Annual Report | 2012

Pak Elektron Limited

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Corporate Information

Board of Directors

Mr. Naseem Saigol
Chief Executive Officer

Mr. Azam Saigol

Mr. Murad Saigol

Mr. Muhammad Zeid Yousaf Saigol

Mr. Haroon Ahmad Khan

Syed Manzar Hassan

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

Mr. Khalid Siddiq Tirmizi
BOP 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

HR & Remuneration Committee

Mr. Azam Saigol
Chairman/Member

Mr. Akbar Hasan Khan
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
Fax: 042-35869037

Bankers

Albaraka Islamic Bank
Bank Alfalah Limited
Bank of Khyber
Bank of Punjab
Burj Bank Limited
Faysal Bank Limited
KASB Bank Limited
National Bank of Pakistan
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank
Summit Bank Limited

Registered Office

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35718274-6
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 # 301, 3^{rd} 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

Vision and Mission

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.

Company Profile

Historical Overview

1956	Pak Elektron Limited setup by Malik Brothers	PEL
1958	Technical collaboration agreement reached with AEG Germany	AEG
1978	PEL acquired by Saigol Group of Companies	PEL
1981	Manufacturing of air conditioners with assistance of Fujitsu, Japan	FUJITSU
1988	Acquired license to manufacture VCB's from Hitachi, Japan	HITACHI
1992	Agreement with ABB, USA to manufacture energy meters	ABB
1997	Acquired technology from Carrier, USA to manufacture window A/C	Carrier
2004	Acquired technology from Ganz, Hungary to produce power transformers	GANZ
2005	Agreement signed with Pauwels, Belgium to produce distribution transformers	PAUWELS
2009	Distribution Agreement signed with LG for the sole distribution of LG's home appliances	LG
2010	Acquired Licensing agreement from General Electric (GE), USA to manufacture LV Switchgear	Imagination at work

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.

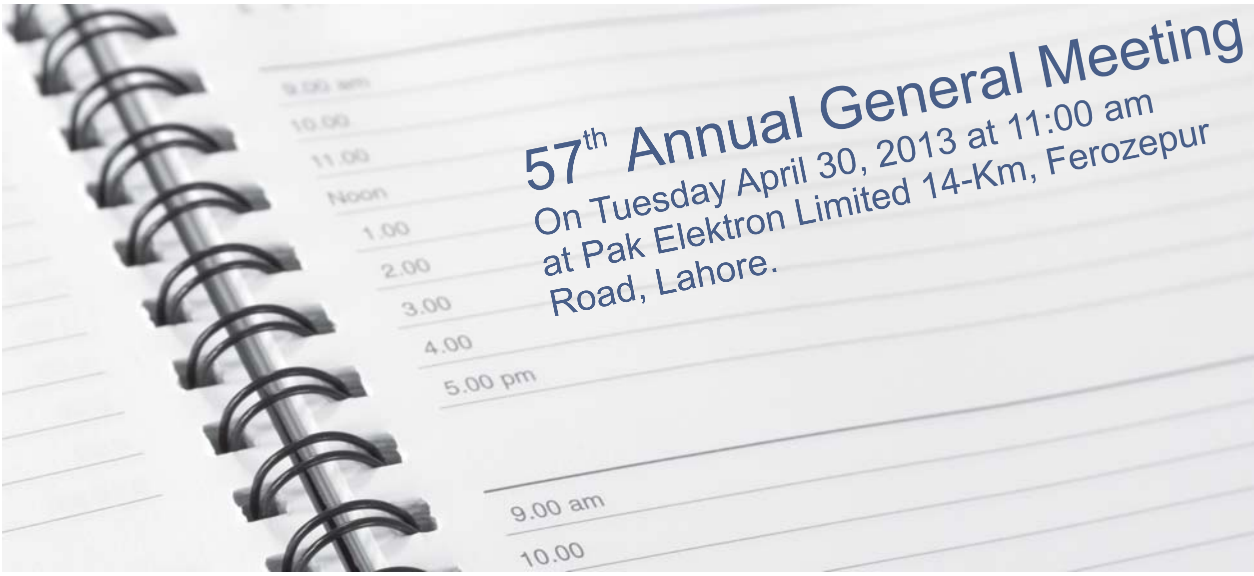
Since its inception, the Company has always been contributing towards the advancement and development of the engineering sector in Pakistan by introducing a range of quality electrical equipments and home appliances and by producing hundreds of engineers, skilled workers and technicians through its apprenticeship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

