding Company (Private) Limited dated May 25, 2011, whereby the outstanding principal is deferred till February 27, 2013 and shall be repaid in eighteen quarterly installments commencing from February 27, 2013.
Demand Finance	9.3	432,385	466,666	Three month average ask side KIBOR plus 175 bps per annum. KIBOR will be set on the last working day before start of the calendar quarter for which mark-up is to be applied.	First charge of Rs. 750 million on fixed assets of new transformer unit and first charge on all present and future fixed assets of Rs 250 million out of existing charge by way execution joint pari passu agreement.	This loan was obtained from the National Bank of Pakistan (NBP) for the purpose of setting up a new Transformer Manufacturing plant of the Company. Mark-up shall be paid on quarterly basis in arrears, whereas principal amount would be paid in eighteen consecutive quarterly installments of Rs. 33.333 million each, with six months grace period, commencing from December 31, 2009. During the year the Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates.. The said matter is under consideration of NBP.
Term finance PPTFCs	9.4	850,000	912,500	Six months KIBOR plus 300 bps. KIBOR will be set for the first time on the issue date and then on the first day of the start of each six month period form mark-up due at the end end of that period.	First pari passu charge over fixed assets including land, building, plant and machinery to fully secure facility amount with 25% margin in favors of the trustee. Personal guarantee of Mr. Naseem Saigol.	The Company had issued Privately Placed Term Finance Certificates ("PPTFCs") of Rs. 50 million each for the purpose of financing its capacity expansion program. It arranged from the Faysal Bank Limited (Trustee), Pak Iran Joint Investment Company Limited and Bank of Punjab. Profit would be paid semi annually in arrears commencing from March 31, 2010. The Company has entered into restructuring agreement with Faysal Bank Limited Trustee, Pak Iran Joint Investment Company Limited and Bank of Punjab dated June 11, 2011. As per terms of restructuring agreement, the outstanding principal is deferred till June 30, 2013 and shall be repaid in fifty two monthly installments.

Notes to the Financial Statements
for the year ended December 31, 2011

Description	Note	2011	2010	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance IV - SUKUK	9.5	342,859	342,859	Three months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar half year for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Company and personal guarantee of sponsoring directors of the company.	This loan was obtained from National Bank of Pakistan (NBP). This loan has limit up to Rs. 342.856 million. Principal amount would be paid in twelve quarterly installments of Rs. 28.571 million in arrears. Grace period of one and half year up to March 31, 2011. Further, during the year the Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Demand finance III - CAPEX	9.6	375,000	400,000	Six months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar half year for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Company and personal guarantee of sponsoring directors of the Company.	This loan was obtained from National Bank of Pakistan (NBP) to support the Capacity Expansion Program (CAPEX) of the Company. This loan has the limit upto 400 million. Mark-up would be paid on quarterly basis. Principal amount will be paid in 16 quarterly installments of Rs. 25 million each with 1st installment became due on December 31, 2010 including the grace period of one year upto December 31, 2010. Further, during the year the Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Demand Finance		898,927	898,927	Three months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar quarter for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Company, hypothecation over all the present and future moveable fixed assets of the company, mortgage over the immovable property of the Company and personal guarantees of sponsor directors of the Company.	This loan is obtained from National Bank of Pakistan (NBP) for the long term working capital lines of the Company. Mark-up shall be paid on quarterly basis whereas, Principal amount shall be paid in 16 quarterly installments of Rs. 56.250 million each commencing from March 31, 2012. Further, during the year the Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Term Finance		337,500	435,937	One month KIBOR average ask side plus 350 bps per annum. KIBOR will be set at the start the start of each monthly period.	Registered hypothecation first pari passu charge over present and future fixed assets (other than land and building). Mortgage by way of constructive deposit of the title deeds over the immovable properties. Right to present and future DISCOs Receivables. Lien over the balances in the collection accounts and installment reserve accounts.	This syndicate term finance is obtained in June 2011 from the Standard Chartered Bank (Pakistan) Limited for the purpose of meeting its permanent working capital requirements. Markup on it shall be paid on monthly basis commencing from 5th month from the date of first disbursement. The Company has entered into First Supplemental Agreement with Standard Chartered Bank (Pakistan) Limited dated September 30, 2011. As per terms of First Supplemental Agreement, the outstanding principal is deferred till August 07, 2012 and shall be repaid. Remaining twenty four out of thirty two equal monthly installments shall be repaid commencing from August 07, 2012.
Musharaka		300,000	387,500	One month KIBOR average ask side plus 350 bps per annum. KIBOR will be set at the start of each monthly period.	Registered hypothecation first pari passu charge over present and future fixed assets (other than land and building). Mortgage by way of constructive deposit of the title deeds over the immovable properties. Right to present and future DISCOs Receivables. Lien over the balances in the collection accounts and installment reserve accounts.	This syndicate term finance is obtained in June 2011 from the Standard Chartered Bank (Pakistan) Limited for the purpose of meeting its permanent working capital requirements. Markup on it shall be paid on monthly basis commencing from 5th month from the date of first disbursement. The Company has entered into First Supplemental Agreement with Standard Chartered Bank (Pakistan) Limited dated September 30, 2011. As per terms of First Supplemental Agreement, the outstanding principal is deferred till August 07, 2012 and shall be repaid. Remaining twenty four out of thirty two equal monthly installments shall be repaid commencing from August 07, 2012.
Total		5,655,227	6,092,359			
Less : current portion	9.9	1,106,375	1,138,026			
		4,548,852	4,954,333			

9.2 The Company has not made principal payment of Rs. 54.270 million (December 31, 2010: Rs.16.720 million) and markup payment of Rs. 7.171 million (December 31, 2010: Rs.3.954 million) during the year. The matter of reprofiling of terms of Demand Finance-I is still under consideration of National Bank of Pakistan.

Notes to the Financial Statements
for the year ended December 31, 2011

9.3 The Company has not made principal payment of Rs. 132.386 million (December 31, 2010: Rs.33.333 million) and markup payment of Rs. 40.845 million (December 31, 2010: Rs.12.630 million) during the year. The matter of reprofiling of terms of Demand Finance-II is still under consideration of National Bank of Pakistan.

9.4 The Company has issued twenty one privately placed TFCs (PPTFCs) of Rs. 50 million each to various financial institutions for the purpose of expansion of its power division. FAYSAL BANK LIMITED has been appointed as trustee to the PPTFCs issue. Reserve fund equal to 1/6th of the installment amount on monthly basis to be maintained in FAYSAL BANK LIMITED.

9.5 The Company has not made principal payment of Rs. 114.288 million (December 31, 2010: Nil) and markup payment of Rs. 38.704 million (December 31, 2010: Rs. 13.628 million) during the year. The matter of reprofiling of terms of Demand Finance-IV SUKUK is still under consideration of National Bank of Pakistan.

9.6 The Company has not made principal payment of Rs. 100 million (December 31, 2010: Rs. 25 million) and markup payment of Rs. 50.012 million (December 31, 2010: Rs. 23.144 million) during the year. The matter of reprofiling of terms of Demand Finance-III CAPEX is still under consideration of National Bank of Pakistan.

9.7 These facilities carry mark-up rate ranging from 14.25% to 17.12% (December 31, 2010: 13.27% to 16.27%).

9.8 The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2011	2010
Maturity	*Rupees '000*	*Rupees '000*
6 months or less	687,253	607,790
6-12 months	419,122	530,236
1-5 years	4,242,602	4,954,333
Over 5 years	306,250	-
	5,655,227	6,092,359

9.9 Current portion includes principal repayment due but not yet paid during the year amounting to Rs. 400.944 million (December 31, 2010: Rs. 100.054 million).

	Note	2011	2010
		Rupees '000	*Rupees '000*
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		60,234	110,961
Less: current portion	10.2	38,393	96,185
		21,841	14,776

10.1 The Company has entered into lease agreements with various leasing companies, banks and modarabas to acquire various assets. The rentals under these lease agreements are payable on monthly / quarterly basis in arrears and are subject to mark-up rate ranging from 13.58% to18.91% (December 31, 2010: 14.40% to 16.22%) per annum.

Notes to the Financial Statements
for the year ended December 31, 2011

Purchase options are available to the Company after the expiry of lease periods. The Company intends to exercise this option to purchase the leased assets at its salvage value upon the completion of respective lease periods.

Taxes, repairs and insurance costs are borne by the Company.

10.2 Current portion includes an over due amount of Rs. Nil (December 31, 2010: Rs. 30.183 million).

10.3 The amounts of future payments and the periods in which these will be due are as follows:

	2011		2010	
	Minimum lease payments *Rupees '000*	**Present value** *Rupees '000*	**Minimum lease payments** *Rupees '000*	**Present value** *Rupees '000*
Not later than one year	46,252	38,393	103,411	96,185
Later than one year but not later than five years	22,930	21,841	15,512	14,776
	69,182	60,234	118,923	110,961
Less: amount representing finance cost	8,948	-	7,962	-
Present value of minimum lease payments	60,234	60,234	110,961	110,961
Less: current portion	38,393	38,393	96,185	96,185
	21,841	21,841	14,776	14,776

	Note	2011	2010
		Rupees '000	*Rupees '000*
10.4 Maturity profile of the Company's finance lease is as follows:			
Maturity			
6 months or less		28,339	76,204
6 - 12 months		10,054	19,981
1 - 5 years		21,841	14,776
		60,234	110,961
11 DEFERRED TAXATION			
Deferred taxation	11.1	1,973,350	2,751,515

Notes to the Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
11.1 This comprises following:			
Deferred tax liability on taxable temporary differences:			
- tax depreciation allowance		1,641,774	1,362,464
- finance lease		88,454	55,715
- surplus on revaluation of property, plant and equipment		2,052,148	2,160,156
		3,782,376	3,578,335
Deferred tax asset on deductible temporary differences:			
- provision for obsolete and slow moving inventories		(10,189)	(8,883)
- provision for doubtful debts and advances		(147,371)	(104,734)
- available tax losses		(1,336,348)	(504,917)
- provision for compensated absences		(5,330)	(10,870)
- minimum tax adjustable against future tax liability		(309,788)	(197,416)
		(1,809,026)	(826,820)
		1,973,350	2,751,515

12 DEFERRED INCOME

	Note	2011	2010
Deferred income on:			
- grant-in-aid	12.1	52,670	55,442
- sale and lease back activities	12.2	3,399	19,493
		56,069	74,935

12.1 Grant-in-aid

	Note	2011	2010
Balance at beginning of the year		55,442	58,360
Less: transferred to income	32	2,772	2,918
Balance at end of the year		52,670	55,442

The UNIDO vide its contract number 2000/257 dated December 15, 2000 out of the multilateral fund for the implementation of the Montreal Protocol, has given grant-in-aid to the Company for the purpose of phasing out ODS at the Refrigerator and Chest Freezer Plant of the Company. The total grant-in-aid of US $ 1,367,633 (Rs. 91,073,838) comprises the capital cost of the project included in fixed assets amounting to US $ 1,185,929 (Rs. 79,338,650) and grant recoverable in cash of US $181,704 (Rs. 11,735,188) being the incremental operating cost for six months.

The grant recoverable in cash amounting to Rs.11,735,188 was recognized as income in the year of receipt i.e. year ended June 30, 2001. The value of machinery received in grant was capitalized in year 2001 which started its operation in January 2003. The grant amounting to Rs. 2,772,000 (December 31, 2010: Rs. 2,918,000) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
12.2	**Sale and lease back activities**			
	Gain on sale and lease back activities at beginning of the year		19,493	42,748
	Less: transferred to income	32	16,094	23,255
	Gain on sale and lease back activities at end of the year	12.2.1	3,399	19,493

12.2.1 This represents the balance of sale proceeds over the carrying amount of machinery and vehicles under the sale and lease back arrangements that resulted in finance lease. The excess is being amortized over the lease period of three years

		Note	2011	2010
			Rupees '000	*Rupees '000*
13	**TRADE AND OTHER PAYABLES**			
	Creditors		430,346	548,939
	Foreign bills payable	13.1	380,337	486,505
	Accrued liabilities		114,198	106,206
	Advances from customers		177,790	203,144
	Employees' provident fund		8,106	8,626
	Compensated absences		23,426	19,288
	Advance against contracts	38	81,504	15,976
	Other taxes payable		187,946	-
	Workers' profit participation fund	13.2	-	14,028
	Workers' welfare fund		16,582	16,582
	Others		58,654	77,195
			1,478,889	1,496,489

13.1 Foreign bills payable are secured against bills of exchange accepted by the Company in favour of suppliers.

		Note	2011	2010
			Rupees '000	*Rupees '000*
13.2	**Workers' profit participation fund**			
	Balance at beginning of the year		14,028	34,740
	Add: interest on funds utilized in the Company's business	36	1,710	2,145
	- allocation for the year	35	-	14,028
	Less: amount paid during year		15,738	36,885
	Balance at end of the year		-	14,028

13.3 Interest on workers' profit participation fund has been provided at the rate of 16.25% (December 31, 2010: 15.00%) per annum.

Notes to the Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
14 INTEREST AND MARK-UP ACCRUED			
Mark up accrued on:			
- long-term financing		334,716	91,311
- liabilities against assets subject to finance lease		277	7
- short-term borrowings	14.1	488,903	288,879
		823,896	380,197

14.1 Mark-up accrued on short term borrowings from NBFCs also include an overdue mark up amounting Rs. 2.731 million (December 31, 2010: Rs. 1.925 million).

	Note	2011	2010
		Rupees '000	*Rupees '000*
15 SHORT-TERM BORROWINGS			
Secured			
Borrowings from:			
- banking companies	15.2	5,966,079	5,335,445
- non banking finance companies (NBFCs)	15.3	10,133	77,778
		5,976,212	5,413,223
Unsecured			
Book overdraft	15.4	198,648	481,854
		6,174,860	5,895,077

15.1 The aggregate un-availed short-term borrowing facilities as at December 31, 2011 amounts to Rs. 1,087 million (December 31, 2010: Rs. 1,202 million).

15.2 These facilities have been obtained from various banks under mark-up arrangements for working capital requirements and carrying mark-up rate ranging from 13.02% to 17.43% (December 31, 2010: 14.27% to 18.30%) per annum. These facilities are secured against the pledge / hypothecation of raw materials and components, work-in-process, finished goods, machinery, spare parts, charge over book debts, shares of public companies, and other assets having aggregate value of Rs. 7,968 million (December 31, 2010: Rs. 7,271 million) and personal guarantees of the sponsoring directors of the Company. These facilities are generally for a period of one year and renewed at the end of the period.

15.3 This facility has been obtained from NBFCs for purchase of raw material and carries mark-up rate ranging from 14.18% to 16.78% (December 31, 2010: 14.43% to 15.37%) per annum. This facility is secured against first pari-passu charge on fixed assets of the Company inclusive of 25% margin to be maintained at all times and personal guarantees of the directors of the Company.

The short term borrowings from NBFCs also include an overdue principal amount of Rs. 22.15 million (December 31,2010: Rs. 11.11 million).

Notes to the Financial Statements
for the year ended December 31, 2011

15.4 This represents cheques issued by the Company in excess of balances at bank which have been presented for payments in the subsequent period.

16 CONTINGENCIES AND COMMITMENTS

The banks and insurance companies have issued guarantees, letters of credit and discounting of receivables on behalf of the Company as detailed below:

	2011	2010
	Rupees '000	*Rupees '000*
16.1 Contingencies		
Tender bonds	293,845	248,101
Performance bonds	984,678	668,771
Advance guarantees	394,556	547,367
Custom guarantees	66,459	13,051
Bills discounted	2,222,284	2,366,697
Foreign guarantees	129,372	94,074

The Company received notices from Excise and Taxation Department, Karachi regarding professional tax from the year 2001 amounting to Rs. 100,000 for the Company and Rs. 1,650 for the employees of the Company (which total to Rs. 101,650 per year). The liability accumulates to Rs. 1,118,150 till December 31, 2011. However, the Company pays professional tax in the province of Punjab and therefore has taken up the matter to the Honorable Sindh High Court. The matter is pending adjudication to date. No provision has been made in these financial statements as the management is confident that the decision will be made in favour of the Company.

	2011	2010
	Rupees '000	*Rupees '000*
16.2 Commitments		
Letters of credit	894,377	751,506

The aggregate amount of ujrah payments for Ijarah financing and the period in which these payments will become due are as follows:

	2011	2010
	Rupees '000	*Rupees '000*
Not later than one year	40,909	65,881
Later than one year but not later than five years	23,078	59,437
	63,987	125,318

Notes to the Financial Statements
for the year ended December 31, 2011

17 PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2011

Particulars	Cost / revaluation				Accumulated depreciation				Book value as at December 31, 2011	Annual rate of depreciation
	As at January 01, 2011	Additions / (disposals)	Transfers / (adjustments)	As at December 31, 2011	As at January 01, 2011	Charge for the year	Transfers / (disposals) / (adjustments)	As at December 31, 2011		
	Rupees' 000				*Rupees' 000*				*Rupees' 000*	
Owned										
Leasehold land	13,256	-	-	13,256	-	-	-	-	13,256	
Freehold land	326,812	20	-	326,832	-	-	-	-	326,832	
Building on leasehold land	1,227,258	-	52,218	1,279,476	320,472	59,792		380,264	899,212	5%
Building on freehold land	2,409,216	10	589,478	2,998,704	131,776	102,281	-	234,057	2,764,647	5%
Plant and machinery	11,150,117	156,951	531,890	11,763,658	2,021,077	461,524	-	2,481,266	9,282,392	5%
		(75,300)					(1,335)			
Office equipment and furniture	178,764	1,258	-	177,848	62,003	11,665	-	72,889	104,959	10%
		(2,174)					(779)			
Computer hardware & allied items	85,293	1,107	-	80,671	50,080	25,776	-	71,180	9,491	30%
		(5,729)					(4,676)			
Vehicles	141,319	25,315	11,863	125,199	81,312	12,712	3,972	73,119	52,080	20%
		(53,298)					(24,877)			
	15,532,035	184,661	1,185,449	16,765,644	2,666,720	673,750	3,972	3,312,775	13,452,869	
		(136,501)					(31,667)			
Held under finance lease										
Plant and machinery	255,207	70,000	-	325,207	16,415	13,847	-	30,262	294,945	5%
Vehicles	43,619	-	(11,863)	31,756	11,665	6,048	(3,972)	13,741	18,015	20%
	298,826	70,000	(11,863)	356,963	28,080	19,895	(3,972)	44,003	312,960	
Capital work-in-progress										
Building on leasehold land	142,109	4,784	(52,218)	94,675	-	-	-	-	94,675	
Building on freehold land	111,365	544,544	(589,478)	66,431	-	-	-	-	66,431	
Plant and machinery	45,174	648,966	(531,890)	162,250	-	-	-	-	162,250	
	298,648	1,198,294	(1,173,586)	323,356	-	-	-	-	323,356	
December 31, 2011	16,129,509	1,452,955	1,185,449	17,445,963	2,694,800	693,645	3,972	3,356,778	14,089,185	
		(136,501)	(1,185,449)				(35,639)			

17.1 Transfer to owned assets includes both transfers from capital work-in-progress on the related assets becoming available for use and leased assets on completion of the respective lease arrangements.

	Note	2011	2010
		Rupees '000	*Rupees '000*
17.2 Depreciation for the year has been allocated as under:-			
Cost of sales	31.1	665,544	674,236
Administrative expenses	34	28,101	23,779
		693,645	698,015

Notes to the Financial Statements
for the year ended December 31, 2011

17.3 PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2010

Particulars	Cost / revaluation				Accumulated depreciation				Book value as at December 31, 2010	Annual rate of depreciation
	As at January 01, 2010	Additions / (disposals)	Transfers / (adjustments)	As at December 31, 2010	As at January 01, 2010	Charge for the year	Transfers / (disposals) / (adjustments)	As at December 31 2010,		
	Rupees' 000				Rupees' 000				Rupees' 000	
Owned										
Leasehold land	13,256	-	-	13,256	-	-	-	-	13,256	
Freehold land	270,793	56,019	-	326,812	-	-	-	-	326,812	
Building on leasehold land	1,227,258	-	-	1,227,258	272,746	47,726		320,472	906,786	5%
Building on freehold land	2,409,216	-	-	2,409,216	11,911	119,865	-	131,776	2,277,440	5%
Plant and machinery	10,754,189	369,432	94,986	11,150,117	1,547,835	467,034	9,122	2,021,077	9,129,040	5%
		(68,490)					(2,914)			
Office equipment and furniture	155,147	24,739	-	178,764	50,111	12,196	-	62,003	116,761	10%
		(1,122)					(304)			
Computer hardware & allied items	72,260	13,033	-	85,293	37,151	12,929	-	50,080	35,213	30%
Vehicles	119,504	15,944	32,684	141,319	69,959	11,220	10,490	81,312	60,007	20%
		(26,813)					(10,357)			
	15,021,623	479,167	127,670	15,532,035	1,989,713	670,970	19,612	2,666,720	12,865,315	
		(96,425)					(13,575)			
Held under finance lease										
Plant and machinery	350,193	-	(94,986)	255,207	9,705	15,832	(9,122)	16,415	238,792	5%
Vehicles	75,078	1,225	(32,684)	43,619	10,942	11,213	(10,490)	11,665	31,954	20%
	425,271	1,225	(127,670)	298,826	20,647	27,045	(19,612)	28,080	270,746	
Capital work-in-progress										
Building on leasehold land	4,849	137,260	-	142,109	-	-	-	-	142,109	
Building on freehold land	15,710	95,655	-	111,365	-	-	-	-	111,365	
Plant and machinery	45	45,129	-	45,174	-	-	-	-	45,174	
	20,604	278,044	-	298,648	-	-	-	-	298,648	
December 31, 2010	15,467,498	758,436	127,670	16,129,509	2,010,360	698,015	19,612	2,694,800	13,434,709	
		(96,425)	(127,670)				(33,187)			

17.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Plant and Machinery							
Motorized Conveyor	2,445	396	2,049	1,000	(1,049)	Negotiation	Waseem Abbas
Power Press Machine	23,628	589	23,039	22,000	(1,039)	Sale & Lease back	Orix Leasing Pakistan Ltd.
Power Press Machine	14,064	350	13,714	13,000	(714)	Sale & Lease back	Orix Leasing Pakistan Ltd.
Vacuum Thermofoaming Machine	35,163	-	35,163	35,000	(163)	Sale & Lease back	Orix Leasing Pakistan Ltd.
	75,300	1,335	73,965	71,000	(2,965)		
Office equipment and furniture	2,174	779	1,395	219	(1,176)	As per Company Policy	Various Individuals
Computer hardware & allied items							
PC 600 Mhz	780	672	108	207	99	Negotiation	Abdullah Aman
P IV 3 0 Ghz 915 Gavl 1GB DDR 120GB 17 AD	267	199	68	71	3	-do-	Abdullah Aman
Samsung LCD monitor 18 5 inch	118	52	66	10	(56)	-do-	Abdullah Aman
P IV 3 0 Ghz 915 Gavl 256 MB 80 GB 17 AD	210	156	54	56	2	-do-	Abdullah Aman
Others	4,354	3,597	757	1,154	397	-do-	Abdullah Aman
	5,729	4,676	1,053	1,498	445		

Notes to the Financial Statements
for the year ended December 31, 2011

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Vehicle							
Honda Citi	1,419	95	1,324	1,419	95	Sale & Lease back	Standard Chartered Modaraba
Honda City	1,288	64	1,224	1,288	64	-do-	Standard Chartered Modaraba
Coure	755	38	717	755	38	-do-	Standard Chartered Modaraba
Suzuki RexT Jeep	3,465	2,552	913	923	10	As per Company Policy	Haroon A Khan
Toyota Corolla	1,414	24	1,390	1,382	(8)	-do-	Amir Saeed
CAR IR A	1,355	312	1,043	1,325	282	-do-	Javed Iqbal
Honda Civic	1,123	815	308	380	72	-do-	Shahzad Rashid
ARA 850	1,014	283	731	736	5	-do-	Sohaib Usmani
Honda City	1,012	446	566	349	(217)	-do-	Intikhab Alam
Honda City	981	377	604	463	(141)	-do-	Ahmed Butt
Toyota Corolla	950	503	447	292	(155)	-do-	S Kashif Jaferi
Toyota Corolla	945	428	517	377	(140)	-do-	Maqsood Ahmed
Toyota Corolla	945	464	481	343	(138)	-do-	Altamash Maqsood
Toyota Corolla	925	494	431	363	(68)	-do-	Asif Hameed
Suzuki Liana	924	355	569	345	(224)	-do-	M Shakeel
Honda City	891	622	269	-	(269)	-do-	Tahir Arshad
Honda City	847	449	398	260	(138)	-do-	Irfan Baber
Honda City	791	657	134	286	152	-do-	Umer Saleemi
Suzuki Alto	695	185	510	392	(118)	-do-	Kamran Habib
Suzuki Alto	663	341	322	254	(68)	-do-	Maj Arif Rahseed
Suzuki Cultus	641	302	339	197	(142)	-do-	Edwin Jacob
Suzuki Cultus	632	337	295	197	(98)	-do-	Kashif Jafary
Suzuki Cultus	626	269	357	720	363	-do-	Qasim uz Zaman
Suzuki Cultus	614	131	483	189	(294)	-do-	Jehanzeb Ahmed
Suzuki Cultus	614	148	466	382	(84)	-do-	Kashif Ali
Suzuki Cultus	613	305	308	289	(19)	-do-	Tahir Maqsood
Suzuki Cultus	609	506	103	94	(9)	-do-	Asher Abbas
Suzuki Cultus	595	471	124	83	(41)	-do-	Liaqat Ali
Suzuki Alto	530	273	257	267	10	-do-	Kashif Khan
Daihatsu	530	273	257	229	(28)	-do-	Saeed Qurashi
Coure	525	123	402	304	(98)	-do-	Khalil Ahmed
Suzuki Mehran	525	166	359	450	91	-do-	Amin Bhatti
Suzuki Alto	524	236	288	287	(1)	-do-	Imran H Kazmi
Coure	519	285	234	219	(15)	-do-	Riffat Ullah Khan
Santro Club	519	411	108	199	91	-do-	Abdul Qavi Butt
Coure	515	256	259	254	(5)	-do-	Zubair Alam
Suzuki Alto	513	256	257	491	234	-do-	Abid Hassan
Coure	503	128	375	244	(131)	-do-	Husnain Shah
Coure	503	128	375	289	(86)	-do-	Hassan Sultan Cheema
Suzuki Mehran	475	335	140	139	(1)	-do-	Qasim uz Zaman
Suzuki Mehran	475	345	130	146	16	-do-	Muhammad Hanif
Suzuki Mehran	448	182	266	430	164	-do-	Ansur Iqbal
Suzuki Mehran	443	220	223	120	(103)	-do-	Khaliq Dad
Suzuki Mehran	440	220	220	180	(40)	-do-	Gulam Asghar
Suzuki Mehran	438	112	326	179	(147)	-do-	Ahmed Sonary
Suzuki Mehran	438	218	220	179	(41)	-do-	Taqi Yasir
Suzuki Mehran	433	231	202	340	138	-do-	Shauket Nazir
Coure	419	332	87	238	151	-do-	Ahsan Farooq
Suzuki Mehran	395	190	205	181	(24)	-do-	Farooq Zubari
Suzuki Mehran	395	194	201	198	(3)	-do-	Rooman Sabri
Suzuki Mehran	395	311	84	246	162	-do-	Masud Baig
Suzuki Mehran	395	312	83	197	114	-do-	Amir Maqbool
Suzuki Mehran	395	312	83	127	44	-do-	Tanweer Malik
Suzuki Mehran	390	303	87	211	124	-do-	Faisal Shahzad
Suzuki Mehran	390	309	81	196	115	-do-	Shahab Ali
Suzuki Mehran	384	304	80	186	106	-do-	Amir Yaqub
Suzuki Mehran	380	97	283	120	(163)	-do-	Hashim Illyas
Suzuki Mehran	376	300	76	152	76	-do-	Shafqat Ali
Honda Civic	178	6	172	592	420	-do-	Amir Sattar
Honda Civic	177	3	174	765	591	-do-	Waqar Khadim
Honda Civic	147	7	140	369	229	-do-	Khalid Azeem

Notes to the Financial Statements
for the year ended December 31, 2011

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Honda Civic	147	72	75	-	(75)	-do-	Alamgir Shams
Honda Civic	142	25	117	-	(117)	-do-	Shauket Mehmood
Toyota Corolla	138	9	129	1,350	1,221	-do-	Shahib Khan Saif
Toyota Corolla	135	9	126	1,376	1,250	-do-	Atif Amin
Honda City	135	9	126	1,340	1,214	-do-	Umar Farooq
Toyota Corolla	132	-	132	1,211	1,079	-do-	Yousaf Hassan Aslam
Toyota Corolla	129	-	129	1,255	1,126	-do-	Rana Hammad Aslam Khan
Toyota Corolla	128	30	98	268	170	-do-	Aftab A Wyne
Toyota Corolla	128	34	94	252	158	-do-	Nasir Paul
Toyota Corolla	127	6	121	1,251	1,130	-do-	Gulam Murtaza
Honda Civic	104	23	81	375	294	-do-	Raza Khan
Toyota Corolla	101	3	98	389	291	-do-	Wajid Hussain
Toyota Corolla	97	18	79	317	238	-do-	Zafer Ahmed
Toyota Corolla	90	1	89	283	194	-do-	S M Farooq
Toyota Corolla	90	4	86	297	211	-do-	Syed Amir Turab
Toyota Corolla	90	12	78	270	192	-do-	Yaqub Tabasum
Toyota Corolla	88	15	73	287	214	-do-	Masood Tahir
Honda City	88	-	88	258	170	-do-	Faisal Jawad
Honda City	85	-	85	572	487	-do-	Junaid Iftikhar
Honda City	85	4	81	246	165	-do-	Muhammad Tariq
Honda City	83	32	51	83	32	-do-	Munawar Ali
Yamaha	68	17	51	68	17	-do-	Shahid Munir
Suzuki Potohar	68	14	54	323	269	-do-	Muhammad Tariq Ch
Suzuki Cultus	66	3	63	186	123	-do-	Amir Riaz
Suzuki Cultus	66	11	55	192	137	-do-	Khalid Shah
Suzuki Cultus	63	3	60	157	97	-do-	Shahid Rafiq
Suzuki Cultus	63	12	51	70	19	-do-	Muhammad Amjad
Suzuki Cultus	63	13	50	51	1	-do-	Tahir Maqsood
Suzuki Cultus	63	13	50	63	13	-do-	Waqas Haider
Suzuki Cultus	63	13	50	63	13	-do-	Murtaza Subhani
Suzuki Cultus	63	7	56	199	143	-do-	Sher Afzal
Suzuki Cultus	904	317	587	775	188	Negotiation	Muhammad Yaqub
Coure	503	114	389	460	71	-do-	Muhammad Amjad
Suzuki Mehran	409	152	257	370	113	-do-	Muhammad Farooq
Suzuki Mehran	376	309	67	281	214	-do-	Muhammad Yasin
Honda	63	1	62	63	1	Insurance	EFU
Other Vehicles	6,597	4,221	2,376	5,544	3,168	As per Company Policy	Various Individuals
	53,298	24,877	28,421	43,352	14,931		
December 31, 2011	136,501	31,667	104,834	116,069	11,235		
December 31, 2010	96,424	13,575	82,849	88,782	5,933		

	Note	2011	2010
		Rupees '000	*Rupees '000*
17.5 Gain/(loss) has been allocated as follows:			
Gain on disposal of Property, plant and equipment	32	12,954	7,318
Deferred income on sale and lease back		-	998
Loss on sale and lease back	35	(1,719)	(2,383)
		11,235	5,933

Notes to the Financial Statements
for the year ended December 31, 2011

17.6 The latest revaluation of building on free hold land, buildings and plant and machinery was carried out by M/S. Asif Associates (Pvt.) Ltd. independent valuers on the Pakistan Bankers' Association as on December 31, 2009, which resulted in revaluation surplus of Rs. 2,494 million and incorporated in the financial statements for the period ended December 31, 2009. The previous revaluation of building on lease hold land and plant and machinery was carried out in 1999 and surplus was determined at Rs. 910 million. Further revaluation was carried out in 2001 with additional surplus of Rs.144 million and further revaluation was carried out in December 2006 by M/S. Hamid Mukhtar & Co. (Pvt.) Limited, which resulted in additional surplus of Rs. 603 million. Revaluation was carried out again on freehold land, building on lease hold land and plant and machinery in 2008 by M/S. Hamid Mukhtar & Co. (Pvt.) Limited, which resulted in additional surplus of Rs. 1,751 million. During the year ended June 30, 2009 revaluation was again carried out by M/S. Asif Associates (Pvt.) Ltd. resulting in a revaluation surplus of Rs. 1,449 million.

The basis used for revaluation of these property, plant and equipment are as follows:

Free hold land	The value of free hold land is ascertained according to the local market value.
Buildings	Present day construction rates for different types of building structures depreciated to account for the age and condition of the building.
Plant and machinery	The value has been determined with reference to prevailing prices of similar plants and machinery depreciated to account for the age, usage and physical condition.

17.7 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at December 31, 2011 would have been as follows:

	Cost *Rupees '000*	Accumulated depreciation *Rupees '000*	Book value *Rupees '000*
Freehold land	175,929	-	175,929
Building	3,120,814	438,477	2,682,337
Plant and machinery	5,724,773	1,323,951	4,400,822
December 31, 2011	9,021,516	1,762,428	7,259,088
December 31, 2010	7,739,924	808,115	6,931,809

18 INTANGIBLE ASSETS AT DECEMBER 31, 2011

	Cost				Accumulated Amortization			
	As at January 01, 2011	Impairment losses	Additions	As at December 31, 2011	As at January 01, 2011	Amortization for the period	As at December 31, 2011	Net book value as at December 31, 2011
	Rupees' 000				*Rupees' 000*			*Rupees' 000*
Technology transfer agreement	75,434	-	-	75,434	11,983	3,172	15,155	60,279
Goodwill	452,910	140,569	-	312,341	91,859	-	91,859	220,482
Software	4,315	-	742	5,057	1,374	1,011	2,385	2,672
Intangible assets under development - ERP	30,301	-	1,140	31,441	-	-	-	31,441
	562,960	140,569	1,882	424,273	105,216	4,183	109,399	314,874

Notes to the Financial Statements
for the year ended December 31, 2011

18.1 INTANGIBLE ASSETS AT DECEMBER 31, 2010

	Cost				Accumulated Amortization			
	As at January 01, 2010	Impairment losses	Additions	As at December 31, 2010	As at January 01, 2010	Amortization for the period	As at December 31, 2010	Net book value as at December 31, 2010
	Rupees' 000				Rupees' 000			Rupees' 000
Technology transfer agreement	75,434	-	-	75,434	8,643	3,340	11,983	63,451
Goodwill	533,235	80,325	-	452,910	91,859	-	91,859	361,051
Software	1,619	-	2,696	4,315	212	1,162	1,374	2,941
Intangible assets under development - ERP	1,560	-	28,741	30,301	-	-	-	30,301
	611,848	80,325	31,437	562,960	100,714	4,502	105,216	457,744

18.2 The Company has obtained technology of single phase meters, three phase digital meters and also of power transformers from different foreign companies. These are amortized on the same rate as of the depreciation of the relevant plant.

18.3 The Company has acquired different software for its business purpose. These have been amortized @ 33% per annum on reducing balance method.

18.4 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of acquisition of Pel Appliances Limited and Pel Daewoo Electronics Limited by Pak Elektron Limited.

The Company engaged RAHMAN SARFARAZ RAHIM IQBAL RAFIQ, Chartered Accountants (the "Consultants") in December 2009 to carry out detailed review and analysis of the business plan and financial information for valuation of goodwill that was recognized on acquisition of Pel Daewoo Electronics Limited. The scope of the consultancy, in accordance with International Standards on Assurance Engagements, was to examine the prospective financial information and value in use of TV Assembly Line. The scope also included examination of the underlying assumptions and the bases used for the preparation of the prospective financial information and the derived value in use.

The recoverable amount was calculated by the Consultants on the basis of financial business plan prepared by the management. The prospective results have not been achieved by the Parent Company due to economic uncertainties and cancelation of LG license. The discount rate of 17% p.a. was used for the calculation of discounted cash flows. The cash flows beyond the five years period have been extrapolated using a steady 3% p.a. growth rate which is consistent with the long-term average growth rate for the industry. Based on the Prudence Concept and in view of cancelation of LG license, goodwill related to Pel Daewoo Electronics Limited has been fully impaired by providing impairment loss of Rs. 140.569 million (December 31, 2010: Rs. 80.325 million) in these financial statements.

Notes to the Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
19 LONG-TERM INVESTMENTS			
Investments in related parties			
Wholly owned subsidiary at cost - Unquoted			
PEL Marketing Private Limited			
10,000 shares (December 31, 2010: Nil) of Rs. 10 each			
Ordinary shares held 100% (December 31, 2010: Nil)		100	-
Associate at cost - Quoted	19.1	4,395	13,447
		4,495	13,447

		Percentage	Percentage
19.1 Investment in associate at cost - Quoted			
Kohinoor Power Company Limited			
Ownership interest		23.10	23.10

	Note	2011	2010
		Rupees '000	*Rupees '000* (Restated)
Cost of investment			
2,910,600 shares (December 31, 2010: 2,910,600 shares)		54,701	54,701
Less: provision for impairment in value of investment	19.1.1	50,306	41,254
		4,395	13,447

19.1.1 Movement in provision for impairment during the year

	2011	2010
Balance at beginning of the year	41,254	31,795
Provision for the year	9,052	9,459
Balance at the end of the year	50,306	41,254

19.1.2 The recoverable amount of the investment in "Kohinoor Power Company Limited" was tested for impairment as required by IAS 36 "Impairment of assets". Associated company has not been able to pay dividend since 2003, further, the chances of improvement in its result are remote and depend upon heavy capital investment. Considering all these factors, the amount of investment has been impaired to the extent that is recoverable from the sale of shares.

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
20	**LONG-TERM DEPOSITS**			
	Security deposits with leasing companies		23,539	51,097
	Less: current portion	25	14,595	22,202
			8,944	28,895
	Other deposits		45,692	46,620
			54,636	75,515

		2011	2010
		Rupees '000	*Rupees '000*
21	**STORES, SPARE PARTS AND LOOSE TOOLS**		
	Stores	2,378	2,124
	Spare parts	84,912	81,732
	Loose tools	37,735	41,802
		125,025	125,658
	Less: provision for slow moving and obsolete items	15,443	17,253
		109,582	108,405

		2011	2010
		Rupees '000	*Rupees '000*
22	**STOCK-IN-TRADE**		
	Raw material and components		
	- in stores	2,176,716	2,531,378
	- in-transit	739,311	1,473,448
	Less: provision for slow moving and obsolete items	8,865	7,592
		2,907,162	3,997,234
	Work-in-process	939,364	874,748
	Finished goods	294,560	780,642
	Less: provision for slow moving and obsolete items	4,804	535
		289,756	780,107
		4,136,282	5,652,089

22.1 Stocks with carrying value of Rs. 2,350 million (December 31, 2010: Rs. 3,745 million) have been pledged as security with certain banks against financing facilities.