Notice of Annual General Meeting



Notice is hereby given that the 57th Annual General Meeting of the Shareholders of **Pak Elektron Limited** will be held on Tuesday, April 30, 2013 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 30 April 2012.
2. To receive and adopt the Annual Audited Accounts of the Company for the year ended 31 December 2012 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, 2013

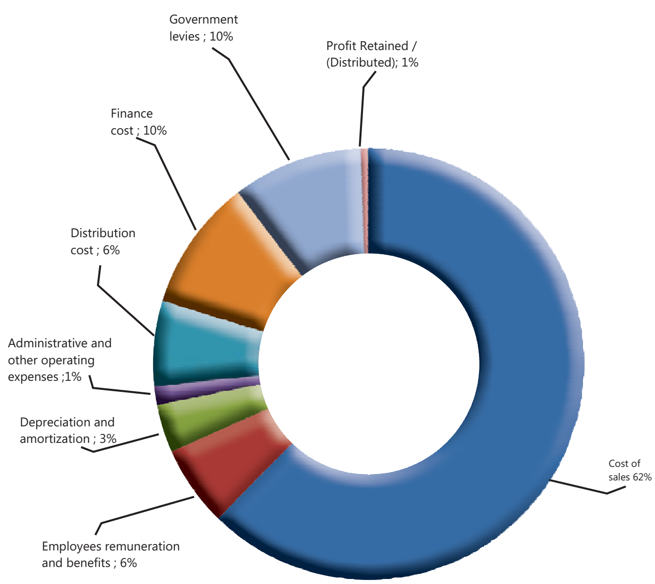
M. Omer Farooq
Company Secretary

Notes:

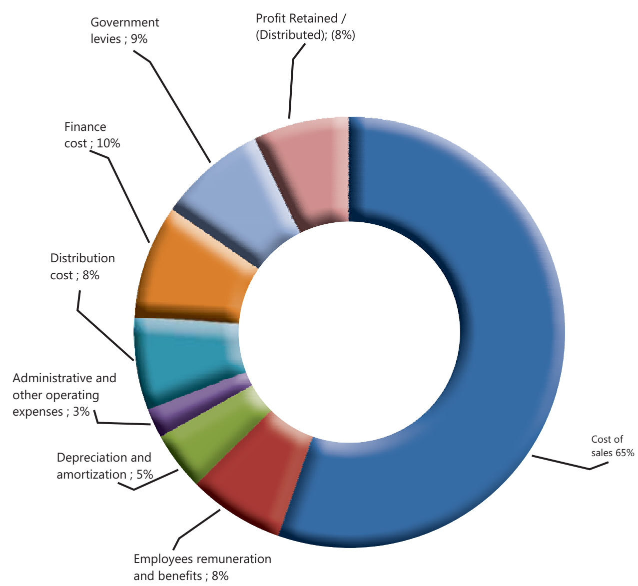
1. Share Transfer Books of the Company will remain closed from April 30, 2013 to May 06, 2013 (both days inclusive). Physical transfers/CDS Transactions IDs received in order at Company registrar office M/s Corplink (Pvt.) Limited Wings Arcade, 1-K, Commercial Model Town, Lahore.
2. A member entitled 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

	2012 *Rupees '000*		2011 *Rupees '000*	
Wealth Generation				
Contract Revenue	1,795,415		380,797	
Sales (including sales tax and discount)	18,498,557		13,342,372	
Value Added	20,293,972		13,723,169	
Other Operating Income	23,540		26,528	
Wealth Created	20,317,512		13,749,617	
Wealth Distribution				
Cost of sales	12,650,276	62%	8,916,263	65%
Employees remuneration and benefits	1,254,001	6%	1,154,870	8%
Depreciation and amortization	702,445	3%	697,828	5%
Administrative and other operating expenses	291,296	1%	383,311	3%
Distribution cost	1,293,016	6%	1,082,693	8%
Finance cost	2,050,054	10%	1,413,264	10%
Government levies	1,961,759	10%	1,264,930	9%
Profit / (Loss) for the year	114,665	1%	(1,163,462)	(8%)
Wealth Distribution	20,317,512	100%	13,749,617	100%



Wealth Distribution 2012



Wealth Distribution 2011

Stakeholder's Information

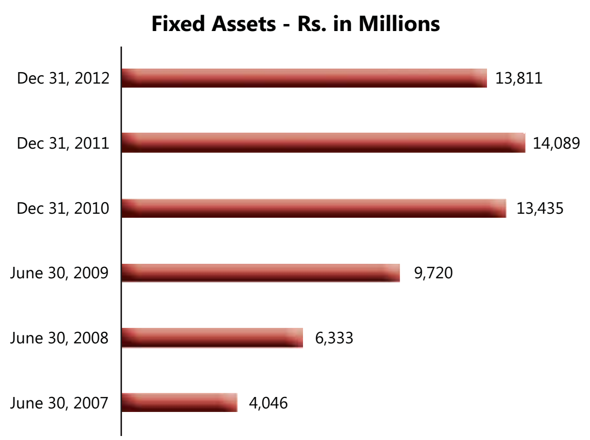
Key Operating and Financial data - Six years at a glance

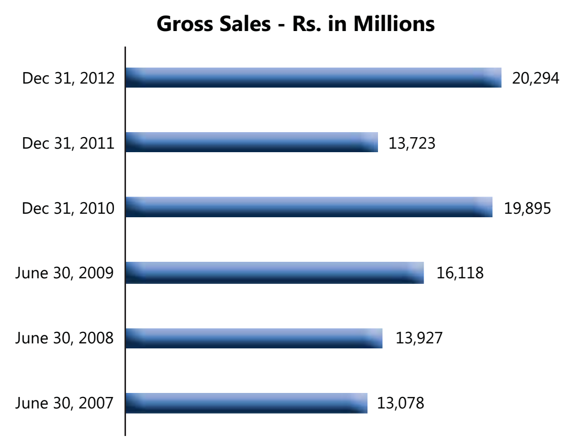
Rs. in millions

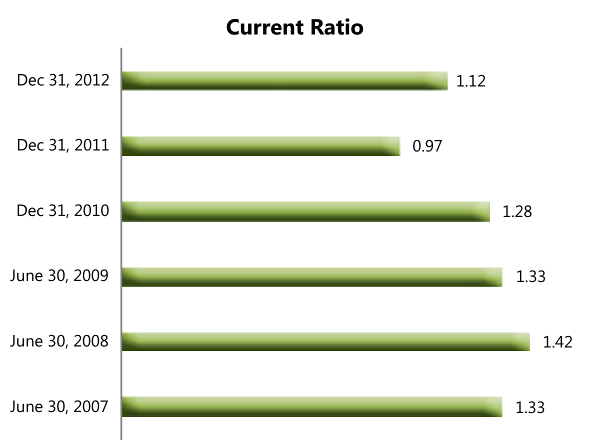
	2012	2011	2010	2009	2008	2007
Financial						
Gross Sales	20,294	13,723	19,895	16,118	13,927	13,078
Net Sales	17,770	11,343	17,523	14,622	12,652	11,813
Gross Profit	3,644	1,065	3,708	3,338	2,837	2,580
EBITDA	2,917	309	2,668	2,082	1,878	1,846
Financial Charges	2,051	1,413	1,624	1,373	994	937
Profit / (Loss) before tax	161	(1,802)	261	394	630	707
Profit / (Loss) after tax	115	(1,163)	189	261	452	582
Earnings / (Loss) per Share - Basic	0.59	(9.90)	1.24	2.17	4.14	5.50
Share Capital - Ordinary	1,219	1,219	1,219	970	970	764
- Preference	450	450	450	526	526	605
Shareholders' Equity	3,908	3,603	4,566	4,007	3,677	3,241
Long Term Loans	5,621	4,571	4,969	3,597	2,650	1,501
Current Liabilities	9,832	9,629	9,006	6,554	6,605	5,178
Current portion of LTL / LF	79	1,145	1,234	763	432	349
Non-current assets	14,198	14,463	13,981	10,356	6,892	4,675
Fixed Assets	13,811	14,089	13,435	9,720	6,333	4,046
Current Assets	11,016	9,331	11,549	8,714	9,401	6,871
Total Assets	25,215	23,794	25,530	19,070	16,293	11,546
Current Ratio	1.12	0.97	1.28	1.33	1.42	1.33
Return on Equity	3.05%	(28.47%)	4.41%	6.77%	13.08%	19.65%
Debt Equity Ratio	0.42	0.38	0.36	0.35	0.32	0.27
Return on total capital employed	22.63%	1.57%	16.83%	19.52%	21.39%	29.84%