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
23	**TRADE DEBTS - unsecured**			
	Considered good:			
	- against sale of goods		2,621,964	2,815,351
	- against execution of contracts		1,152,319	1,109,424
			3,774,283	3,924,775
	Considered doubtful		287,169	202,168
			4,061,452	4,126,943
	Less: provision for doubtful debts	23.1	287,169	202,168
			3,774,283	3,924,775
23.1	**Movement in provision during the year**			
	Balance at beginning of the year		202,168	141,972
	Provision for the year		85,001	60,196
	Balance at the end of the year		287,169	202,168
24	**ADVANCES**			
	Advances to employees - Considered good:			
	- purchases		12,267	23,783
	- expenses		5,022	32,419
	- traveling		3,014	3,703
	- others	24.1	1,830	1,128
			22,133	61,033
	Advances to employees - considered doubtful		1,449	1,449
	Less: Provision for doubtful advances		1,449	1,449
			22,133	61,033
	Advances to suppliers and contractors		577,592	573,097
	Less: Provision for doubtful advances against suppliers		133,892	97,072
			443,700	476,025
	Retention money for contracts in progress	38	159,726	143,553
			625,559	680,611

24.1 These are interest free, unsecured advances given to employees.

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
25	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security deposits		30,880	33,742
	Less: provision for security deposits considered doubtful		5,379	5,379
			25,501	28,363
	Current portion of long-term deposits	20	14,595	22,202
	Margin deposits		146,442	166,030
	Prepayments		38,682	29,145
	Letters of credit		2,335	1,526
			227,555	247,266
26	**OTHER FINANCIAL ASSETS**			
	Investments at fair value through profit or loss			
	Standard Chartered Bank	26.1	7,312	26,446
	Wateen Telecom Limited	26.2	179	364
			7,491	26,810
26.1	**Standard Chartered Bank**			
	915,070 (December 31, 2010: 3,075,070)			
	ordinary shares of Rs. 10 each			
	Balance at beginning of the year		26,446	27,522
	Shares sold during the year		(18,576)	-
			7,870	27,522
	Loss due to change in the fair valueof investment		(558)	(1,076)
			7,312	26,446

26.1.1 Market value per share is Rs. 7.99 (December 31, 2010: Rs. 8.60)

			2011	2010
26.2	**Wateen Telecom Limited**			
	100,000 (December 31, 2010: 100,000)			
	ordinary shares of			
	Balance at beginning of the year		364	-
	Shares purchased during the year		-	1,000
			364	1,000
	Loss due to change in the fair value of investment		(185)	(636)
			179	364

26.2.1 Market value per share is Rs. 1.79 (December 31, 2010: Rs. 3.64).

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
27	**SALES TAX REFUNDABLE**			
	Sales tax refundable		-	169,589
28	**CASH AND BANK BALANCES**			
	In local currency			
	Cash in hand		3,567	10,065
	Balances with banks			
	in current accounts		69,750	283,681
	in deposit account	28.1	50,000	50,000
			119,750	333,681
	In foreign currency			
	US Dollar account ((US $ 76.77 @ Rs.89.60) (December 31, 2010: US $ 84.95 @ Rs.85.70))		7	7
			123,324	343,753

28.1 This represents deposit account under lien with Trust Investment Bank Limited carrying return at the rate of 3 months KIBOR plus 1% p.a (December 31, 2010: 3 months KIBOR plus 1% p.a).

		Note	2011	2010
			Rupees '000	*Rupees '000*
29	**REVENUE**			
	Contract revenue	38	380,797	507,842
	Sales - Local		12,752,037	19,128,378
	Sales - Export		414,998	259,228
			13,547,832	19,895,448
30	**SALES TAX AND DISCOUNT**			
	Sales tax and excise duty		1,852,714	1,910,901
	Trade discounts		457,880	461,891
			2,310,594	2,372,792

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
31	**COST OF SALES**			
	Finished goods at beginning of the year		780,642	838,729
	Cost of goods manufactured	31.1	9,375,125	13,208,099
	Finished goods purchased		114,314	198,498
			9,489,439	13,406,597
	Finished goods at end of the year		(294,560)	(780,642)
	Cost of goods sold		9,975,521	13,464,684
	Contract cost	38	413,168	350,070
			10,388,689	13,814,754
31.1	**Cost of goods manufactured**			
	Work-in-process at beginning of the year		874,748	756,549
	Raw material and components consumed		7,453,468	11,070,227
	Direct wages		459,441	574,876
	Factory overheads:			
	- salaries, wages and benefits	31.2	232,067	318,879
	- traveling and conveyance		15,329	30,433
	- electricity, gas and water		189,071	216,513
	- repairs and maintenance		54,561	100,164
	- vehicles running and maintenance		17,353	24,613
	- insurance		35,169	28,881
	- depreciation	17.2	665,544	674,236
	- amortization of intangible assets		4,183	4,502
	- provision for obsolete and slow moving stock		3,732	2,745
	- impairment loss on goodwill	18	140,569	80,325
	- carriage and freight		14,209	19,450
	- erection and testing		137,618	161,312
	- other factory overheads		17,427	19,142
			1,526,832	1,681,195
			10,314,489	14,082,847
	Work-in-process at end of the year		(939,364)	(874,748)
			9,375,125	13,208,099

31.2 These include employee benefits amounting to Rs. 28.606 million (December 31, 2010: Rs. 24.433 million).

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
32	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Mark-up income		1,563	16
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment	17.5	12,954	7,318
	Gain on sale and lease back activities	12.2	16,094	23,255
	Amortization of grant-in-aid	12.1	2,772	2,918
	Commission income		-	15,745
	Exchange gain		34	-
	Others		2,615	1,684
			36,032	50,936
33	**DISTRIBUTION COST**			
	Salaries, wages and benefits	33.1	205,476	292,831
	Traveling and conveyance		25,916	37,455
	Rent, rates and taxes		38,412	45,919
	Electricity, gas, fuel and water		6,021	8,681
	Repairs and maintenance		2,691	3,665
	Vehicles running and maintenance		15,168	24,917
	Printing and stationery		4,524	8,735
	Postage, telegrams and telephones		8,781	16,334
	Entertainment and staff welfare		5,030	9,936
	Advertisement and sales promotion		79,071	215,847
	Insurance		5,044	5,209
	Freight and forwarding		122,452	286,501
	Contract and tendering		861	954
	Warranty period services		80,126	75,133
	Others		93,262	24,894
			692,835	1,057,011

33.1 This includes employee benefits amounting to Rs. 12.544 million (December 31, 2010: Rs. 13.081 million).

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
34	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	34.1	276,541	346,557
	Traveling and conveyance		14,171	14,831
	Rent, rates and taxes		63,175	65,270
	Ujrah payments		84,460	88,095
	Legal and professional		16,824	4,365
	Electricity, gas and water		17,150	19,514
	Auditors' remuneration	34.2	2,236	2,181
	Repairs and maintenance		10,605	27,524
	Vehicles running and maintenance		11,509	17,909
	Printing, stationery and periodicals		4,041	6,381
	Postage, telegrams and telephones		7,850	10,140
	Entertainment and staff welfare		13,843	30,290
	Advertisement		195	603
	Insurance		5,427	8,423
	Provision for doubtful debts, advances and security deposits		121,821	80,717
	Depreciation	17.2	28,101	23,779
	Others		4,866	4,495
			682,815	751,074

34.1 These include employee benefits amounting to Rs. 16.458 million (December 31, 2010: Rs. 10.517 million).

		2011	2010
		Rupees '000	*Rupees '000*
34.2	**Auditors' remuneration**		
	Audit fee	1,250	1,000
	Half yearly and COCG review and special certificates	737	925
	Out of pocket expenses	249	256
		2,236	2,181

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000* (Restated)
35	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	13.2	-	14,028
	Workers' welfare fund		-	5,331
	Loss on sale and lease back	17.5	1,719	1,385
	Loss due to change in the fair value of investments at fair value through profit and loss	26	743	1,712
	Loss on sale of investments at fair value through profit and loss	26	2,376	-
	Provision for impairment in value of long-term investments	19.1.1	9,052	9,459
	Exchange Loss		-	34,019
			13,890	65,934

		Note	2011	2010
			Rupees '000	*Rupees '000*
36	**FINANCE COST**			
	Interest / mark-up on:			
	- long-term financing - secured		407,421	741,194
	- short-term borrowings	36.1	895,845	754,921
	- workers' profit participation fund	13.2	1,710	2,145
	- liabilities against assets subject to finance lease		13,978	20,826
	Bank charges and commission		94,101	104,525
			1,413,055	1,623,611

36.1 Interest / mark-up on short term borrowings from NBFCs includes penalized mark up amounting to Rs. 0.071 million (December 31,2010: Rs. 0.595 million) on overdue principal payments.

		2011	2010
		Rupees '000	*Rupees '000*
37	**PROVISION FOR TAXATION**		
	For the year		
	Current	112,372	175,216
	Deferred	(799,931)	(137,296)
		(687,559)	37,920
	Prior year		
	Current	16,298	29,086
	Deferred	21,766	5,178
		38,064	34,264
		(649,495)	72,184

Notes to the Financial Statements
for the year ended December 31, 2011

37.1 Numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the Company is chargeable to minimum tax under section 113 of the Income Tax Ordinance, 2001.

		Note	2011	2010
			Rupees '000	*Rupees '000*
38	**LONG-TERM CONSTRUCTION CONTRACTS**			
	Contract revenue for the year	29	380,797	507,842
	Cost incurred to date		2,037,483	1,624,315
	Contract costs for the year	31	413,168	350,070
	Gross profit realized to date		769,191	801,562
	Balance of advance received	13	81,504	15,976
	Retention money receivable	24	159,726	143,553
	Gross amount due from customers		10,666	34,030
	Gross amount due to customers		6,669	14,293
	Estimated future costs to complete projects in progress	38.1	1,101,285	936,319

38.1 As part of the application of percentage of completion method on contract accounting, the project costs are estimated. These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

39 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to directors and executives of the Company are as follows:

	Directors		Executives	
	2011	**2010**	**2011**	**2010**
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
Remuneration	18,104	16,888	135,108	145,960
House rent	3,621	4,959	44,131	50,244
Utilities	1,810	1,689	11,878	14,185
Bonus	-	-	414	23,187
Employment benefits	1,056	1,056	12,500	13,144
Reimbursable expenses				
Motor vehicles expenses	360	355	9,302	12,036
Medical expenses	65	56	5,182	8,005
TOTAL	25,016	25,003	218,515	266,761
Number of persons	3	3	102	110

Notes to the Financial Statements
for the year ended December 31, 2011

39.1 No remuneration and benefits have been paid to Chief Executive Officer.

39.2 Chief Executive Officer, Directors and Executives have been provided with free use of the Company's cars.

		Note	2011	2010
			Rupees '000	*Rupees '000*
40	**(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**			
	The calculation of basic and diluted earnings per ordinary share is based on the following data:			
	(Loss) / Earnings			
	(Loss) / profit for the year		(1,268,519)	189,024
	Less: dividend payable on preference shares		66,088	42,709
	(Loss) / earnings attributable to ordinary shares		(1,334,607)	146,315

	2011	2010
	No. of shares	*No. of shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	121,868,745	118,445,091
Effect of dilutive potential ordinary shares	82,272,393	40,736,294
	204,141,138	159,181,385

Basic and diluted earnings per share have been calculated through dividing earnings as stated above by weighted average number of ordinary shares.

	Note	Rupees	Rupees
Basic (loss) / earnings per share		(10.95)	1.24
Diluted (loss) / earnings per share	40.1	(10.95)	1.19

40.1 The effect of conversion of convertible preference shares into ordinary shares is anti-dilutive for the current year, accordingly the diluted loss per share is restricted to basic loss per share.

41 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary, associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from related parties are shown under receivables and remuneration of directors and key management personnel is disclosed in respective note to these financial statements. Other significant transactions with related parties are as follows:

Notes to the Financial Statements
for the year ended December 31, 2011

		2011	2010
		Rupees '000	*Rupees '000*
Relationship	**Nature of transaction**		
Subsidiary:			
PEL Marketing Private Limited	Sales of goods	904,358	-
	Sales of services	93,123	-
Key management personnel	Short-term employee benefits	23,960	23,947
	Post employment benefits	1,056	1,056
Other related parties:			
Red Communication Art (Private) Limited	Purchase of services	54,550	171,312
	Sales of goods	5,510	9,533

41.1 All transactions with related parties have been carried out on arm's length price.

42 PLANT CAPACITY AND ACTUAL PRODUCTION

			2011	2010
	Unit	**Annual Production capacity**	**Actual production during the year**	**Actual production during the year**
Transformers / Power Transformers	MVA	5,000	2,029	2,999
Switchgears	Nos.	4,500	1,490	3,443
Energy meters	Nos.	1,700,000	349,611	843,880
Air conditioners	Tonnes	90,000	39,565	91,952
Refrigerators/deep freezers	Cfts.	5,000,000	2,660,387	3,660,858

42.1 The under utilization of capacity is mainly attributed to reduced demand.

Notes to the Financial Statements
for the year ended December 31, 2011

43 SEGMENT INFORMATION

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

Types of Segments	**Nature of Business**
Power Division	Manufacturing and distribution of Transformers, Switch Gears, Energy Meters, Power Transformers and EPC.
Appliances Division	Manufacturing, assembling and distribution of Refrigerators, Air conditioners, Microwave ovens, Televisions, Generators and Washing Machines including home appliances under distributions agreement signed with LG. The Company's distribution agreement with LG Electronics Inc. has been terminated during the year. However, activities under this distribution arrangement up to the date of termination have been aggregated with Appliances division as per criteria given in IFRS-8 "Operating segment".

	Power Division		**Appliances Division**		**Consolidated**	
	2011 *Rupees '000*	**2010** *Rupees '000*	**2011** *Rupees '000*	**2010** *Rupees '000*	**2011** *Rupees '000*	**2010** *Rupees '000*
Revenue	4,686,017	8,320,016	6,551,221	9,202,640	11,237,238	17,522,656
Less : Intersegment Revenue	-	-	-	-	-	-
Total Revenue	4,686,017	8,320,016	6,551,221	9,202,640	11,237,238	17,522,656
Finance cost	589,255	770,907	823,800	852,704	1,413,055	1,623,611
Depreciation and Amortization	331,665	315,473	366,163	387,044	697,828	702,517
Segment (Loss)/ Profit before tax	(638,371)	136,516	(1,312,903)	87,130	(1,951,274)	223,646
Segment assets	10,263,225	10,062,854	12,033,639	12,645,971	22,296,864	22,708,825

	2011	**2010**
	Rupees '000	*Rupees '000*
Reconciliation of Segment (Loss)/Profits:		
Total (Loss)/Profit for Reportable Segments	(1,951,274)	223,646
Un-allocated other Income	33,260	37,562
(Loss)/Profit before Taxation	(1,918,014)	261,208
Reconciliation of Reportable Segment Assets:		
Total assets for Reportable Segments	22,296,864	22,708,825
Other Corporate Assets	1,385,748	2,821,314
Total Assets	23,682,612	25,530,139

Information about major customers:

Revenue of Rs. 2,983.960 million (December 31, 2010: Rs. 5,286.595 million) is derived from WAPDA Distribution Companies. This revenue is attributable to Power Division of the Company.

Notes to the Financial Statements
for the year ended December 31, 2011

44 FINANCIAL INSTRUMENTS

44.1 Capital risk management

The Company's objective when measuring capital are to safeguard the Company's ability to continue as going concern while providing returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure through debt and equity balance.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue of new shares.

Consistent with others in industry, the Company monitors capital on the basis of gearing ratio. During the period, the Company's strategy was to maintain the gearing ratio between 30% to 40% and 'A' credit rating. The gearing ratios as at December 31, 2011 and December 31, 2010 were as follows:

		2011	2010
		Rupees '000	*Rupees '000*
Long Term Finances	A	5,655,227	6,092,359
Total Equity	B	7,460,087	8,728,606
Total Capital	C=A+B	13,115,314	14,820,965
Gearing Ratio	D=A / C	43%	41%

It arises on financial instruments because changes in, for example, commodity prices or equity prices. The Company is exposed to price risks arising from equity investments. Equity investments are held for strategic purposes rather than trading purposes. The Company does not actively trade these investments.

44.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

44.3 Financial risk management objectives

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes to the Financial Statements
for the year ended December 31, 2011

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

44.3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Company conducts major types of transactions with the following counterparties:

Trade debts

Trade debts are essentially due from customers against sale of electrical goods. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Bank and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a credit rating of at least A3 in short term and BBB in long term . Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Notes to the Financial Statements
for the year ended December 31, 2011

	2011	2010
	Rupees '000	*Rupees '000*
Investments	4,495	13,447
Other financial assets	7,491	26,810
Trade debts	4,061,452	4,126,943
Advances	161,556	144,681
Trade deposits	78,778	79,710
Other receivables	17,241	45,869
Bank balances	119,757	333,688
	4,450,770	4,771,148

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2011	2010
	Rupees '000	*Rupees '000*
General customers	3,511,374	3,682,912
Corporate customers	550,078	444,028
	4,061,452	4,126,940

There is no single significant customer in the trade debts of the Company.

	2011	2010
	Rupees '000	*Rupees '000*
Aging analysis of trade debts		
1 year or less	3,469,013	3,488,849
1 - 2 year	190,900	218,720
2 - 3 year	125,817	154,770
3 year and above	275,722	264,604
Less: provision for doubtful debts	287,169	202,168
	3,774,283	3,924,775

In determining the recoverability of a trade debt, the Company considers any change in the credit quality of the trade debt from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further provision required in excess of the allowance for doubtful debts.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings.

Notes to the Financial Statements
for the year ended December 31, 2011

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

Name of Bank	Ratings Short-term	Ratings Long-term	Rating Agency	Balance As at December 31 2011 *Rupees '000*	2010 *Rupees '000*
Allied Bank Ltd.	A1+	AA	PACRA	226	376
Askari Commercial Bank Ltd.	A1+	AA	PACRA	474	684
Bank Al - Falah Ltd.	A1+	AA	PACRA	6,788	25,912
Bank Al - Habib Ltd.	A1+	AA+	PACRA	415	1,095
Bank of Khyber	A2	A-	PACRA	-	4,978
Bank of Punjab	A1+	AA-	PACRA	15,126	6,519
Barclays Bank	A1	A+	S&P	85	126
Faysal Bank Ltd.	A1+	AA	JCR-VIS	838	28,868
HSBC Bank Ltd.	A1+	AA	S&P	309	-
Habib Bank Ltd.	A1+	AA+	JCR-VIS	931	26,670
Habib Metropolitan Bank Ltd.	A1+	AA+	PACRA	10,636	-
KASB Bank Ltd.	A3	BBB	PACRA	5	3,282
MCB Bank Ltd.	A1+	AA+	PACRA	1,886	1,424
Meezan Bank Ltd.	A1+	AA-	JCR-VIS	1,199	-
My Bank Ltd.	A2	A-	PACRA	-	869
National Bank of Pakistan	A1+	AAA	JCR-VIS	1,833	29,783
NIB Bank Ltd.	A1+	AA-	PACRA	8,024	87,077
Samba Bank Ltd. (formerly Crescent Commercial Bank Ltd.)	A1	A+	JCR-VIS	182	222
Silk Bank Ltd.	A2	A	JCR-VIS	10,799	13,040
Soneri Bank Ltd.	A1+	AA-	PACRA	1,130	152
Standard Chartered Bank	A1+	AAA	PACRA	3,011	41,107
The Royal Bank of Scotland	A1+	AA	PACRA	-	742
United Bank Ltd.	A1+	AA+	JCR-VIS	2,370	9,166
Al-barka Islamic Bank	A1	A	JCR-VIS	-	-
Dawood Islamic Bank	A1	A+	JCR-VIS	-	4,644
Emirates Bank International	A1+	AAA	JCR-VIS	-	52
Bank Al-Islamic	A1	A	PACRA	25	10
Summit Bank Limited (formerly Arif Habib Bank Ltd.)	A-	A2	JCR-VIS	742	90
Burj Bank Limited	A2	A	JCR-VIS	1,741	-
Deutsche Bank	A1+	AA+	PACRA	-	-
Sindh Bank Limited	A1-	AA	JCR-VIS	982	-
Trust Investment Bank Limited	A3	BBB	PACRA	50,000	50,000

Notes to the Financial Statements
for the year ended December 31, 2011

44.3.2 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note of short term borrowing in these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note of long term financing - secured and liabilities against assets subject to finance lease in these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2011	**2010**
	Rupees '000	***Rupees '000***
Trade and other Payables		
Maturity upto one year	2,043,491	1,657,566
Short term borrowings		
Maturity upto one year	6,174,860	5,895,077
Long term financing		
Maturity upto one year	1,106,375	1,138,026
Maturity after one year and upto five years	4,242,602	4,954,333
Maturity after five years	306,250	-
Liabilities against assets subject to finance lease		
Maturity upto one year	38,393	96,185
Maturity after one year and upto five years	21,841	14,776
	13,933,812	13,755,963

Notes to the Financial Statements
for the year ended December 31, 2011

44.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk is as follows based on notional amounts:

	2011	2010
	USD'000	***USD'000***
Foreign bills payable	3,046.00	4,151.00
Cash and bank balances	0.08	0.08
	3,046.08	4,151.08
	EURO'000	***EURO'000***
Foreign bills payable	771	994
	CHF'000	***CHF'000***
Foreign bills payable	40	-

Notes to the Financial Statements
for the year ended December 31, 2011

Commitments outstanding at year end amounted to Rs. 894 million (December 31, 2010: Rs.753 million) relating to letter of credits for import of stores, spare parts and raw material.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	**2010**	**2011**	**2010**
	Rupees '000	***Rupees '000***	***Rupees '000***	***Rupees '000***
USD 1	87.86	84.88	89.60	85.70
EURO 1	115.51	117.17	115.96	113.93
CHF 1	94.58	-	95.20	-

Foreign currency sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the foreign currencies at December 31, 2011 would have increased/decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for December 31, 2010.