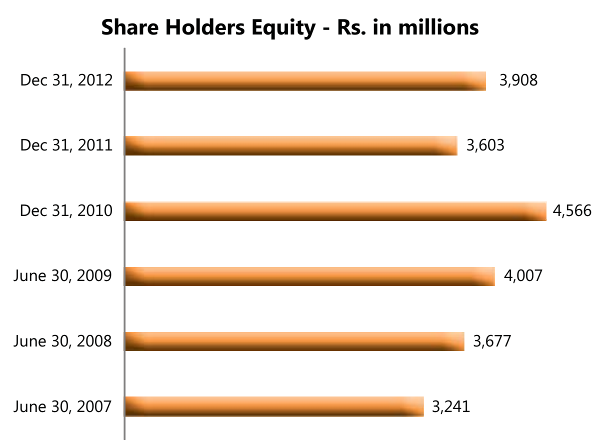
Rs. in millions

	2012	2011	2010	2009	2008	2007
Dividend (%)						
Cash Dividend	-	-	-	-	-	-
Stock Dividend	-	-	-	10%	-	25%
Production data						
Transformers - MVA	3,967	2,029	2,999	2,466	2,385	2,243
Switchgeras- Numbers	1,780	1,490	3,443	4,046	4,685	3,347
Energy Meters- Numbers	264,148	349,611	843,880	443,307	525,155	912,997
Air Conditioners- Tons	919	39,565	91,952	28,581	81,631	61,161
Refrigerators / Deep Freezers - Cfts	3,042,064	2,660,387	3,660,858	3,156,604	3,556,450	2,899,583









Director's Report to the Shareholders

The Directors are pleased to present their report together with Company's audited consolidated financial statements for the year ended December 31, 2012.

OPERATING RESULTS AND PERFORMANCE OVERVIEW

The year under review has been a year of recovery and the company witnessed a revenue growth of almost 48% over the corresponding previous year. Consequently a revenue of Rs. 20.294 billion during the year showing an increase of Rs. 6.571 billion has been achieved with post tax profit of Rs. 115 million in comparison to a post tax loss of Rs. 1,163 million incurred in the previous year. The recovery in bottom line Alhamdolillah has therefore been Rs. 1,278 million, setting the stage for healthy business growth in the ensuing year.

As we all are aware 2012 has been a challenging year in many respects including law and order, energy shortages, concerns on the macro economic front, pressure on exchange rates and generally in terms of governance in government as well as government owned utilities. Despite these conditions your company achieved a turn around with business focused approach targeting cost efficiencies in all major areas especially focusing materials and manpower costs ensuring cost optimization without compromising on product quality and motivation of its employees. Year 2013 can be even more challenging with upcoming general elections and political instability. We are hoping that the country will emerge stronger after these elections and nation will witness a stable government with much needed improved governance in all respective areas.

Summary of the results is as under:

Rupees in millions

	2012	2011
Gross Sales	20,294	13,723
Gross Profit	3,644	1,065
Operating Profit / (Loss)	2,224	(379)
Financial Charges	2,050	1,413
Profit / (Loss) before tax	161	(1,802)
Profit / (Loss) after tax	115	(1,163)
Earnings / (Loss) per share (Basic) - Rupees	0.59	(9.90)

Interest rates were reduced during the year and discount rate came down to 9.50%. But keeping in view the high inflation, hopes of further rate cuts are not very high. Pak rupee continued to depreciate against US dollar and other currencies, resulting in increase in importation costs and cost of productions. Worsening energy crises are forcing manufacturers to resort to inefficient power sources. All these factors are escalating the cost of production for the local industry. The current year 2013 is the election year, due to which money circulation would rise causing more demand to infrastructure related goods. But on the other hand there is also apprehension of lack of decision making at Wapda level, at least during the first three quarters, which may cause

delays in ordering that can exert temporary pressures on our power division sales. However growth in our appliances division sales is likely to offset this impact.

Distribution Transformers

The year 2012 has seen the company progressing well on its revival path. It has been a year of multifaceted challenges; mainly the rescue from massive financial crunch, consolidating the available resources, and the securing and delivering orders. Despite all these challenges, the company has demonstrated its resolve and determination to continue on the track of a turnaround.