	2011	**2010**
	Rupees '000	***Rupees '000***
Increase in profit and loss account	36,614	46,899

A 10 percent weakening of the Pak Rupee against the foreign currency at December 31, 2011 would have had the equal but opposite effect on foreign currency to the amounts shown above, on the basis that all other variables remain constant.

(b) Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

- Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Notes to the Financial Statements
for the year ended December 31, 2011

	2011	2010	2011	2010
	%	*%*	*Rupees '000*	*Rupees '000*
Floating rate instruments				
Financial assets				
Bank balances	12.98	14.46	50,000	50,000
Financial liabilities				
Long term financing	14.25 to 17.12	13.27 to 16.27	4,548,852	4,973,707
Short-term borrowings	13.02 to 17.43	14.36 to 17.43	5,976,212	5,413,223
			10,575,064	10,436,930

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Company's equity.

	Increase / (Decrease) in basis points	Effect on profit before tax
	%	*Rupees '000*
December 31, 2011		
Short term borrowings		60,350
Long term financing	**1%**	58,738
Liabilities against assets subject to finance lease		856
		119,944
December 31, 2010		
Short term borrowings		53,010
Long term financing	**1%**	54,776
Liabilities against assets subject to finance lease		1,566
		109,352

(c) Equity Price Risk Management

The Company's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

Notes to the Financial Statements
for the year ended December 31, 2011

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

44.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

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

	2011	2010
	Rupees '000	*Rupees '000*
45 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	633	(23,638)
- Stock-in-trade	1,510,265	(1,822,136)
- Trade debts	65,491	(757,749)
- Advances	18,232	124,675
- Trade deposits and short-term prepayments	12,104	(51,203)
- Other receivables	198,217	(46,132)
	1,804,942	(2,576,183)
(Decrease) / increase in trade and other payables	(21,738)	224,178
	1,783,204	(2,352,005)

46 REARRANGEMENT AND RECLASSIFICATION

There is no re-arrangement or re-classification during the year.

47 NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the period amounting to Rs. 70 million (December 31, 2010: Rs. 1.225 million) were financed by new finance leases.

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 09, 2012.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Consolidated Financial Statements

for the year ended December 31, 2011

Auditors' Report to the Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Pak Elektron Limited** ("the Parent Company") and its Subsidiary Company PEL Marketing (Private) Limited as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof ("consolidated financial statements"), for the year then ended. We have also expressed separate opinion on the financial statements of the Parent Company Pak Elektron Limited for the year ended December 31, 2011 and a review report on the financial statements of subsidiary company, Pel Marketing (Private) Limited for the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to express our opinion on the these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pak Elektron Limited and its subsidiary as at December 31, 2011 and the results of its operations for the year then ended.

M. Yousuf Adil Saleem & Co.
(Chartered Accountants)

Mohammad Saleem
(Engagement Partner)
Date: April 09, 2012
Lahore.

Consolidated Balance Sheet
as at December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	4	2,500,000	2,500,000
Issued, subscribed and paid up capital	5	1,668,264	1,668,264
Capital reserves	6	164,134	164,134
Unappropriated profit		1,770,706	2,733,582
		3,603,104	4,565,980
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	3,962,040	4,162,626
NON-CURRENT LIABILITIES			
Long-term financing - secured	8	4,548,852	4,954,333
Liabilities against assets subject to finance lease	9	21,841	14,776
Deferred taxation	10	1,973,350	2,751,515
Deferred income	11	56,069	74,935
		6,600,112	7,795,559
CURRENT LIABILITIES			
Trade and other payables	12	1,485,002	1,496,489
Interest and mark-up accrued	13	823,896	380,197
Short-term borrowings	14	6,174,860	5,895,077
Current portion of:			
- long-term financing	8	1,106,375	1,138,026
- liabilities against assets subject to finance lease	9	38,393	96,185
		9,628,526	9,005,974
CONTINGENCIES AND COMMITMENTS	15		
		23,793,782	25,530,139

The annexed notes 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

	Note	2011	2010
		Rupees '000	*Rupees '000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	14,089,185	13,434,709
Intangible assets	17	314,874	457,744
		14,404,059	13,892,453
Long-term investments	18	4,393	13,447
Long-term deposits	19	54,636	75,515
CURRENT ASSETS			
Stores, spare parts and loose tools	20	109,582	108,405
Stock-in-trade	21	4,247,023	5,652,089
Trade debts - unsecured	22	3,746,881	3,924,775
Advances	23	625,559	680,611
Trade deposits and short-term prepayments	24	227,555	247,266
Other receivables		17,241	45,869
Other financial assets	25	7,491	26,810
Sales tax refundable	26	-	169,589
Income tax refundable		187,496	349,557
Cash and bank balances	27	161,866	343,753
		9,330,694	11,548,724
		23,793,782	25,530,139

HAROON A. KHAN
Managing Director

Consolidated Profit and Loss Account / Statement of Comprehensive Income
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
Revenue	28	13,723,169	19,895,448
Sales tax and discount	29	2,380,339	2,372,792
Revenue - net		11,342,830	17,522,656
Cost of sales	30	10,277,948	13,814,754
Gross profit		1,064,882	3,707,902
Other operating income	31	37,140	50,936
		1,102,022	3,758,838
Distribution cost	32	792,803	1,057,011
Administrative expenses	33	683,115	751,074
Other operating expenses	34	4,838	71,223
Finance cost	35	1,413,264	1,623,611
		2,894,020	3,502,919
		(1,791,998)	255,919
Share of (loss) / profit of associate	18	(10,162)	5,289
(Loss) / profit before taxation		(1,802,160)	261,208
Provision for taxation	36	(638,698)	72,184
(Loss) / profit for the year		(1,163,462)	189,024
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(1,163,462)	189,024
(Loss) / earnings per share		*Rupees*	*Rupees*
Basic	39	(10.09)	1.24
Diluted	39	(10.09)	1.19

The annexed notes 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Consolidated Cash Flow Statement
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
Cash flows from operating activities			
(Loss)/profit before taxation		(1,802,160)	261,208
Adjustments for:			
Depreciation on property, plant and equipment		693,645	698,015
Amortization of intangible assets		4,183	4,502
Share of loss/(profit) of associate		10,162	(5,289)
(Reversal)/provision for impairment in value of investments		(1,108)	14,748
Finance cost		1,413,264	1,623,611
Provision for doubtful debts, advances and security deposits		121,821	80,717
Impairment of goodwill		140,569	80,325
Provision for obsolete and slow moving stocks		3,732	2,745
Provision/(reversal) for compensated absences		15,228	(1,054)
Loss due to change in the fair value of other financial assets		743	1,712
Loss on sale of investments at fair value through profit and loss		2,376	-
Loss on sale and lease back		1,719	1,385
Amortization of grant-in-aid		(2,772)	(2,918)
Gain on sale and lease back activities (net of amortization during the year)		(16,094)	(23,255)
Gain on disposal of property, plant and equipment		(12,954)	(7,318)
		2,374,514	2,467,926
Cash generated from operations before working capital changes		572,354	2,729,134
Working capital changes	44	1,705,978	(2,352,005)
Cash generated from operations		2,278,332	377,129
Finance cost paid		(969,565)	(1,577,177)
Compensated absences paid		(11,090)	(10,715)
Income tax refunded/(paid)		22,594	(186,537)
		(958,061)	(1,774,429)
Net cash used in operating activities		1,320,271	(1,397,300)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,382,955)	(758,436)
Purchase of intangible assets		(1,882)	(31,437)
Proceeds from disposal of property, plant and equipment		42,607	47,092
Proceeds from sale and leaseback activities		73,462	41,690
Proceeds from sales of investments at fair value through profit and loss		16,200	-
Long-term deposits made during the year		28,486	14,537
Investment made in wholly owned subsidiary		-	-
Purchase of other financial assets		-	(1,000)
Net cash used in investing activities		(1,224,082)	(687,554)
Cash flows from financing activities			
Repayment of long-term financing		(437,132)	(799,691)
Proceeds from long-term financing		-	2,029,307
Repayment of liabilities against assets subject to finance lease		(120,727)	(91,366)
Proceeds from short-term borrowings - net		279,783	1,188,187
Dividend paid		-	(21,093)
Net cash from financing activities		(278,076)	2,305,344
Net increase/(decrease) in cash and cash equivalents		(181,887)	220,490
Cash and cash equivalents at beginning of the year		343,753	123,263
Cash and cash equivalents at end of the year	27	161,866	343,753

The annexed notes 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2011

		Capital reserves		Revenue reserves	
	Share capital *Rupees '000*	Premium on issue of shares *Rupees '000*	Reserve for bonus shares *Rupees '000*	Unappropriated profit *Rupees '000*	Total *Rupees '000*
Balance as at December 31, 2009	**1,593,720**	**131,931**	**-**	2,461,255	4,186,906
Total comprehensive income for the year ended December 31, 2010	-	-	-	189,024	189,024
Final dividend for the year ended December 31, 2009 @ Rs. 0.95 per preference share	-	-	-	(21,093)	(21,093)
Transferred to reserve for bonus shares	-	-	106,747	(106,747)	-
Issue of bonus shares	106,747	-	(106,747)	-	-
Conversion of preference shares	(32,203)	32,203	-	-	-
Transfer to unappropriated profit on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	211,143	211,143
Balance as at December 31, 2010	1,668,264	164,134	-	2,733,582	4,565,980
Total comprehensive loss for the year ended December 31, 2011	-	-	-	(1,163,462)	(1,163,462)
Transfer to unappropriated profit on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	200,586	200,586
Balance as at December 31, 2011	1,668,264	164,134	-	1,770,706	3,603,104

The annexed notes 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

1 LEGAL STATUS AND OPERATIONS

1.1 The Group consists of:

Parent Company - Pak Elektron Limited
Subsidiary Company - PEL Marketing (Private) Limited

Parent Company

Pak Elektron Limited ("PEL" or "the Parent Company") was incorporated in Pakistan on March 03, 1956 as a public limited company under the Companies Act, 1913 (replaced by the Companies Ordinance, 1984). Registered office of the Parent Company is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The Parent Company is currently listed on all three Stock Exchanges of Pakistan. The principal activity of the Parent Company is manufacturing and sale of electrical capital goods and domestic appliances. The Parent Company was appointed as official distributor of LG's home appliances in 2009. Due to certain business reasons the distribution agreement between the Parent Company and LG has been terminated during the year.

The Parent Company is currently organized into two main operating divisions - Power Division and Appliances Division. The Parent Company's activities are as follows:

- Power Division: manufacturing and distribution of transformers, switchgears, energy meters, power transformers, construction of grid stations and electrification works.

- Appliances Division: manufacturing, assembling and distribution of refrigerators, air conditioners, microwave ovens, televisions, generators and washing machines.

Subsidiary Company

PEL Marketing (Private) Limited ("PMPL" or "the Subsidiary Company") was incorporated in Pakistan on August 11, 2011 as a private limited company under the Companies Ordinance, 1984. Registered office of the Subsidiary Company is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The principal activity of the Subsidiary Company is sale of electrical capital goods and domestic appliances.

1.2 These consolidated financial statements are presented in Pak Rupees, which is the functional currency of the Group and figures are rounded off to the nearest thousand of rupees unless otherwise stated.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (the "IASB") as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

2.2 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted the following new Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the SECP that are relevant to its operations and effective for Group's accounting period beginning on or after 1 January 2011.

IAS 1, (AMENDMENT) 'PRESENTATION OF FINANCIAL STATEMENTS'
IAS 1, (Amendment) 'Presentation of Financial Statements' (effective from annual periods beginning on or after 1 January 2011). The amendments clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

IAS 24, 'RELATED PARTY DISCLOSURES (REVISED 2009)'
IAS 24, 'Related Party Disclosures (Revised 2009)' (effective from annual periods beginning on or after 1 January 2011). It simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party.

IAS 27, (AMENDMENTS) 'CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS'
IAS 27, Amendments 'Consolidated and Separate Financial Statements' (effective from annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering.

IAS 32, 'FINANCIAL INSTRUMENTS: PRESENTATION'
IAS 32, 'Financial Instruments: Presentation' (effective from annual periods beginning on or after 1 February 2010). It changes the definition of financial liability in order to classify right issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IAS 34, (AMENDMENT) 'INTERIM FINANCIAL REPORTING'
IAS 34, (Amendment) 'Interim Financial Reporting' (effective from annual periods on or after 1 January 2011). It adds further examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality that describe other minimum disclosures.

IFRS 3, (AMENDMENTS) 'MEASUREMENT OF NON-CONTROLLING INTERESTS'
IFRS3, (Amendments) 'Measurement of Non-controlling Interests' (effective from annual periods on or after 1 July 2010). The amendments clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

IFRS 7, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: DISCLOSURES'
IFRS 7, (Amendments) 'Financial Instruments: Disclosures' (effective from annual periods on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosures should be made in line with the quantitative disclosures to better understand users to evaluate an entity's exposure to risks arising from financial instruments and amended the existing disclosures.

2.3 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning on or after 1 January 2012. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Group's financial statements other than increase in disclosures in certain cases.

IAS 1, (AMENDMENTS) 'PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME'
IAS 1, (Amendments) 'Presentation of Items of Other Comprehensive Income' (effective from annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

IAS 12, (AMENDMENTS) 'DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS'
IAS 12, (Amendments) 'Deferred Tax: Recovery of Underlying Assets' (effective from annual periods beginning on or after 1 January 2012). The amendments provide an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

IAS 19, 'EMPLOYEE BENEFITS (AMENDED 2011)'
IAS 19, 'Employee Benefits (Amended 2011)' (effective from annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IFRS 7, (AMENDMENTS) 'DISCLOSURES: TRANSFERS OF FINANCIAL ASSETS'
IFRS 7, (Amendments) 'Disclosures: Transfers of Financial Assets' (effective from annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

IFRS 9, 'FINANCIAL INSTRUMENTS'

IFRS 9, 'Financial instruments' (effective from annual periods beginning on or after 1 January 2013) introduces new requirements for classifying and measuring financial assets that must be applied starting from 1 January 2013 with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting.

IFRIC 20, 'STRIPPING COST IN THE PRODUCTION PHASE OF A SURFACE MINING'

IFRIC 20, 'Stripping Cost in the Production Phase of a Surface Mining' (effective from annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

Standards and amendments	Effective date (accounting period beginning on or after)
IFRS 1 – First Time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 9 – Financial Instruments	1 January 2013
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11	1 January 2013
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11	1 January 2013

2.4 INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE GROUP

The following interpretations to existing standards have been published and are mandatory for the Group's accounting year beginning on or after 1 January 2011 but are not relevant for the Company's operations:

Amendments to IFRS 3 – Transitional Requirements for Contingent Consideration from a Business Combination that Occurred before the Effective Date of the Revised IFRS (effective for annual periods beginning on or after 1 July 2010). The amendments state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has not been settled or otherwise resolved at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). For such contingent consideration, the cost of the business combination is adjusted if and when payment of the contingent consideration is probable and the amount can be measured reliably.

Amendments to IFRS 3 – Unreplaced and Voluntarily Replaced Share based Payment Awards (effective for annual periods beginning on or after 1 July 2010). The amendments expand the current guidance on the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date ('market-based measure').

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Amendments to IFRIC 13 Customer Loyalty Programmes - Fair Value of Award Credit (effective for annual periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

Amendments to IFRIC 14: IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps.

2.5 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

PROPERTY, PLANT AND EQUIPMENT

The Group reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

STOCK IN TRADE

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

PROVISION FOR IMPAIRMENT OF TRADE DEBTS AND OTHER RECEIVABLES

The Group assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Group will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

TAXATION

The Group takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note to these financial statements.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These Consolidated financial statements have been prepared under the historical cost convention as modified by:

- revaluation of certain property, plant and equipment
- financial instruments at fair value
- investments in associated at equity method

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of PEL and its subsidiary company, PMPL. PEL has 100% shareholding interest in PMPL.

Accounting for Subsidiaries

Subsidiaries are those enterprises in which parent company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the parent company is eliminated against parent company's share in paid up capital of the subsidiaries.

Material intra-group balances and transactions have been eliminated.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Non controlling interests are that part of net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the parent company. Non controlling interest are presented as a separate item in the consolidated financial statements.

Business Combinations

The acquisition of subsidiary is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets and liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders’ proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where the Group increases its interest in an entity such that control is achieved, previously held identifiable assets, liabilities and contingent liabilities of the acquired entity are revalued to their fair value at the date of acquisition, being the date at which the Group achieves control of the acquiree. The movement in fair value is taken to the asset revaluation surplus.

3.3 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payments. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liabilities. Finance charges are charged to profit and loss account / other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs.

3.4 IJARAH TRANSACTIONS

Ujrah payments under an Ijarah are recognized as an expense in the profit and loss account / other comprehensive income on a straight-line basis over the Ijarah terms unless another systematic basis are representative of the time pattern of the user's benefit, even if the payments are not on that basis.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

3.5 EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLAN

The Group operates an approved funded contributory provident fund for all its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of ten percent of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions are charged to profit and loss account / other comprehensive income.

COMPENSATED ABSENCES

The Group provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

3.6 DEFERRED INCOME - GRANT-IN-AID

Grant was received from United Nations Industrial Development Organization ("UNIDO") under Montreal Protocol for phasing out Ozone Depleting Substance ("ODS"). Grant relating to property, plant and equipment is treated as deferred income and an amount equivalent to depreciation charged on such assets is transferred to profit and loss account / other comprehensive income.

3.7 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are measured at the fair value of the consideration to be paid in future for goods and services received whether billed to the Group or not.

3.8 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

3.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost except free hold land, building on lease hold land and plant and machinery, which are stated at re-valued amount, less accumulated depreciation and any identified accumulated impairment in value. Lease hold land, capital work-in-progress and stores held for capital expenditure are stated at cost. All other assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes borrowing cost as referred to in accounting policy for borrowing cost. Assets produced internally are valued by taking the material at moving average cost, labour at actual cost and factory overheads proportionate to labour cost.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account / statement of comprehensive income commencing when the asset is ready for its intended use by applying the reducing balance method except for computers, which are depreciated by using the straight-line method. Freehold land is not depreciated.

In respect of additions and disposals during the year, depreciation is charged when the asset is available for use and upto the month preceding the asset's classification as held for sale or de-recognition, whichever is earlier, respectively.

Assets are de-recognised when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Group to its un-appropriated profits.

ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.10 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the excess of the cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. This is stated at cost less any accumulated impairment losses, if any.

TECHNOLOGY TRANSFER

The intangible assets in respect of technology transfer are amortized over the useful life of plant and machinery involved in use of such technology. Amortization of intangible commences when it becomes available for use.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

COMPUTER SOFTWARE AND ERP

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. These costs are amortized over their estimated useful lives. Amortization of intangible commences when it becomes available for use.

3.11 INVESTMENTS

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Group's interest in that associate (which includes any long term interest that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligation or made payment on behalf of the associate.

INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

An investment is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group’s investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account / other comprehensive income.

DE-RECOGNITION

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3.12 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at lower of moving average cost or net realizable value less allowance for obsolete and slow moving items. Stores, spare parts and loose tools in bonded warehouse and in-transit are valued at cost comprising invoice price plus other charges incurred thereon up to the balance sheet date.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

3.13 STOCK-IN-TRADE

Stock-in-trade, except for stock-in-transit and stock in bonded warehouse, are valued at lower of cost or net realizable value.

Stock-in-transit and stock in bonded warehouse are valued at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

The cost in relation to raw material, packing material and goods purchased for resale represent the moving average cost.

Average manufacturing cost in relation to work-in-process and finished goods, consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

3.14 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at their original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit and balances with banks.

3.16 IMPAIRMENT

The Group assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account / other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the amount that would have been determined (net of depreciation and amortization), had no impairment loss been recognized in previous years. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

3.17 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument and de-recognized when the Group loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

The particular recognition methods adopted by the Group are disclosed in the individual policy statements associated with each item of financial instruments.

OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Group has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.18 REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales of goods are recognized when goods are delivered and title has been transferred.

- Commission income is recognized on receipt of credit advice from supplier.

- Profit on saving account and investment is accrued on a time basis with reference to the principal outstanding and at the effective profit rate applicable.

- Dividend income from investments is recognized when right to receive payment has been established.

Contract revenue and contract costs relating to long-term construction contracts are recognized as revenue and expenses respectively by reference to stage of completion of contract activity at the balance sheet date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. Expected losses on contracts are recognized as an expense immediately.

3.19 BORROWINGS

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any. Overdraft also includes cheques issued by the Group in excess of the balances at bank.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

3.20 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

All other borrowing costs are recognized in profit and loss account / other comprehensive income in the period in which these are incurred.

3.21 TAXATION

CURRENT

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates, losses and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes prior year adjustments, arising due to assessments finalized during the year.

DEFERRED

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" and "Technical Release - 30" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account / other comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

3.22 FOREIGN CURRENCIES

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the date of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the balance sheet date, except where forward exchange contracts have been entered into for repayments of liabilities, in that case, the rates contracted for are used.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Gains and losses arising on translation are included in profit and loss account / other comprehensive income for the year.

3.23 RELATED PARTY TRANSACTIONS

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price with reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

3.24 DIVIDEND

Dividend distribution to the Group's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders.

3.25 SEGMENT REPORTING

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, share of profit/(loss) of associates, finance costs, and provision for taxes.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment. The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments.

3.26 WARRANTY COST

The Group accounts for its warranty obligations when the underlying product or service sold or rendered. The Provision is based on historical warranty data and weighing all possible outcomes against their associated possibilities.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		2011	2010
		Rupees '000	*Rupees '000*
4	**AUTHORIZED CAPITAL**		
	150,000,000 (December 31, 2010: 150,000,000) ordinary shares of Rs. 10 each.	1,500,000	1,500,000
	100,000,000 (December 31, 2010: 100,000,000) preference shares of Rs. 10 each divided into:		
	62,500,000 'A' class preference shares of Rs. 10 each	625,000	625,000
	37,500,000 'B' class preference shares of Rs. 10 each	375,000	375,000
		1,000,000	1,000,000
		2,500,000	2,500,000

5 **ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

2011	2010		Note	2011	2010
No. of shares	*No. of shares*			*Rupees '000*	*Rupees '000*
		Ordinary shares of Rs. 10 each fully paid			
23,749,434	23,749,434	**In cash**		237,494	237,494
		Other than cash:			
137,500	137,500	-against machinery		1,375	1,375
408,273	408,273	-issued on acquisition of PEL Appliances Limited		4,083	4,083
6,040,820	6,040,820	-issued against conversion of preference shares	5.2	60,408	60,408
91,532,718	91,532,718	-as bonus shares		915,328	915,328
121,868,745	121,868,745		5.1	1,218,688	1,218,688
		Fully paid A class preference shares of Rs. 10 each			
44,957,592	44,957,592	**In cash**	5.2	449,576	449,576
166,826,337	166,826,337			1,668,264	1,668,264

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		2011	2010
		No. of shares	*No. of shares*
5.1	**Reconciliation of number of shares of Rs. 10 each:**		
	Ordinary shares		
	At beginning of the year	121,868,745	106,746,955
	Add: - Issued during the period as bonus shares	-	10,674,695
	- Issued against conversion of preference shares	-	4,447,095
	At end of the year	121,868,745	121,868,745

5.2 'A' Class Preference Shares

The Parent Company issued 'A' class preference shares to various institutional investors amounting to Rs. 605.00 million against authorized share capital of this class amounting to Rs. 625.00 million. As at December 31, 2011 outstanding balance of such preference shares amounted to Rs. 449.58 million (December 31, 2010: Rs. 449.58 million) . The SECP issued order to Lahore Stock Exchange (Guarantee) Limited ("LSE") dated February 6, 2009 against the listing of these preference shares. However, the Parent Company took up the matter with the honorable Lahore High Court which granted the stay order against the said order of SECP and also directed LSE not to delist the shares. The matter is pending adjudication to date.

The Parent Company offered re-profiling of shares to the preference shareholders, who did not convert their preference shares into ordinary shares in response to the conversion notices issued by the Parent Company. The Parent Company has appointed an Advisor who has confirmed that the investors to the instrument have, in principle, agreed to the Re-profiling Term Sheet and commercial terms and conditions therein. The SECP has allowed the Parent Company to proceed with the Re-profiling subject to fulfillment of legal requirements. The legal documentation has been prepared and circulated amongst the concerned investors and signed on April 20, 2011 except National Bank of Pakistan.

The revised terms of Re-profiling are:

Coupon Rate

Investors will be entitled to an annual coupon rate of 14.70% p.a. (based on 1 year KIBOR as of Modification Date) on cumulative basis, payable if and when declared by the Board of Directors of the Parent Company.

Voting Right

Preference shares do not carry any voting rights.

Call Option

The Parent Company shall have the option to redeem the issue in full or in part, within ninety days of the end of the financial year, commencing from the expiry of the 6th anniversary of the issue date ("Redemption Period") by giving at least thirty days notice.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

The redemption will be at the option of the Parent Company and subject to availability of funds and compliance with the provisions of Section 85 of the Companies Ordinance 1984.
The Group shall create a Capital Redemption Reserve fund in accordance with the provisions of the Companies Ordinance 1984.

Conversion Option

Preference shares will be convertible only at the option of the investors into common shares of the Parent Company at the conversion date, i.e. last business day of each financial quarter commencing from the 7th (seventh) anniversary of the issue date. This option will be available from 7th (seventh) anniversary till the 9th (ninth) anniversary of the issue. During this period the investors can convert up to 25% of their preferred shares at the conversion ratio by giving a thirty days notice to the issuer.

In case the issuer does not exercise the Redemption Option within 60 days of 9th (ninth) anniversary of the issue , the investors will have the option to convert their entire holding of preference shares in full or a part at conversion price on the conversion date by giving a 30 days notice to the Parent Company.

Conversion Ratio

The conversion of preference shares will be based on the conversion ratio A/B, where:

Conversion between 7th and 9th anniversary

A = Preference share price, i.e. issue price plus any cumulative unpaid dividends.

B = Minimum conversion price, i.e. 32.5% discount to the average price of the common share quoted in the daily quotation of Karachi Stock Exchange during the 360 working days prior to the Conversion Date.

Conversion after the 9th anniversary

A = PKR 10 plus unpaid dividend.

B = Spot price of PEL ordinary shares on Conversion Date.

As on December 31, 2011 an amount of approximately Rs.108.80 million has been accumulated on account of preference dividend which is payable if and when declared by the Board, to be appropriated out of the distributable profits for that year. In case the preference dividend continues to be accumulated it would be settled at the time of exercising the redemption or conversion option in accordance with the respective term sheet with the Investor.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
6	**CAPITAL RESERVES**			
	Premium on issue of shares	6.1	164,134	164,134
	Reserve for bonus shares	6.2	-	-
			164,134	164,134
6.1	**Premium on issue of shares**			
	Balance at beginning of the year		164,134	131,931
	Add: premium on conversion of preference shares		-	32,203
	Balance at end of the year		164,134	164,134
6.2	**Reserve for bonus shares**			
	Balance at beginning of the year		-	-
	Add: transfer for issue of bonus shares during the year		-	106,747
			-	106,747
	Less: bonus shares issued during the year		-	106,747
	Balance at end of the year		-	-
7	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of deferred tax**			
	Surplus on revaluation of property, plant and equipment at beginning of the year		4,162,626	4,373,769
	Less: transfer to un-appropriated profits on account of incremental depreciation charged during the year - net of deferred taxation		200,586	211,143
	Surplus on revaluation of property, plant and equipment at end of year		3,962,040	4,162,626

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

8 LONG-TERM FINANCING - Secured

8.1 From banking companies and financial institutions

Description	Note	2011	2010	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance I	8.2	54,270	72,970	Six months average ask side rate KIBOR plus 175 bps per annum. KIBOR will be set on the last working day at the beginning of each bi-annual period for the mark-up due at the end of that period. (Rate setting date.)	First pari passu charge over fixed assets of the Parent Company and personal guarantees of sponsoring directors of the Parent Company.	This loan was obtained from the National Bank of Pakistan (NBP). Sixteen quarterly equal installments of Rs. 18.750 million each would be paid commencing from December 31, 2007. During the year the Parent Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Sukuk Funds (I)		514,286	600,000	Three month KIBOR plus 175 bps with Floor of 10% and Cap of 25%. Three months KIBOR will be set on the last business day before the first drawdown and subsequently on the last business day prior to the beginning of each semi-annual period for the usage payment due at the end of the period.	First pari passu charge on present and future plant and machinery of the Parent Company amounting to Rs. 1,600 million.	These were issued in September 2007 for the purpose of refinance of existing machinery with diminishing musharaka facility. Profit would be paid on quarterly basis in arrears commencing from June 30, 2009. The Parent Company has entered into Master Addendum to original financing agreements with Bank Islami (Trustee and Investment Agent) dated June 28, 2011. As per terms of Master Addendum, the outstanding principal is deferred till June 28, 2013. Remaining six outstanding installments out of fourteen shall be repaid commencing from June 28, 2013 on quarterly basis.
Sukuk Funds (II)		1,100,000	1,100,000	Three month KIBOR plus 100 bps with Floor of 8% and Cap of 25%. Three months KIBOR will be set on the last business day before the first drawdown and subsequently on the last business day prior to the beginning of each semi-annual period for the usage payment due at the end of the period.	First pari passu charge on present and future property, plant and machinery of the Parent Company amounting to Rs. 1,467 million.	These were issued for the purpose of refinance of existing machinery with diminishing musharaka facility. Profit would be paid on quarterly basis in arrears commencing from June 30, 2011. The Parent Company has entered into Master Addendum to original financing agreements with Bank Islami (Trustee and Investment Agent) dated June 30, 2011. As per terms of Master Addendum, the outstanding principal is deferred till June 30, 2013 and shall be repaid in sixteen quarterly installments commencing from June 30, 2013.
Term Finance		450,000	475,000	Three month ask side KIBOR plus 300 bps Markup is set on 3 preceding days prior to the beginning of that quarter.	First charge on present and future fixed assets of the Parent Company with 25% margin, assignments of receivables two times of monthly requirements, personal guarantees of sponsoring directors of the Parent Company and mortgage of land or any other security acceptable to Pak- Libya up to 50% of the financing amount.	This syndicate term finance is obtained in May 2009 from the Pak-Libya Holding Company (Private) Limited for the purpose of meeting its existing operational expenses. Markup on it would be paid on quarterly basis in arrears commencing from August 26, 2010. The Parent Company has entered into Restructuring Agreement with Pak-Libya Holding Company (Private) Limited dated May 25, 2011, whereby the outstanding principal is deferred till February 27, 2013 and shall be repaid in eighteen quarterly installments commencing from February 27, 2013.
Demand Finance	8.3	432,385	466,666	Three month average ask side KIBOR plus 175 bps per annum. KIBOR will be set on the last working day before start of the calendar quarter for which mark-up is to be applied.	First charge of Rs. 750 million on fixed assets of new transformer unit and first charge on all present and future fixed assets of Rs 250 million out of existing charge by way execution joint pari passu agreement.	This loan was obtained from the National Bank of Pakistan (NBP) for the purpose of setting up a new Transformer Manufacturing plant of the Parent Company. Mark-up shall be paid on quarterly basis in arrears, whereas principal amount would be paid in eighteen consecutive quarterly installments of Rs. 33.333 million each, with six months grace period, commencing from December 31, 2009. During the year the Parent Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates.. The said matter is under consideration of NBP.
Term finance PPTFCs	8.4	850,000	912,500	Six months KIBOR plus 300 bps. KIBOR will be set for the first time on the issue date and then on the first day of the start of each six month period form mark-up due at the end end of that period.	First pari passu charge over fixed assets including land, building, plant and machinery to fully secure facility amount with 25% margin in favors of the trustee. Personal guarantee of Mr. Naseem Saigol.	The Parent Company had issued Privately Placed Term Finance Certificates ("PPTFCs") of Rs. 50 million each for the purpose of financing its capacity expansion program. It arranged from the Faysal Bank Limited (Trustee), Pak Iran Joint Investment Company Limited and Bank of Punjab. Profit would be paid semi annually in arrears commencing from March 31, 2010. The Parent Company has entered into restructuring agreement with Faysal Bank Limited Trustee, Pak Iran Joint Investment Company Limited and Bank of Punjab dated June 11, 2011. As per terms of restructuring agreement, the outstanding principal is deferred till June 30, 2013 and shall be repaid in fifty two monthly installments.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Description	Note	2011	2010	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance IV - SUKUK	8.5	342,859	342,859	Three months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar half year for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Parent Company and personal guarantee of sponsoring directors of the Parent Company.	This loan was obtained from National Bank of Pakistan (NBP). This loan has limit up to Rs. 342.856 million. Principal amount would be paid in twelve quarterly installments of Rs. 28.571 million in arrears. Grace period of one and half year up to March 31, 2011. Further, during the year the Parent Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Demand finance III - CAPEX	8.6	375,000	400,000	Six months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar half year for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Parent Company and personal guarantee of sponsoring directors of the Parent Company.	This loan was obtained from National Bank of Pakistan (NBP) to support the Capacity Expansion Program (CAPEX) of the Parent Company. This loan has the limit upto 400 million. Mark-up would be paid on quarterly basis. Principal amount will be paid in 16 quarterly installments of Rs. 25 million each with 1st installment became due on December 31, 2010 including the grace period of one year upto December 31, 2010. Further, during the year the Parent Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Demand Finance		898,927	898,927	Three months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar quarter for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Parent Company, hypoth-ecation over all the present and future moveable fixed assets of the Parent Company, mortgage over the immovable property of the Parent Company and personal guarantees of sponsor directors of the Parent Company.	This loan is obtained from National Bank of Pakistan (NBP) for the long term working capital lines of the Parent Company. Mark-up shall be paid on quarterly basis whereas, Principal amount shall be paid in 16 quarterly installments of Rs. 56.250 million each commencing from March 31, 2012. Further, during the year the Parent Company has applied for reprofiling of Demand Finance to NBP requesting two years moratorium in repayment of principal and reduced mark-up rates. The said matter is under consideration of NBP.
Term Finance		337,500	435,937	One month KIBOR average ask side plus 350 bps per annum. KIBOR will be set at the start the start of each monthly period.	Registered hypothecation first pari passu charge over present and future fixed assets (other than land and building). Mortgage by way of constructive deposit of the title deeds over the immovable properties. Right to present and future DISCOs Receivables. Lien over the balances in the collection accounts and installment reserve accounts.	This syndicate term finance is obtained in June 2011 from the Standard Chartered Bank (Pakistan) Limited for the purpose of meeting its permanent working capital requirements. Markup on it shall be paid on monthly basis commencing from 5th month from the date of first disbursement. The Parent Company has entered into First Supplemental Agreement with Standard Chartered Bank (Pakistan) Limited dated September 30, 2011. As per terms of First Supple-mental Agreement, the outstanding principal is deferred till August 07, 2012 and shall be repaid. Remaining twenty four out of thirty two equal monthly installments shall be repaid commencing from August 07, 2012.
Musharaka		300,000	387,500	One month KIBOR average ask side plus 350 bps per annum. KIBOR will be set at the start of each monthly period.	Registered hypothecation first pari passu charge over present and future fixed assets (other than land and building). Mortgage by way of constructive deposit of the title deeds over the immovable properties. Right to present and future DISCOs Receivables. Lien over the balances in the collection accounts and installment reserve accounts.	This syndicate term finance is obtained in June 2011 from the Standard Chartered Bank (Pakistan) Limited for the purpose of meeting its permanent working capital requirements. Markup on it shall be paid on monthly basis commencing from 5th month from the date of first disbursement. The Parent Company has entered into First Supplemental Agreement with Standard Chartered Bank (Pakistan) Limited dated September 30, 2011. As per terms of First Supple-mental Agreement, the outstanding principal is deferred till August 07, 2012 and shall be repaid. Remaining twenty four out of thirty two equal monthly installments shall be repaid commencing from August 07, 2012.
Total		5,655,227	6,092,359			
Less : current portion	8.9	1,106,375	1,138,026			
		4,548,852	4,954,333			

8.2 The Parent Company has not made principal payment of Rs. 54.270 million (December 31, 2010: Rs.16.720 million) and markup payment of Rs. 7.171 million (December 31, 2010: Rs.3.954 million) during the year. The matter of reprofiling of terms of Demand Finance-I is still under consideration of National Bank of Pakistan.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

8.3 The Parent Company has not made principal payment of Rs. 132.386 million (December 31, 2010: Rs.33.333 million) and markup payment of Rs. 40.845 million (December 31, 2010: Rs.12.630 million) during the year. The matter of reprofiling of terms of Demand Finance-II is still under consideration of National Bank of Pakistan.

8.4 The Parent Company has issued twenty one privately placed TFCs (PPTFCs) of Rs. 50 million each to various financial institutions for the purpose of expansion of its power division. FAYSAL BANK LIMITED has been appointed as trustee to the PPTFCs issue. Reserve fund equal to 1/6th of the installment amount on monthly basis to be maintained in FAYSAL BANK LIMITED.

8.5 The Parent Company has not made principal payment of Rs. 114.288 million (December 31, 2010: Nil) and markup payment of Rs.38.704 million (December 31, 2010: Rs. 13.628 million) during the year. The matter of reprofiling of terms of Demand Finance-IV SUKUK is still under consideration of National Bank of Pakistan.

8.6 The Parent Company has not made principal payment of Rs. 100 million (December 31, 2010: Rs. 25 million) and markup payment of Rs. 50.012 million (December 31, 2010: Rs. 23.144 million) during the year. The matter of reprofiling of terms of Demand Finance-III CAPEX is still under consideration of National Bank of Pakistan.

8.7 These facilities carry mark-up rate ranging from 14.25% to 17.12% (December 31, 2010: 13.27% to 16.27%).

8.8 The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2011	2010
Maturity	*Rupees '000*	*Rupees '000*
6 months or less	687,253	607,790
6-12 months	419,122	530,236
1-5 years	4,242,602	4,954,333
Over 5 years	306,250	-
	5,655,227	6,092,359

8.9 Current portion includes principal repayment due but not yet paid during the year amounting to Rs. 400.944 million (December 31, 2010: Rs. 100.054 million).

	Note	2011	2010
		Rupees '000	*Rupees '000*
9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		60,234	110,961
Less: current portion	9.2	38,393	96,185
		21,841	14,776

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

9.1 The Group has entered into lease agreements with various leasing companies, banks and modarabas to acquire various assets. The rentals under these lease agreements are payable on monthly / quarterly basis in arrears and are subject to mark-up rate ranging from 13.58% to18.91% (December 31, 2010: 14.40% to 16.22%) per annum.

Purchase options are available to the Group after the expiry of lease periods. The Group intends to exercise this option to purchase the leased assets at its salvage value upon the completion of respective lease periods.

Taxes, repairs and insurance costs are borne by the Group.