The production and sale of Distribution transformer has seen significant improvement over the last year. There was a steady inflow of orders from Discos' and kept our productions continuously moving. Your company achieved sales of 17,484 units against 6,723 units in the last year, recording a growth of 1.6 times. Profitability also improved due to better capacity utilization and reduction in material cost. This is mainly because of backlog of orders from last year which were executed in the current year. PEL has also been successful in tapping new export markets like Afghanistan and Swaziland where we see a bright prospect in near future.

In the continuous quest for improvement in margins and profit, our Engineering Department introduced new prototypes in all rating for Discos. Now PEL standard transformer for Discos has significant competitive advantage over its competitors in the local market.

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 and hardware capital, the Company is committed to not only maintain, but enhance its image in local as well as global market.

Power Transformers

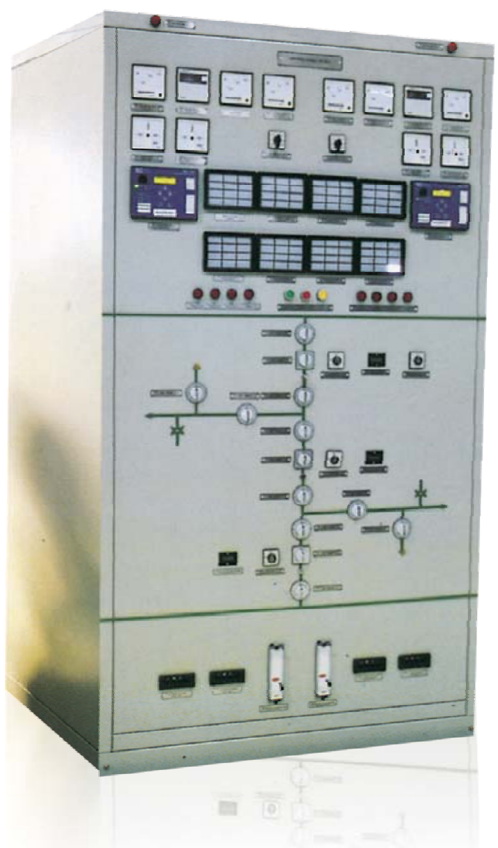
Power Transformer is a high value product installed in Grid Stations used to convert the high voltage to medium voltage level. It has been a record year for our Power Transformer business. The company achieved a sale of 53 units. It is worth mentioning here this sales number is the highest ever achieved by any local company in a single year. We have also focused attention on developing private market for power transformers and have delivered transformers to clients other than WAPDA. Our Continuous efforts on improvement in product quality and margin have yielded excellent results this year.

Your company foresees promising future for this business, although we still face huge challenge from foreign manufacturers as the present duty regime does not provide any protection to the local manufacturers vis-à-vis foreign manufacturers. The later 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

Meter business performance remained moderate due to lower ordering from the DISCOS. Your company has taken a number of initiatives in developing new products and adding new features in existing products. During the year we have successfully developed testing bench for meter in our factory. The machine has been tested and is under active use now.

We are exploring exports markets for these products and have received a number of enquiries from Afghanistan and other countries. Efforts are underway to secure bigger orders directly from Afghan utility as well as from private contractors who are working on different projects in Afghanistan.



Switchgear

Significant improvement has been witnessed due to increase in housing sector activities. In addition a number of new orders from industry have also been secured. Sales were considerably higher than those of the last year. We have healthy orders backlog for the year 2013 and foresee that Switchgear sales for 2013 will be more than double of 2012 sales.

During the year we have secured a large contract for electrification from DHA Lahore which involves significant quantities of Switchgear supply, scheduled to be completed within the year 2013.

We are pleased to inform you that Switchgear department has developed a number of cost effective components and brought changes in product design that will add further to our profitability in the coming years.

EPC Contracting

As mentioned last year, work on DHA project is actively under way and it shall be completed during the year. We are also actively pursuing new orders from housing sector, which has been major contributor towards EPC business growth. Side by side we are now following up with NTDC and DISCOS for upcoming 132 and 220 KV grid station orders and are confident to secure healthy business in the coming year.

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 the rise in rural prosperity, demand for refrigerators in rural areas is surging.

The company has launched yet another new unique beautiful high end refrigerators product range in glass door. Market across the country remained very receptive to this new series. With the launch of this model we focused to catch the attention of consumers who looks for aesthetics and beauty which simultaneously meet their requirement for a robust cooling function. This new series is first of its kind, introduced in the market, due to which we feel, we would be able to divert consumer choice from imported ranges.

The company is at the same time focusing on cost savings through R&D improvements without compromising on quality and brand image. All above measures are resulting in to improvement of margins as well as terms of sale for our products.

The Sales volume has increased by 24% over the corresponding last year. In the year 2013 company is focusing to increase further production levels with more improved models.

Deep Freezers

Our capability to produce customized product range is at par with our corporate sales market demand. 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.

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 to achieve a positive turnaround during the next year 2013. In the macro perspective, rural prosperity along with the increasing foreign remittances is enhancing reasonable purchase power for the consumer industry. With the new democratic dispensation in the offing, we are quite optimistic that the electric supply shall become stable in coming years, the challenge for us will be 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

Under current situation where company is making efforts to gain momentum and to build reserves no dividend is declared for the year ended December 31, 2012.

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.

Material changes

There has been no other material change since December 31, 2012 and the Company has not entered into any commitment which would affect its financial position at the date.

Code of conducts

The board has adopted the code of conducts and accordingly all of the employees have been informed of this conduct.

Earnings per share

Basic earnings per share work out to Rs. 0.59 (loss per share Rs.(9.90) Dec 2011)

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 have 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, 2012 is Rs. 164 million.
- The board of directors presently comprises 11 individuals, out of which 6 are non executive directors while 5 are working executive directors.

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

M/s Yousuf Adil Saleem & Company, Chartered Accountants, Lahore, retire and as suggested by the Audit committee, the Board of Directors have recommended the appointment of M/s Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, as auditors of the Company for the year ending December 31, 2013, at a fee to be mutually agreed in place of retiring auditors.

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. Attendances by each director during these meetings were as follows:

Mr. M Naseem Saigol	4
Mr. M. Azam Saigol	2
Mr. M. Murad Saigol	3
Mr. M. Zeid Yousaf Saigol	2
Mr. Haroon Ahmad Khan	4
Mr. Abdullah Haroon Saigol	-
Mr Khalid Siddiq Trimizey (BOP nominee)	2
Syed Zubair Ahmed Shah (NIT nominee)	4
Ms. Tahira Raza (NBP nominee)	4
Mr. M. Khurram Khawaja (NBP nominee)	4
Mr. Akbar Hasan Khan (NBP nominee)	4

During the period under review, Audit Committee meetings held for four times and the attendances of members were as follows:

Mr M. Azam Saigol	2
Ms Tahira Raza	4
Syed Zubair Ahmed Shah	4
Mr Haroon Ahmed Khan	4

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, 2013

Naseem Saigol
Chief Executive Officer

Statement of Compliance

with best practices of Code of Corporate Governance for the year ended December 31, 2012

This 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 of practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

   Independent Directors

   <u>Executive Directors</u>

   1. Mr. M. Naseem Saigol
   2. Mr. M. Murad Saigol
   3 Mr. M. Zeid Saigol
   4. Mr. Haroon Ahmed Khan
   5. Syed Manzar Hassan

   <u>Non-Executive Directors</u>

   1. Mr. M. Azam Saigol
   2. Mr. Akbar Hasan Khan
   3. Mr. Muhammad Khurram Khawaja
   4. Mst. Tahira Raza
   5. Mr. Khalid Siddiq Tirmizey
   6. Syed Zubair Ahmad Shah

2. The directors have confirmed that none of them is serving as a director in more than Seven 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 as a defaulter by the Stock Exchange.

4. One casual vacancy occurred in the Board of Directors during the period.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company

along with its supporting policies and procedures.

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 and Non-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 Board arranged one training programs for its directors during the year.

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

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 of 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 formed an HR and Remuneration Committee. It comprises Four Members of whom Three are Non-Executive Directors and the Chairman of the Committee is a Non-Executive Director.

18. 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.

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.

21. The "Closed Period" prior the announcement of interim/final results, and business decision, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Lahore	M. Naseem Saigol
April 9, 2013	Chairman/Chief Executive

Review Report to the Members on
Directors' Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of **PAK ELEKTRON LIMITED** ("the Company") to comply with the Listing Regulation No. 35 of the 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 dose 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 whether the Board's statement 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, the Listing Regulations require 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 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, 2012.

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

Mohammed Saleem
(Engagement Partner)
Date: April 09, 2013
Lahore.