9.2 Current portion includes an over due amount of Rs. Nil (December 31, 2010: Rs. 30.183 million).

9.3 The amounts of future payments and the periods in which these will be due are as follows:

	2011		2010	
	Minimum lease payments *Rupees '000*	**Present value** *Rupees '000*	**Minimum lease payments** *Rupees '000*	**Present value** *Rupees '000*
Not later than one year	46,252	38,393	103,411	96,185
Later than one year but not later than five years	22,930	21,841	15,512	14,776
	69,182	60,234	118,923	110,961
Less: amount representing finance cost	8,948	-	7,962	-
Present value of minimum lease payments	60,234	60,234	110,961	110,961
Less: current portion	38,393	38,393	96,185	96,185
	21,841	21,841	14,776	14,776

	Note	2011	2010
		Rupees '000	*Rupees '000*
9.4 Maturity profile of the Group's finance lease is as follows:			
Maturity			
6 months or less		28,339	76,204
6 - 12 months		10,054	19,981
1 - 5 years		21,841	14,776
		60,234	110,961
10 DEFERRED TAXATION			
Deferred taxation	10.1	1,973,350	2,751,515

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
10.1 This comprises following:			
Deferred tax liability on taxable temporary differences:			
- tax depreciation allowance		1,641,774	1,362,464
- finance lease		88,454	55,715
- surplus on revaluation of property, plant and equipment		2,052,148	2,160,156
		3,782,376	3,578,335
Deferred tax asset on deductible temporary differences:			
- provision for obsolete and slow moving inventories		(10,189)	(8,883)
- provision for doubtful debts and advances		(147,371)	(104,734)
- available tax losses		(1,336,348)	(504,917)
- provision for compensated absences		(5,330)	(10,870)
- minimum tax adjustable against future tax liability		(309,788)	(197,416)
		(1,809,026)	(826,820)
		1,973,350	2,751,515

11 DEFERRED INCOME

	Note	2011	2010
Deferred income on:			
- grant-in-aid	11.1	52,670	55,442
- sale and lease back activities	11.2	3,399	19,493
		56,069	74,935

11.1 Grant-in-aid

	Note	2011	2010
Balance at beginning of the year		55,442	58,360
Less: transferred to income	31	2,772	2,918
Balance at end of the year		52,670	55,442

The UNIDO vide its contract number 2000/257 dated December 15, 2000 out of the multilateral fund for the implementation of the Montreal Protocol, has given grant-in-aid to the Parent Company for the purpose of phasing out ODS at the Refrigerator and Chest Freezer Plant of the Parent Company. The total grant-in-aid of US $ 1,367,633 (Rs. 91,073,838) comprises the capital cost of the project included in fixed assets amounting to US $ 1,185,929 (Rs. 79,338,650) and grant recoverable in cash of US $181,704 (Rs. 11,735,188) being the incremental operating cost for six months.

The grant recoverable in cash amounting to Rs.11,735,188 was recognized as income in the year of receipt i.e. year ended June 30, 2001. The value of machinery received in grant was capitalized in year 2001 which started its operation in January 2003. The grant amounting to Rs. 2,772,000 (December 31, 2010: Rs. 2,918,000) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
11.2 Sale and lease back activities			
Gain on sale and lease back activities at beginning of the year		19,493	42,748
Less: transferred to income	31	16,094	23,255
Gain on sale and lease back activities at end of the year	11.2.1	3,399	19,493

11.2.1 This represents the balance of sale proceeds over the carrying amount of machinery and vehicles under the sale and lease back arrangements that resulted in finance lease. The excess is being amortized over the lease period of three years

	Note	2011	2010
		Rupees '000	*Rupees '000*
12 TRADE AND OTHER PAYABLES			
Creditors		430,346	548,939
Foreign bills payable	12.1	380,337	486,505
Accrued liabilities		114,498	106,206
Advances from customers		183,603	203,144
Employees' provident fund		8,106	8,626
Compensated absences		23,426	19,288
Advance against contracts	37	81,504	15,976
Other taxes payable		187,946	-
Workers' profit participation fund	12.2	-	14,028
Workers' welfare fund		16,582	16,582
Others		58,654	77,195
		1,485,002	1,496,489

12.1 Foreign bills payable are secured against bills of exchange accepted by the Group in favour of suppliers.

	Note	2011	2010
		Rupees '000	*Rupees '000*
12.2 Workers' profit participation fund			
Balance at beginning of the year		14,028	34,740
Add: interest on funds utilized in the Group's business	35	1,710	2,145
- allocation for the year	34	-	14,028
Less: amount paid during year		15,738	36,885
Balance at end of the year		-	14,028

12.3 Interest on workers' profit participation fund has been provided at the rate of 16.25% (December 31, 2010:15.00%) per annum.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
13 INTEREST AND MARK-UP ACCRUED			
Mark up accrued on:			
- long-term financing		334,716	91,311
- liabilities against assets subject to finance lease		277	7
- short-term borrowings	13.1	488,903	288,879
		823,896	380,197

13.1 Mark-up accrued on short term borrowings from NBFCs also include an overdue mark up amounting Rs. 2.731 million (December 31, 2010: Rs. 1.925 million).

	Note	2011	2010
		Rupees '000	*Rupees '000*
14 SHORT-TERM BORROWINGS			
Secured			
Borrowings from:			
- banking companies	14.2	5,966,079	5,335,445
- non banking finance companies (NBFCs)	14.3	10,133	77,778
		5,976,212	5,413,223
Unsecured			
Book overdraft	14.4	198,648	481,854
		6,174,860	5,895,077

14.1 The aggregate un-availed short-term borrowing facilities as at December 31, 2011 amounts to Rs. 1,087 million (December 31, 2010: Rs. 1,202 million).

14.2 These facilities have been obtained from various banks under mark-up arrangements for working capital requirements and carrying mark-up rate ranging from 13.02% to 17.43% (December 31, 2010: 14.27% to 18.30%) per annum. These facilities are secured against the pledge / hypothecation of raw materials and components, work-in-process, finished goods, machinery, spare parts, charge over book debts, shares of public companies, and other assets having aggregate value of Rs. 7,968 million (December 31, 2010: Rs. 7,271 million) and personal guarantees of the sponsoring directors of the Parent Company. These facilities are generally for a period of one year and renewed at the end of the period.

14.3 This facility has been obtained from NBFCs for purchase of raw material and carries mark-up rate ranging from 14.18% to 16.78% (December 31, 2010: 14.43% to 15.37%) per annum. This facility is secured against first pari-passu charge on fixed assets of the Parent Company inclusive of 25% margin to be maintained at all times and personal guarantees of the directors of the Parent Company.

The short term borrowings from NBFCs also include an overdue principal amount of Rs. 22.15 million (December 31,2010: Rs. 11.11 million).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

14.4 This represents cheques issued by the Group in excess of balances at bank which have been presented for payments in the subsequent period.

15 CONTINGENCIES AND COMMITMENTS

The banks and insurance companies have issued guarantees, letters of credit and discounting of receivables on behalf of the Parent Company as detailed below:

	2011	2010
	Rupees '000	*Rupees '000*
15.1 Contingencies		
Tender bonds	293,845	248,101
Performance bonds	984,768	668,771
Advance guarantees	394,556	547,367
Custom guarantees	66,459	13,051
Bills discounted	2,222,284	2,366,697
Foreign guarantees	129,372	94,074

The Parent Company received notices from Excise and Taxation Department, Karachi regarding professional tax from the year 2001 amounting to Rs. 100,000 for the Parent Company and Rs. 1,650 for the employees of the Parent Company (which total to Rs. 101,650 per year). The liability accumulates to Rs. 1,118,150 till December 31, 2011. However, the Parent Company pays professional tax in the province of Punjab and therefore has taken up the matter to the Honorable Sindh High Court. The matter is pending adjudication to date. No provision has been made in these financial statements as the management is confident that the decision will be made in favour of the Parent Company.

	2011	2010
	Rupees '000	*Rupees '000*
15.2 Commitments		
Letters of credit	894,377	751,506

The aggregate amount of ujrah payments for Ijarah financing and the period in which these payments will become due are as follows:

	2011	2010
	Rupees '000	*Rupees '000*
Not later than one year	40,909	65,881
Later than one year but not later than five years	23,078	59,437
	63,987	125,318

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

16 PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2011

Particulars	Cost / revaluation				Accumulated depreciation				Book value as at December 31, 2011	Annual rate of depreciation
	As at January 01, 2011	Additions / (disposals)	Transfers / (adjustments)	As at December 31, 2011	As at January 01, 2011	Charge for the year	Transfers / (disposals) / (adjustments)	As at December 31, 2011		
	Rupees' 000				Rupees' 000				Rupees' 000	
Owned										
Leasehold land	13,256	-	-	13,256	-	-	-	-	13,256	
Freehold land	326,812	20	-	326,832	-	-	-	-	326,832	
Building on leasehold land	1,227,258	-	52,218	1,279,476	320,472	59,792		380,264	899,212	5%
Building on freehold land	2,409,216	10	589,478	2,998,704	131,776	102,281	-	234,057	2,764,647	5%
Plant and machinery	11,150,117	156,951	531,890	11,763,658	2,021,077	461,524	-	2,481,266	9,282,392	5%
		(75,300)					(1,335)			
Office equipment and furniture	178,764	1,258	-	177,848	62,003	11,665	-	72,889	104,959	10%
		(2,174)					(779)			
Computer hardware & allied items	85,293	1,107	-	80,671	50,080	25,776	-	71,180	9,491	30%
		(5,729)					(4,676)			
Vehicles	141,319	25,315	11,863	125,199	81,312	12,712	3,972	73,119	52,080	20%
		(53,298)					(24,877)			
	15,532,035	184,661	1,185,449	16,765,644	2,666,720	673,750	3,972	3,312,775	13,452,869	
		(136,501)					(31,667)			
Held under finance lease										
Plant and machinery	255,207	70,000	-	325,207	16,415	13,847	-	30,262	294,945	5%
Vehicles	43,619	-	(11,863)	31,756	11,665	6,048	(3,972)	13,741	18,015	20%
	298,826	70,000	(11,863)	356,963	28,080	19,895	(3,972)	44,003	312,960	
Capital work-in-progress										
Building on leasehold land	142,109	4,784	(52,218)	94,675	-	-	-	-	94,675	
Building on freehold land	111,365	544,544	(589,478)	66,431	-	-	-	-	66,431	
Plant and machinery	45,174	648,966	(531,890)	162,250	-	-	-	-	162,250	
	298,648	1,198,294	(1,173,586)	323,356	-	-	-	-	323,356	
December 31, 2011	16,129,509	1,452,955	1,185,449	17,445,963	2,694,800	693,645	3,972	3,356,778	14,089,185	
		(136,501)	(1,185,449)				(35,639)			

16.1 Transfer to owned assets includes both transfers from capital work-in-progress on the related assets becoming available for use and leased assets on completion of the respective lease arrangements.

	Note	2011	2010
		Rupees '000	*Rupees '000*
16.2 Depreciation for the year has been allocated as under:-			
Cost of sales	30.1	665,544	674,236
Administrative expenses	33	28,101	23,779
		693,645	698,015

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

16.3 PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2010

Particulars	Cost / revaluation				Accumulated depreciation				Book value as at December 31, 2010	Annual rate of depreciation
	As at January 01, 2010	Additions / (disposals)	Transfers / (adjustments)	As at December 31, 2010	As at January 01, 2010	Charge for the year	Transfers / (disposals) / (adjustments)	As at December 31 2010,		
	Rupees' 000				Rupees' 000				Rupees' 000	
Owned										
Leasehold land	13,256	-	-	13,256	-	-	-	-	13,256	
Freehold land	270,793	56,019	-	326,812	-	-	-	-	326,812	
Building on leasehold land	1,227,258	-	-	1,227,258	272,746	47,726		320,472	906,786	5%
Building on freehold land	2,409,216	-	-	2,409,216	11,911	119,865	-	131,776	2,277,440	5%
Plant and machinery	10,754,189	369,432	94,986	11,150,117	1,547,835	467,034	9,122	2,021,077	9,129,040	5%
		(68,490)					(2,914)			
Office equipment and furniture	155,147	24,739	-	178,764	50,111	12,196	-	62,003	116,761	10%
		(1,122)					(304)			
Computer hardware & allied items	72,260	13,033	-	85,293	37,151	12,929	-	50,080	35,213	30%
Vehicles	119,504	15,944	32,684	141,319	69,959	11,220	10,490	81,312	60,007	20%
		(26,813)					(10,357)			
	15,021,623	479,167	127,670	15,532,035	1,989,713	670,970	19,612	2,666,720	12,865,315	
		(96,425)					(13,575)			
Held under finance lease										
Plant and machinery	350,193	-	(94,986)	255,207	9,705	15,832	(9,122)	16,415	238,792	5%
Vehicles	75,078	1,225	(32,684)	43,619	10,942	11,213	(10,490)	11,665	31,954	20%
	425,271	1,225	(127,670)	298,826	20,647	27,045	(19,612)	28,080	270,746	
Capital work-in-progress										
Building on leasehold land	4,849	137,260	-	142,109	-	-	-	-	142,109	
Building on freehold land	15,710	95,655	-	111,365	-	-	-	-	111,365	
Plant and machinery	45	45,129	-	45,174	-	-	-	-	45,174	
	20,604	278,044	-	298,648	-	-	-	-	298,648	
December 31, 2010	15,467,498	758,436	127,670	16,129,509	2,010,360	698,015	19,612	2,694,800	13,434,709	
		(96,425)	(127,670)				(33,187)			

16.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000		
Plant and Machinery							
Motorized Conveyor	2,445	396	2,049	1,000	(1,049)	Negotiation	Waseem Abbas
Power Press Machine	23,628	589	23,039	22,000	(1,039)	Sale & Lease back	Orix Leasing Pakistan Ltd.
Power Press Machine	14,064	350	13,714	13,000	(714)	Sale & Lease back	Orix Leasing Pakistan Ltd.
Vacuum Thermofoaming Machine	35,163	-	35,163	35,000	(163)	Sale & Lease back	Orix Leasing Pakistan Ltd.
	75,300	1,335	73,965	71,000	(2,965)		
Office equipment and furniture	2,174	779	1,395	219	(1,176)	As per Group Policy	Various Individuals
Computer hardware & allied items							
PC 600 Mhz	780	672	108	207	99	Negotiation	Abdullah Aman
P IV 3 0 Ghz 915 Gavl 1GB DDR 120GB 17 AD	267	199	68	71	3	-do-	Abdullah Aman
Samsung LCD monitor 18 5 inch	118	52	66	10	(56)	-do-	Abdullah Aman
P IV 3 0 Ghz 915 Gavl 256 MB 80 GB 17 AD	210	156	54	56	2	-do-	Abdullah Aman
Others	4,354	3,597	757	1,154	397	-do-	Abdullah Aman
	5,729	4,676	1,053	1,498	445		

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Vehicle							
Honda Citi	1,419	95	1,324	1,419	95	Sale & Lease back	Standard Chartered Modaraba
Honda City	1,288	64	1,224	1,288	64	-do-	Standard Chartered Modaraba
Coure	755	38	717	755	38	-do-	Standard Chartered Modaraba
Suzuki RexT Jeep	3,465	2,552	913	923	10	As per Group Policy	Haroon A Khan
Toyota Corolla	1,414	24	1,390	1,382	(8)	-do-	Amir Saeed
CAR IR A	1,355	312	1,043	1,325	282	-do-	Javed Iqbal
Honda Civic	1,123	815	308	380	72	-do-	Shahzad Rashid
ARA 850	1,014	283	731	736	5	-do-	Sohaib Usmani
Honda City	1,012	446	566	349	(217)	-do-	Intikhab Alam
Honda City	981	377	604	463	(141)	-do-	Ahmed Butt
Toyota Corolla	950	503	447	292	(155)	-do-	S Kashif Jaferi
Toyota Corolla	945	428	517	377	(140)	-do-	Maqsood Ahmad
Toyota Corolla	945	464	481	343	(138)	-do-	Altamash Maqsood
Toyota Corolla	925	494	431	363	(68)	-do-	Asif Hameed
Suzuki Liana	924	355	569	345	(224)	-do-	M Shakeel
Honda City	891	622	269	-	(269)	-do-	Tahir Arshad
Honda City	847	449	398	260	(138)	-do-	Irfan Baber
Honda City	791	657	134	286	152	-do-	Umer Saleemi
Suzuki Alto	695	185	510	392	(118)	-do-	Kamran Habib
Suzuki Alto	663	341	322	254	(68)	-do-	Maj Arif Rasheed
Suzuki Cultus	641	302	339	197	(142)	-do-	Edwin Jacob
Suzuki Cultus	632	337	295	197	(98)	-do-	Kashif Jafary
Suzuki Cultus	626	269	357	720	363	-do-	Qasim uz Zaman
Suzuki Cultus	614	131	483	189	(294)	-do-	Jehanzeb Ahmad
Suzuki Cultus	614	148	466	382	(84)	-do-	Kashif Ali
Suzuki Cultus	613	305	308	289	(19)	-do-	Tahir Maqsood
Suzuki Cultus	609	506	103	94	(9)	-do-	Asher Abbas
Suzuki Cultus	595	471	124	83	(41)	-do-	Liaqat Ali
Suzuki Alto	530	273	257	267	10	-do-	Kashif Khan
Daihatsu	530	273	257	229	(28)	-do-	Saeed Qurashi
Coure	525	123	402	304	(98)	-do-	Khalil Ahmad
Suzuki Mehran	525	166	359	450	91	-do-	Amin Bhatti
Suzuki Alto	524	236	288	287	(1)	-do-	Imran H Kazmi
Coure	519	285	234	219	(15)	-do-	Riffat Ullah Khan
Santro Club	519	411	108	199	91	-do-	Abdul Qavi Butt
Coure	515	256	259	254	(5)	-do-	Zubair Alam
Suzuki Alto	513	256	257	491	234	-do-	Abid Hassan
Coure	503	128	375	244	(131)	-do-	Husnain Shah
Coure	503	128	375	289	(86)	-do-	Hassan Sultan Cheema
Suzuki Mehran	475	335	140	139	(1)	-do-	Qasim uz Zaman
Suzuki Mehran	475	345	130	146	16	-do-	Muhammad Hanif
Suzuki Mehran	448	182	266	430	164	-do-	Ansur Iqbal
Suzuki Mehran	443	220	223	120	(103)	-do-	Khaliq Dad
Suzuki Mehran	440	220	220	180	(40)	-do-	Gulam Asghar
Suzuki Mehran	438	112	326	179	(147)	-do-	Ahmed Sonary
Suzuki Mehran	438	218	220	179	(41)	-do-	Taqi Yasir
Suzuki Mehran	433	231	202	340	138	-do-	Shauket Nazir
Coure	419	332	87	238	151	-do-	Ahsan Farooq
Suzuki Mehran	395	190	205	181	(24)	-do-	Farooq Zubari
Suzuki Mehran	395	194	201	198	(3)	-do-	Rooman Sabri
Suzuki Mehran	395	311	84	246	162	-do-	Masud Baig
Suzuki Mehran	395	312	83	197	114	-do-	Amir Maqbool
Suzuki Mehran	395	312	83	127	44	-do-	Tanweer Malik
Suzuki Mehran	390	303	87	211	124	-do-	Faisal Shahzad
Suzuki Mehran	390	309	81	196	115	-do-	Shahab Ali
Suzuki Mehran	384	304	80	186	106	-do-	Amir Yaqub
Suzuki Mehran	380	97	283	120	(163)	-do-	Hashim Illyas
Suzuki Mehran	376	300	76	152	76	-do-	Shafqat Ali
Honda Civic	178	6	172	592	420	-do-	Amir Sattar
Honda Civic	177	3	174	765	591	-do-	Waqar Khadim
Honda Civic	147	7	140	369	229	-do-	Khalid Azeem

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Honda Civic	147	72	75	-	(75)	-do-	Alamgir Shams
Honda Civic	142	25	117	-	(117)	-do-	Shauket Mehmood
Toyota Corolla	138	9	129	1,350	1,221	-do-	Shahib Khan Saif
Toyota Corolla	135	9	126	1,376	1,250	-do-	Atif Amin
Honda City	135	9	126	1,340	1,214	-do-	Muhammad Farooq
Toyota Corolla	132	-	132	1,211	1,079	-do-	Yousaf Hassan Aslam
Toyota Corolla	129	-	129	1,255	1,126	-do-	Rana Hammad Aslam Khan
Toyota Corolla	128	30	98	268	170	-do-	Aftab A Wyne
Toyota Corolla	128	34	94	252	158	-do-	Nasir Paul
Toyota Corolla	127	6	121	1,251	1,130	-do-	Gulam Murtaza
Honda Civic	104	23	81	375	294	-do-	Raza Khan
Toyota Corolla	101	3	98	389	291	-do-	Wajid Hussain
Toyota Corolla	97	18	79	317	238	-do-	Zafer Ahmed
Toyota Corolla	90	1	89	283	194	-do-	S M Farooq
Toyota Corolla	90	4	86	297	211	-do-	Syed Amir Turab
Toyota Corolla	90	12	78	270	192	-do-	Yaqub Tabasum
Toyota Corolla	88	15	73	287	214	-do-	Masood Tahir
Honda City	88	-	88	258	170	-do-	Faisal Jawad
Honda City	85	-	85	572	487	-do-	Junaid Iftikhar
Honda City	85	4	81	246	165	-do-	Muhammad Tariq
Honda City	83	32	51	83	32	-do-	Munawar Ali
Yamaha	68	17	51	68	17	-do-	Shahid Munir
Suzuki Potohar	68	14	54	323	269	-do-	M. Tariq Ch
Suzuki Cultus	66	3	63	186	123	-do-	Amir Riaz
Suzuki Cultus	66	11	55	192	137	-do-	Khalid Shah
Suzuki Cultus	63	3	60	157	97	-do-	Shahid Rafiq
Suzuki Cultus	63	12	51	70	19	-do-	Muhammad Amjad
Suzuki Cultus	63	13	50	51	1	-do-	Tahir Maqsood
Suzuki Cultus	63	13	50	63	13	-do-	Waqas Haider
Suzuki Cultus	63	13	50	63	13	-do-	Murtaza Subhani
Suzuki Cultus	63	7	56	199	143	-do-	Sher Afzal
Suzuki Cultus	904	317	587	775	188	Negotiation	Muhammad Yaqub
Coure	503	114	389	460	71	-do-	Muhammad Amjad
Suzuki Mehran	409	152	257	370	113	-do-	Muhammad Farooq
Suzuki Mehran	376	309	67	281	214	-do-	Muhammad Yasin
Honda	63	1	62	63	1	Insurance	EFU
Other Vehicles	6,597	4,221	2,376	5,544	3,168	As per Group Policy	Various Individuals
	53,298	24,877	28,421	43,352	14,931		
December 31, 2011	136,501	31,667	104,834	116,069	11,235		
December 31, 2010	96,424	13,575	82,849	88,782	5,933		

	Note	2011	2010
		Rupees '000	*Rupees '000*
16.5 Gain/(loss) has been allocated as follows:			
Gain on disposal of Property, plant and equipment	31	12,954	7,318
Deferred income on sale and lease back		-	998
Loss on sale and lease back	34	(1,719)	(2,383)
		11,235	5,933

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

16.6 The latest revaluation of building on free hold land, buildings and plant and machinery was carried out by M/S. Asif Associates (Pvt.) Ltd. independent valuers on the Pakistan Bankers' Association as on December 31, 2009, which resulted in revaluation surplus of Rs. 2,494 million and incorporated in the financial statements for the period ended December 31, 2009. The previous revaluation of building on lease hold land and plant and machinery was carried out in 1999 and surplus was determined at Rs. 910 million. Further revaluation was carried out in 2001 with additional surplus of Rs.144 million and further revaluation was carried out in December 2006 by M/S. Hamid Mukhtar & Co. (Pvt.) Limited, which resulted in additional surplus of Rs. 603 million. Revaluation was carried out again on freehold land, building on lease hold land and plant and machinery in 2008 by M/S. Hamid Mukhtar & Co. (Pvt.) Limited, which resulted in additional surplus of Rs. 1,751 million. During the year ended June 30, 2009 revaluation was again carried out by M/S. Asif Associates (Pvt.) Ltd. resulting in a revaluation surplus of Rs. 1,449 million.

The basis used for revaluation of these property, plant and equipment are as follows:

Free hold land	The value of free hold land is ascertained according to the local market value.
Buildings	Present day construction rates for different types of building structures depreciated to account for the age and condition of the building.
Plant and machinery	The value has been determined with reference to prevailing prices of similar plants and machinery depreciated to account for the age, usage and physical condition.

16.7 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at December 31, 2011 would have been as follows:

	Cost	**Accumulated depreciation**	**Book value**
	Rupees '000	***Rupees '000***	***Rupees '000***
Freehold land	175,929	-	175,929
Building	3,120,814	438,477	2,682,337
Plant and machinery	5,724,773	1,323,951	4,400,822
December 31, 2011	9,021,516	1,762,428	7,259,088
December 31, 2010	7,739,924	808,115	6,931,809

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

17 INTANGIBLE ASSETS AT DECEMBER 31, 2011

	Cost				Accumulated Amortization			
	As at January 01, 2011	Impairment losses	Additions	As at December 31, 2011	As at January 01, 2011	Amortization for the period	As at December 31, 2011	Net book value as at December 31, 2011
	Rupees' 000				Rupees' 000			Rupees' 000
Technology transfer agreement	75,434	-	-	75,434	11,983	3,172	15,155	60,279
Goodwill	452,910	140,569	-	312,341	91,859	-	91,859	220,482
Software	4,315	-	742	5,057	1,374	1,011	2,385	2,672
Intangible assets under development - ERP	30,301	-	1,140	31,441	-	-	-	31,441
	562,960	140,569	1,882	424,273	105,216	**4,183**	109,399	314,874

17.1 INTANGIBLE ASSETS AT DECEMBER 31, 2010

	Cost				Accumulated Amortization			
	As at January 01, 2010	Impairment losses	Additions	As at December 31, 2010	As at January 01, 2010	Amortization for the period	As at December 31, 2010	Net book value as at December 31, 2010
	Rupees' 000				Rupees' 000			Rupees' 000
Technology transfer agreement	75,434	-	-	75,434	8,643	3,340	11,983	63,451
Goodwill	533,235	80,325	-	452,910	91,859	-	91,859	361,051
Software	1,619	-	2,696	4,315	212	1,162	1,374	2,941
Intangible assets under development - ERP	1,560	-	28,741	30,301	-	-	-	30,301
	611,848	80,325	31,437	562,960	100,714	4,502	105,216	457,744

17.2 The Parent Company has obtained technology of single phase meters, three phase digital meters and also of power transformers from different foreign companies. These are amortized on the same rate as of the depreciation of the relevant plant.

17.3 The Parent Company has acquired different software for its business purpose. These have been amortized @ 33% per annum on reducing balance method.

17.4 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of acquisition of Pel Appliances Limited and Pel Daewoo Electronics Limited by Pak Elektron Limited.

The Parent Company engaged RAHMAN SARFARAZ RAHIM IQBAL RAFIQ, Chartered Accountants (the “Consultants”) in December 2009 to carry out detailed review and analysis of the business plan and financial information for valuation of goodwill that was recognized on acquisition of Pel Daewoo Electronics Limited. The scope of the consultancy, in accordance with International Standards on Assurance Engagements, was to examine the prospective financial information and value in use of TV Assembly Line. The scope also included examination of the underlying assumptions and the bases used for the preparation of the prospective financial information and the derived value in use.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

The recoverable amount was calculated by the Consultants on the basis of financial business plan prepared by the management. The prospective results have not been achieved by the Parent Company due to economic uncertainties and cancelation of LG license. The discount rate of 17% p.a. was used for the calculation of discounted cash flows. The cash flows beyond the five years period have been extrapolated using a steady 3% p.a. growth rate which is consistent with the long-term average growth rate for the industry. Based on the Prudence Concept and in view of cancelation of LG license, goodwill related to Pel Daewoo Electronics Limited has been fully impaired by providing impairment loss of Rs. 140.569 million (December 31, 2010: Rs. 80.325 million) in these financial statements.

	2011	2010
	Percentage	*Percentage*
18 LONG-TERM INVESTMENTS		
Investment in associate at equity method - Quoted		
Kohinoor Power Company Limited		
Ownership interest %	23.10	23.10

	Note	2011	2010
		Rupees '000	*Rupees '000*
Cost of investment			
2,910,600 shares (December 31, 2010: 2,910,600 shares)		54,701	54,701
Share of post acquisition profit - net of dividend received		56,750	66,912
		111,451	121,613
Less: provision for impairment in value of investment	18.1	107,058	108,166
		4,393	13,447

18.1 Movement in provision for impairment during the year

	2011	2010
Balance at beginning of the year	108,166	93,418
(Reversal) / provision for the year	(1,108)	14,748
Balance at the end of the year	107,058	108,166

18.2 The associated company has not been able to pay dividend since 2003. Further, the chances of improvement in its result are remote and depend upon heavy capital investment. Considering all these factors, the amount of investment has been impaired to the extent that is recoverable from the sale of shares.

18.3 Extracts of financial statements of the associated company

The assets, liabilities and equity of Kohinoor Power Company Limited as at December 31, 2011 and related revenue and profit for the half year then ended based on latest un-audited financial statements are as follows:

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
Assets		435,741	450,450
Liabilities		62,627	33,344
Revenue		531,097	762,787
(Loss)/profit for the year		(43,992)	22,897
Share of (loss)/profit of associate		(10,162)	5,289
Market value per share (Rupees)		1.51	4.62

19 LONG-TERM DEPOSITS

	Note	2011	2010
Security deposits with leasing companies		23,539	51,097
Less: current portion	24	14,595	22,202
		8,944	28,895
Other deposits		45,692	46,620
		54,636	75,515

20 STORES, SPARE PARTS AND LOOSE TOOLS

	2011	2010
Stores	2,378	2,124
Spare parts	84,912	81,732
Loose tools	37,735	41,802
	125,025	125,658
Less: provision for slow moving and obsolete items	15,443	17,253
	109,582	108,405

21 STOCK-IN-TRADE

	2011	2010
Raw material and components		
- in stores	2,176,716	2,531,378
- in-transit	739,311	1,473,448
Less: provision for slow moving and obsolete items	8,865	7,592
	2,907,162	3,997,234
Work-in-process	939,364	874,748
Finished goods	405,301	780,642
Less: provision for slow moving and obsolete items	4,804	535
	400,497	780,107
	4,247,023	5,652,089

21.1 Stocks with carrying value of Rs. 2,350 million (December 31, 2010: Rs. 3,745 million) have been pledged as security with certain banks against financing facilities.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
22	**TRADE DEBTS - unsecured**			
	Considered good:			
	- against sale of goods		2,594,562	2,815,351
	- against execution of contracts		1,152,319	1,109,424
			3,746,881	3,924,775
	Considered doubtful		287,169	202,168
			4,034,050	4,126,943
	Less: provision for doubtful debts	22.1	287,169	202,168
			3,746,881	3,924,775
22.1	**Movement in provision during the year**			
	Balance at beginning of the year		202,168	141,972
	Provision for the year		85,001	60,196
	Balance at the end of the year		287,169	202,168
23	**ADVANCES**			
	Advances to employees - Considered good:			
	- purchases		12,267	23,783
	- expenses		5,022	32,419
	- traveling		3,014	3,703
	- others	23.1	1,830	1,128
			22,133	61,033
	Advances to employees - considered doubtful		1,449	1,449
	Less: Provision for doubtful advances		1,449	1,449
			22,133	61,033
	Advances to suppliers and contractors		577,592	573,097
	Less: Provision for doubtful advances against suppliers		133,892	97,072
			443,700	476,025
	Retention money for contracts in progress	37	159,726	143,553
			625,559	680,611

23.1 These are interest free, unsecured advances given to employees.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
24	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Security deposits		30,880	33,742
	Less: provision for security deposits considered doubtful		5,379	5,379
			25,501	28,363
	Current portion of long-term deposits	19	14,595	22,202
	Margin deposits		146,442	166,030
	Prepayments		38,682	29,145
	Letters of credit		2,335	1,526
			227,555	247,266
25	**OTHER FINANCIAL ASSETS**			
	Investments at fair value through profit or loss			
	Standard Chartered Bank	25.1	7,312	26,446
	Wateen Telecom Limited	25.2	179	364
			7,491	26,810
25.1	**Standard Chartered Bank**			
	915,070 (December 31, 2010: 3,075,070) ordinary shares of Rs. 10 each			
	Balance at beginning of the year		26,446	27,522
	Shares sold during the year		(18,576)	-
			7,870	27,522
	Loss due to change in the fair valueof investment		(558)	(1,076)
			7,312	26,446

25.1.1 Market value per share is Rs. 7.99 (December 31, 2010: Rs. 8.60)

			2011	2010
25.2	**Wateen Telecom Limited**			
	100,000 (December 31, 2010: 100,000) ordinary shares of			
	Balance at beginning of the year		364	-
	Shares purchased during the year		-	1,000
			364	1,000
	Loss due to change in the fair value of investment		(185)	(636)
			179	364

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

25.2.1 Market value per share is Rs. 1.79 (December 31, 2010: Rs. 3.64).

		Note	2011	2010
			Rupees '000	*Rupees '000*
26	**SALES TAX REFUNDABLE**			
	Sales tax refundable		-	169,589
27	**CASH AND BANK BALANCES**			
	In local currency			
	Cash in hand		4,447	10,065
	Balances with banks			
	in current accounts		107,412	283,681
	in deposit account	27.1	50,000	50,000
			157,412	333,681
	In foreign currency			
	US Dollar account ((US $ 76.77 @ Rs.89.60) (December 31, 2010: US $ 84.95 @ Rs.85.70))		7	7
			161,866	343,753

27.1 This represents deposit account under lien with Trust Investment Bank Limited carrying return at the rate of 3 months KIBOR plus 1% p.a (December 31, 2010: 3 months KIBOR plus 1% p.a).

		Note	2011	2010
			Rupees '000	*Rupees '000*
28	**REVENUE**			
	Contract revenue	37	**380,797**	507,842
	Sales - Local		**12,927,374**	19,128,378
	Sales - Export		**414,998**	259,228
			13,723,169	19,895,448
29	**SALES TAX AND DISCOUNT**			
	Sales tax and excise duty		**1,852,714**	1,910,901
	Trade discounts		**527,625**	461,891
			2,380,339	2,372,792

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
30	**COST OF SALES**			
	Finished goods at beginning of the year		780,642	838,729
	Cost of goods manufactured	30.1	9,375,125	13,208,099
	Finished goods purchased		114,314	198,498
			9,489,439	13,406,597
	Finished goods at end of the year		(405,301)	(780,642)
	Cost of goods sold		9,864,780	13,464,684
	Contract cost	37	413,168	350,070
			10,277,948	13,814,754

30.1 Cost of goods manufactured

		Note	2011	2010
Work-in-process at beginning of the year			874,748	756,549
Raw material and components consumed			7,453,468	11,070,227
Direct wages			459,441	574,876
Factory overheads:				
- salaries, wages and benefits		30.2	232,067	318,879
- traveling and conveyance			15,329	30,433
- electricity, gas and water			189,071	216,513
- repairs and maintenance			54,561	100,164
- vehicles running and maintenance			17,353	24,613
- insurance			35,169	28,881
- depreciation		16.2	665,544	674,236
- amortization of intangible assets			4,183	4,502
- provision for obsolete and slow moving stock			3,732	2,745
- impairment loss on goodwill		17	140,569	80,325
- carriage and freight			14,209	19,450
- erection and testing			137,618	161,312
- other factory overheads			17,427	19,142
			1,526,832	1,681,195
			10,314,489	14,082,847
Work-in-process at end of the year			(939,364)	(874,748)
			9,375,125	13,208,099

30.2 These include employee benefits amounting to Rs. 28.606 million (December 31, 2010: Rs. 24.433 million).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
31	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Mark-up income		1,563	16
	Reversal of provision for impairment in value of long-term investments	18.1	1,108	-
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment	16.5	12,954	7,318
	Gain on sale and lease back activities	11.2	16,094	23,255
	Amortization of grant-in-aid	11.1	2,772	2,918
	Commission income		-	15,745
	Exchange gain		34	-
	Others		2,615	1,684
			37,140	50,936

		Note	2011	2010
32	**DISTRIBUTION COST**			
	Salaries, wages and benefits	32.1	237,735	292,831
	Traveling and conveyance		28,496	37,455
	Rent, rates and taxes		49,814	45,919
	Electricity, gas, fuel and water		8,166	8,681
	Repairs and maintenance		6,822	3,665
	Vehicles running and maintenance		15,168	24,917
	Printing and stationery		5,269	8,735
	Postage, telegrams and telephones		11,527	16,334
	Entertainment and staff welfare		5,655	9,936
	Advertisement and sales promotion		90,434	215,847
	Insurance		5,044	5,209
	Freight and forwarding		143,858	286,501
	Contract and tendering		863	954
	Warranty period services		90,690	75,133
	Others		93,262	24,894
			792,803	1,057,011

32.1 This includes employee benefits amounting to Rs. 12.544 million (December 31, 2010: Rs. 13.081 million).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
33 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	33.1	276,541	346,557
Traveling and conveyance		14,171	14,831
Rent, rates and taxes		63,175	65,270
Ujrah payments		84,460	88,095
Legal and professional		16,824	4,365
Electricity, gas and water		17,150	19,514
Auditors' remuneration	33.2	2,536	2,181
Repairs and maintenance		10,605	27,524
Vehicles running and maintenance		11,509	17,909
Printing, stationery and periodicals		4,041	6,381
Postage, telegrams and telephones		7,850	10,140
Entertainment and staff welfare		13,843	30,290
Advertisement		195	603
Insurance		5,427	8,423
Provision for doubtful debts, advances and security deposits		121,821	80,717
Depreciation	16.2	28,101	23,779
Others		4,866	4,495
		683,115	751,074

33.1 These include employee benefits amounting to Rs. 16.458 million (December 31, 2010: Rs. 10.517 million).

	2011	2010
	Rupees '000	*Rupees '000*
33.2 Auditors' remuneration		
Audit fee	1,250	1,000
Half yearly and COCG review and special certificates	987	925
Out of pocket expenses	299	256
	2,536	2,181

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			Rupees '000	*Rupees '000*
34	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	12.2	-	14,028
	Workers' welfare fund		-	5,331
	Loss on sale and lease back	16.5	1,719	1,385
	Loss due to change in the fair value of investments at fair value through profit and loss	25	743	1,712
	Loss on sale of investments at fair value through profit and loss	25	2,376	-
	Provision for impairment in value of long-term investments	18.1	-	14,748
	Exchange Loss		-	34,019
			4,838	71,223
35	**FINANCE COST**			
	Interest / mark-up on:			
	- long-term financing - secured		407,421	741,194
	- short-term borrowings	35.1	895,845	754,921
	- workers' profit participation fund	12.2	1,710	2,145
	- liabilities against assets subject to finance lease		13,978	20,826
	Bank charges and commission		94,310	104,525
			1,413,264	1,623,611

35.1 Interest / mark-up on short term borrowings from NBFCs includes penalized mark up amounting to Rs. 0.071 million (December 31,2010: Rs. 0.595 million) on overdue principal payments.

		2011	2010
		Rupees '000	*Rupees '000*
36	**PROVISION FOR TAXATION**		
	For the year		
	Current	123,169	175,216
	Deferred	(799,931)	(137,296)
		(676,762)	37,920
	Prior year		
	Current	16,298	29,086
	Deferred	21,766	5,178
		38,064	34,264
		(638,698)	72,184

36.1 Numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these consolidated financial statements as the Group is chargeable to minimum tax under section 113 of the Income Tax Ordinance, 2001.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
37 LONG-TERM CONSTRUCTION CONTRACTS			
Contract revenue for the year	28	380,797	507,842
Cost incurred to date		2,037,483	1,624,315
Contract costs for the year	30	413,168	350,070
Gross profit realized to date		769,191	801,562
Balance of advance received	12	81,504	15,976
Retention money receivable	23	159,726	143,553
Gross amount due from customers		10,666	34,030
Gross amount due to customers		6,669	14,293
Estimated future costs to complete projects in progress	37.1	1,101,285	936,319

37.1 As part of the application of percentage of completion method on contract accounting, the project costs are estimated. These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

38 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to directors and executives of the Group are as follows:

	Directors		Executives	
	2011	**2010**	**2011**	**2010**
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
Remuneration	18,104	16,888	135,108	145,960
House rent	3,621	4,959	44,131	50,244
Utilities	1,810	1,689	11,878	14,185
Bonus	-	-	414	23,187
Employment benefits	1,056	1,056	12,500	13,144
Reimbursable expenses				
Motor vehicles expenses	360	355	9,302	12,036
Medical expenses	65	56	5,182	8,005
TOTAL	25,016	25,003	218,515	266,761
Number of persons	3	3	102	110

38.1 No remuneration and benefits have been paid to Chief Executive Officer.

38.2 Chief Executive Officer, Directors and Executives have been provided with free use of the Group's cars.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		Rupees '000	*Rupees '000*
39 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED			
The calculation of basic and diluted earnings per ordinary share is based on the following data:			
(Loss) / Earnings			
(Loss) / profit for the year		(1,163,462)	189,024
Less: dividend payable on preference shares		66,088	42,709
(Loss) / earnings attributable to ordinary shares		(1,229,550)	146,315
		No. of shares	*No. of shares*
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share		121,868,745	118,445,091
Effect of dilutive potential ordinary shares		82,272,393	40,736,294
		204,141,138	159,181,385

Basic and diluted earnings per share have been calculated through dividing earnings as stated above by weighted average number of ordinary shares.

	Note	2011	2010
		Rupees	*Rupees*
Basic (loss) / earnings per share		(10.09)	1.24
Diluted (loss) / earnings per share	39.1	(10.09)	1.19

39.1 The effect of conversion of convertible preference shares into ordinary shares is anti-dilutive for the current year, accordingly the diluted loss per share is restricted to basic loss per share.

40 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Group in the normal course of business carries out transactions with various related parties. Amounts due from related parties are shown under receivables and remuneration of directors and key management personnel is disclosed in respective note to these consolidated financial statements. Other significant transactions with related parties are as follows:

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

		2011	2010
		Rupees '000	*Rupees '000*
Relationship	**Nature of transaction**		
Key management personnel	Short-term employee benefits	23,960	23,947
	Post employment benefits	1,056	1,056
Other related parties:			
Red Communication Art Private Limited	Purchase of services	54,550	171,312
	Sales of goods	5,510	9,533

40.1 All transactions with related parties have been carried out on arm's length price.

41 PLANT CAPACITY AND ACTUAL PRODUCTION

			2011	2010
	Unit	**Annual Production capacity**	**Actual production during the year**	**Actual production during the year**
Transformers / Power Transformers	MVA	5,000	2,029	2,999
Switchgears	Nos.	4,500	1,490	3,443
Energy meters	Nos.	1,700,000	349,611	843,880
Air conditioners	Tonnes	90,000	39,565	91,952
Refrigerators/deep freezers	Cfts.	5,000,000	2,660,387	3,660,858

41.1 The under utilization of capacity is mainly attributed to reduced demand.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

42 SEGMENT INFORMATION

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

Types of Segments	Nature of Business
Power Division	Manufacturing and distribution of Transformers, Switch Gears, Energy Meters, Power Transformers and EPC.
Appliances Division	Manufacturing, assembling and distribution of Refrigerators, Air conditioners, Microwave ovens, Televisions, Generators and Washing Machines including home appliances under distributions agreement signed with LG. The Company's distribution agreement with LG Electronics Inc. has been terminated during the year. However, activities under this distribution arrangement up to the date of termination have been aggregated with Appliances division as per criteria given in IFRS-8 "Operating segment".

	Power Division		Appliances Division		Consolidated	
	2011	2010	2011	2010	2011	2010
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*
Revenue	4,686,017	8,320,016	6,656,813	9,202,640	11,342,830	17,522,656
Less : Intersegment Revenue	-	-	-	-	-	-
Total Revenue	4,686,017	8,320,016	6,656,813	9,202,640	11,342,830	17,522,656
Finance cost	583,856	770,907	829,408	852,704	1,413,264	1,623,611
Depreciation and Amortization	331,665	315,473	366,163	387,044	697,828	702,517
Segment (Loss)/Profit before tax	(665,260)	136,516	(1,161,106)	87,130	(1,826,366)	223,646
Segment assets	10,263,225	10,062,854	12,116,978	12,645,971	22,380,203	22,708,825

	2011	2010
Reconciliation of Segment (Loss)/Profits :	*Rupees '000*	*Rupees '000*
Total (Loss)/Profit for Reportable Segments	(1,826,366)	223,646
Un-allocated other Income	24,206	37,562
(Loss)/Profit before Taxation	(1,802,160)	261,208
Reconciliation of Reportable Segment Assets :		
Total assets for Reportable Segments	22,380,203	22,708,825
Other Corporate Assets	1,413,579	2,821,314
Total Assets	23,793,782	25,530,139

Information about major customers:

Revenue of Rs. 2,983.960 million (December 31, 2010: Rs. 5,286.595 million) is derived from WAPDA Distribution Companies. This revenue is attributable to Power Division of the Group.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

43 FINANCIAL INSTRUMENTS

43.1 Capital risk management

The Group's objective when measuring capital are to safeguard the Group's ability to continue as going concern while providing returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure through debt and equity balance.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue of new shares.

Consistent with others in industry, the Group monitors capital on the basis of gearing ratio. During the period, the Group's strategy was to maintain the gearing ratio between 30% to 40% and 'A' credit rating. The gearing ratios as at December 31, 2011 and December 31, 2010 were as follows:

		2011	2010
		Rupees '000	***Rupees '000***
Long Term Finances	A	5,655,227	6,092,359
Total Equity	B	7,565,144	8,728,606
Total Capital	C=A+B	13,220,371	14,820,965
Gearing Ratio	D=A / C	43%	41%

It arises on financial instruments because changes in, for example, commodity prices or equity prices. The Group is exposed to price risks arising from equity investments. Equity investments are held for strategic purposes rather than trading purposes. The Group does not actively trade these investments.

43.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

43.3 Financial risk management objectives

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board is responsible for developing and monitoring the Group’s risk management policies.

The Parent Company's Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

43.3.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Group maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Group is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Group does not hold collateral as security.

The Group’s credit risk exposures are categorized under the following headings:

Counterparties

The Group conducts major types of transactions with the following counterparties:

Trade debts

Trade debts are essentially due from customers against sale of electrical goods. The majority of sales to the Group’s customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Bank and investments

The Group limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a credit rating of at least A3 in short term and BBB in long term. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011	2010
	Rupees '000	*Rupees '000*
Investments	4,393	13,447
Other financial assets	7,491	26,810
Trade debts	4,034,050	4,126,943
Advances	161,556	144,681
Trade deposits	78,778	79,710
Other receivables	17,241	45,869
Bank balances	157,419	333,688
	4,460,928	4,771,148

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

General customers	3,511,374	3,682,912
Corporate customers	550,078	444,028
	4,061,452	4,126,940

There is no single significant customer in the trade debts of the Group.

	2011	2010
Aging analysis of trade debts	*Rupees '000*	*Rupees '000*
1 year or less	3,441,611	3,488,849
1 - 2 year	190,900	218,720
2 - 3 year	125,817	154,770
3 year and above	275,722	264,604
Less: provision for doubtful debts	287,169	202,168
	3,746,881	3,924,775

In determining the recoverability of a trade debt, the Group considers any change in the credit quality of the trade debt from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further provision required in excess of the allowance for doubtful debts.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

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

Name of Bank	Ratings Short-term	Ratings Long-term	Rating Agency	Balance as at December 31 2011 *Rupees '000*	2010 *Rupees '000*
Allied Bank Ltd.	A1+	AA	PACRA	1,046	376
Askari Commercial Bank Ltd.	A1+	AA	PACRA	474	684
Bank Al - Falah Ltd.	A1+	AA	PACRA	6,788	25,912
Bank Al - Habib Ltd.	A1+	AA+	PACRA	415	1,095
Bank of Khyber	A2	A-	PACRA	-	4,978
Bank of Punjab	A1+	AA-	PACRA	23,856	6,519
Barclays Bank	A1	A+	S&P	85	126
Faysal Bank Ltd.	A1+	AA	JCR-VIS	4,277	28,868
HSBC Bank Ltd.	A1+	AA	S&P	309	-
Habib Bank Ltd.	A1+	AA+	JCR-VIS	941	26,670
Habib Metropolitan Bank Ltd.	A1+	AA+	PACRA	11,505	-
KASB Bank Ltd.	A3	BBB	PACRA	5	3,282
MCB Bank Ltd.	A1+	AA+	PACRA	1,896	1,424
Meezan Bank Ltd.	A1+	AA-	JCR-VIS	1,199	-
My Bank Ltd.	A2	A-	PACRA	-	869
National Bank of Pakistan	A1+	AAA	JCR-VIS	16,672	29,783
NIB Bank Ltd.	A1+	AA-	PACRA	9,389	87,077
Samba Bank Ltd. (formerly Crescent Commercial Bank Ltd.)	A1	A+	JCR-VIS	182	222
Silk Bank Ltd.	A2	A	JCR-VIS	10,799	13,040
Soneri Bank Ltd.	A1+	AA-	PACRA	1,130	152
Standard Chartered Bank	A1+	AAA	PACRA	3,011	41,107
The Royal Bank of Scotland	A1+	AA	PACRA	-	742
United Bank Ltd.	A1+	AA+	JCR-VIS	9,950	9,166
Al-barka Islamic Bank	A1	A	JCR-VIS	-	-
Dawood Islamic Bank	A1	A+	JCR-VIS	-	4,644
Emirates Bank International	A1+	AAA	JCR-VIS	-	52
Bank Al-islamic	A1	A	PACRA	25	10
Summit Bank Limited (formerly Arif Habib Bank Ltd.)	A-	A2	JCR-VIS	742	90
Burj Bank Limited	A2	A	JCR-VIS	1,741	-
Deutsche Bank	A1+	AA+	PACRA	-	-
Sindh Bank Limited	A1-	AA	JCR-VIS	982	-
Trust Investment Bank Limited	A3	BBB	PACRA	50,000	50,000

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

43.3.2 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note of short term borrowing in these financial statements is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk table

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Group can be required to pay. For effective markup rate please see note of long term financing - secured and liabilities against assets subject to finance lease in these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2011	**2010**
	Rupees' 000	***Rupees' 000***
Trade and other Payables		
Maturity upto one year	2,043,791	1,657,566
Short term borrowings		
Maturity upto one year	6,174,860	5,895,077
Long term financing		
Maturity upto one year	1,106,375	1,138,026
Maturity after one year and upto five years	4,242,602	4,954,333
Maturity after five years	306,250	-
Liabilities against assets subject to finance lease		
Maturity upto one year	38,393	96,185
Maturity after one year and upto five years	21,841	14,776
	13,934,112	13,755,963

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

43.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Group and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Group's potential currency exposure comprise:

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Group are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Group in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Group. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk is as follows based on notional amounts:

	2011	**2010**
	USD '000	***USD '000***
Foreign bills payable	3,046.00	4,151.00
Cash and bank balances	0.08	0.08
	3,046.08	4,151.08
	EUROs '000	***EUROs '000***
Foreign bills payable	**771**	994
	CHF '000	***CHF '000***
Foreign bills payable	**40**	-

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

Commitments outstanding at year end amounted to Rs. 894 million (December 31, 2010: Rs.753 million) relating to letter of credits for import of stores, spare parts and raw material.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	**2010**	**2011**	**2010**
	Rupees '000	***Rupees '000***	***Rupees '000***	***Rupees '000***
USD 1	87.86	84.88	89.60	85.70
EURO 1	115.51	117.17	115.96	113.93
CHF 1	94.58	-	95.20	-

Foreign currency sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the foreign currencies at December 31, 2011 would have increased/decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for December 31, 2010.

	2011	**2010**
	Rupees '000	***Rupees '000***
Increase in profit and loss account	36,614	46,899

A 10 percent weakening of the Pak Rupee against the foreign currency at December 31, 2011 would have had the equal but opposite effect on foreign currency to the amounts shown above, on the basis that all other variables remain constant.

(b) Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

- Profile

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

	2011 %	2010 %	2011 *Rupees '000*	2010 *Rupees '000*
Floating rate instruments				
Financial assets				
Bank balances	12.98	14.46	50,000	50,000
Financial liabilities				
Long term financing	14.25 to 17.12	13.27 to 16.27	4,548,852	4,973,707
Short-term borrowings	13.02 to 17.43	14.36 to 17.43	5,976,212	5,413,223
			10,575,064	10,436,930

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Group's equity.

	Increase / (Decrease) in basis points %	Effect on profit before tax *Rupees '000*
December 31, 2011		
Short term borrowings		**60,350**
Long term financing	**1%**	**58,738**
Liabilities against assets subject to finance lease		**856**
		119,944
December 31, 2010		
Short term borrowings		53,010
Long term financing	**1%**	54,776
Liabilities against assets subject to finance lease		1,566
		109,352

(c) Equity Price Risk Management

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Group's Board of Directors reviews and approves all equity investment decisions.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2011

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

43.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

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

	2011	2010
	Rupees '000	*Rupees '000*
44 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	633	(23,638)
- Stock-in-trade	1,399,524	(1,822,136)
- Trade debts	92,893	(757,749)
- Advances	18,232	124,675
- Trade deposits and short-term prepayments	12,104	(51,203)
- Other receivables	198,217	(46,132)
	1,721,603	(2,576,183)
(Decrease) / increase in trade and other payables	(15,625)	224,178
	1,705,978	(2,352,005)

45 REARRANGEMENT AND RECLASSIFICATION

There is no re-arrangement or re-classification during the year.

46 NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the period amounting to Rs. 70 million (December 31, 2010: Rs. 1.225 million) were financed by new finance leases.

47 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 09, 2012.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

Pattern of Shareholding
as at December 31, 2011

Number of Shareholders	SHAREHOLDING From	To	Shares held
684	1	100	22,895
608	101	500	170,870
456	501	1000	353,074
941	1001	5000	2,240,992
245	5001	10000	1,856,264
98	10001	15000	1,224,145
45	15001	20000	779,641
38	20001	25000	871,231
21	25001	30000	562,888
11	30001	35000	353,314
9	35001	40000	345,033
9	40001	45000	380,459
8	45001	50000	394,015
5	50001	55000	261,884
4	55001	60000	239,658
2	60001	65000	125,404
3	65001	70000	209,817
4	70001	75000	297,056
3	75001	80000	234,720
2	80001	85000	162,844
1	85001	90000	88,008
2	90001	95000	184,442
2	95001	100000	196,075
1	100001	105000	105,000
1	105001	110000	108,462
1	110001	115000	113,437
1	115001	120000	118,036
3	120001	125000	367,888
3	125001	130000	389,891
1	130001	135000	131,770
2	135001	140000	274,000
2	150001	155000	305,775
1	155001	160000	155,938
3	165001	170000	503,845
2	175001	180000	359,218
2	185001	190000	374,497
1	195001	200000	200,000
1	230001	235000	233,930
1	245001	250000	246,433
1	270001	275000	270,039
1	280001	285000	284,100
1	290001	295000	293,533
2	295001	300000	596,046
1	320001	325000	324,795
1	365001	370000	366,357
1	460001	465000	460,500
1	475001	480000	477,488
1	480001	485000	482,776
1	550001	555000	552,466
1	650001	655000	651,191
1	835001	840000	835,506
1	840001	845000	844,451
1	870001	875000	875,000
1	990001	995000	993,623
1	995001	1000000	1,000,000
1	1085001	1090000	1,087,500
1	1150001	1155000	1,153,571
1	1320001	1325000	1,324,977
1	1500001	1505000	1,504,462
1	1555001	1560000	1,559,609
1	1695001	1700000	1,700,000
1	1845001	1850000	1,845,470
1	2135001	2140000	2,135,635
1	2695001	2700000	2,700,000
1	3390001	3395000	3,391,104
1	3610001	3615000	3,611,867
1	4455001	4460000	4,455,927
1	9425001	9430000	4,425,985
1	25355001	25360000	25,356,440
1	35765001	35770000	35,765,478
3259			121,868,745

Classification by Categories of Shareholders
as at December 31, 2011

Categories of Shareholders	Number	Shares held	Percentage
Individuals	3141	88,417,165	72.55
Financial Institutions	14	19,916,752	16.34
Insurance Companies	1	3,391,104	2.78
Joint-stock Companies	72	6,124,951	5.03
Investment Companies	2	553,146	0.45
Modaraba Companies	5	3,423,782	2.81
Foreign Investors	24	41,845	0.03
	3259	121,868,745	100.00

Information as required under clause XIX (i) of Code of Corporate Governance as at December 31, 2011

Category No.	Category of Shareholders			No. of shares held	Percentage
1	**Associated Companies, undertakings and related parties**			-	-
2	**NIT / ICP**				
		National Investment Trust Limited		552,466	0.45
		Investment Corporation of Pakistan		680	-
3	**Chief Executive, Directors, their Spouse and minor Children**				
	(i)	Mr. M. Naseem Saigol	Chairman/Chief Executive	36,765,478	29.35
	(ii)	Mr. M. Azam Saigol	Director	651,191	0.53
	(iii)	Mr. Muhammad Murad Saigol	Director	3,042	-
	(iv)	Mr. Haroon Ahmad Khan	Director	3,042	-
	(v)	Mr. Muhammad Abdullah Hospital Saigol	Director	500	-
	(vi)	Mr. Muhammad Zeid Yousuf Saigol	Director	3,611,867	2.96
	(vii)	Mrs. Amber Saigol	Spouse of Mr. M. Azam Saigol	25,356,440	20.81
	(viii)	Mrs. Sehyr Saiogl	Spouse of Mr. M. Nassem Saigol	1,153,571	0.95
4	**Executive**				
5	**Public sector companies and corporations**				
		Joint Stock Companies		6,124,951	5.03
6	**Banks, DFI's Insurance Companies, Modarabas and Mutual Funds**				
		Insurance Companies		3,391,104	2.78
		Financial Institutions		19,916,752	16.34
		Modaraba Companies		3,423,782	2.81
		Foeign Companies / Individuals		41,845	0.03
7	**Shareholders holding ten percent or more voting interest in the listed company**				
	(i)	Mr. M. Naseem Saiogl		36,765,478	29.35
	(ii)	Mrs. Amber Saigol		25,356,440	20.81

Form of Proxy

56th Annual General Meeting

LEDGER FOLIO	**SHARES HELD**

I / We ______________________________

of ______________________________

appoint ______________________________

(or of ______________________________

failing him) ______________________________

(being a member of the Company) as my / or proxy to attend and vote for me / us and on my / our behalf at the 56th Annual General Meeting of the Company to be held on April 30, 2012 at factory premises, 14-Km, Ferozepur Road, Lahore at 11:00 A.M. and at every adjournment thereof, if any.

A witness my / our hand (s) this ______________ day of ________________ 2012.

Signed by the said

REVENUE STAMP

____

Witnesses:

1)	Name ______________	2)	Name ______________
	Address ______________		Address ______________
	CNIC No. ______________		CNIC No. ______________

Notes:

1. A member entitled to attend and vote at this Meeting may appoint proxy in accordance with the provisions of Article 54 of the Articles of Association of the Company. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank Gublerg-V, Lahore, the Registered Office of the Company not later than forty eight hours before the time of holding the meeting and must be duly stamped, signed and witnessed.

2. For CDC Account Holders/ Corporate Entities in addition to the above the following requirement have to be met.

   (i) Attested copies of CNIC or the passport of the Beneficial Owners and the Proxy shall be provided with the proxy form

   (ii) In came of a Corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

   (iii) The Proxy shall produce his original CNIC or original passport at the time of the meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
PAK ELEKTRON LIMITED
17 - Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.