Financial Statements

for the year ended December 31, 2012

Consolidated Financial Statements

Auditor's 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, 2012 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 Pak Elektron Limited and its subsidiary company namely PEL Marketing (Private) Limited for the year ended December 31, 2012. These consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to express our opinion on 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 Electron Limited and its subsidiary company as at December 31, 2012 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, 2013
Lahore.

Consolidated Balance Sheet

as at December 31, 2012

	Note	2012	2011
		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		2,075,931	1,770,706
		3,908,329	3,603,104
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	3,873,505	3,962,040
NON-CURRENT LIABILITIES			
Long-term financing - secured	8	5,587,486	4,548,852
Liabilities against assets subject to finance lease	9	33,555	21,841
Deferred taxation	10	1,930,107	1,973,350
Deferred income	11	50,037	56,069
		7,601,185	6,600,112
CURRENT LIABILITIES			
Trade and other payables	12	1,692,148	1,485,002
Interest and mark-up accrued	13	1,245,579	823,896
Short-term borrowings	14	6,815,091	6,174,860
Current portion of:			
- long-term financing	8	40,729	1,106,375
- liabilities against assets subject to finance lease	9	38,218	38,393
		9,831,765	9,628,526
CONTINGENCIES AND COMMITMENTS	15		
		25,214,784	23,793,782

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

	Note	2012	2011
		Rupees'000	*Rupees'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	13,811,250	14,089,185
Intangible assets	17	310,969	314,874
		14,122,219	14,404,059
Long-term investments	18	10,216	4,393
Long-term deposits	19	65,898	54,636
CURRENT ASSETS			
Stores, spare parts and loose tools	20	126,792	109,582
Stock-in-trade	21	3,789,580	4,247,023
Trade debts - unsecured	22	5,775,681	3,746,881
Advances	23	527,751	625,559
Trade deposits and short-term prepayments	24	290,799	227,555
Other receivables		19,662	17,241
Other financial assets	25	11,663	7,491
Income tax refundable		258,174	187,496
Cash and bank balances	26	216,349	161,866
		11,016,451	9,330,694
		25,214,784	23,793,782

HAROON A. KHAN
Director

Consolidated Profit And Loss Account / Statement Of Comprehensive Income

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
Revenue	27	20,293,972	13,723,169
Sales tax and discount	28	2,524,084	2,380,339
Revenue - net		17,769,888	11,342,830
Cost of sales	29	14,126,276	10,277,948
Gross profit		3,643,612	1,064,882
Other operating income	30	36,269	37,140
		3,679,881	1,102,022
Distribution cost	31	827,192	792,803
Administrative expenses	32	624,338	683,115
Other operating expenses	33	4,648	4,838
Finance cost	34	2,050,054	1,413,264
		3,506,232	2,894,020
		173,649	(1,791,998)
Share of loss of assoicate	18	(12,729)	(10,612)
Profit / (loss) before taxation		160,920	(1,802,160)
Provision for taxation	35	46,255	(638,698)
Profit / (loss) for the year		114,665	(1,163,462)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		114,665	(1,163,462)
			Restated
Earnings / (loss) per share		*Rupees*	*Rupees*
Basic	38	0.59	(9.90)
Diluted	38	0.59	(9.90)

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Consolidated Cash Flow Statement

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	***Rupees'000***
Cash flows from operating activities			
Profit/(loss) before taxation		160,920	(1,802,160)
Adjustments for:			
Depreciation on property, plant and equipment		702,445	693,645
Amortization of intangible assets		3,905	4,183
Share of loss of associate		12,729	10,162
Reversal of impairment in value of investments		(18,552)	(1,108)
Finance cost		2,050,054	1,413,264
Provision for doubtful debts, advances and security deposits		90,151	121,821
Impairment of goodwill		-	140,569
Provision for obsolete and slow moving stocks		3,311	3,732
Provision for compensated absences		12,532	15,228
(Gain)/loss due to change in the fair value of other financial assets		(4,172)	743
Loss on sale of investments at fair value through profit and loss		-	2,376
Loss on sale and lease back		-	1,719
Amortization of grant-in-aid		(2,633)	(2,772)
Gain on sale and lease back activities (net of amortization during the year)		(3,399)	(16,094)
Gain on disposal of property, plant and equipment		(3,144)	(12,954)
		2,843,227	2,374,514
Cash generated from operations before working capital changes		3,004,147	572,354
Working capital changes	43	(1,439,848)	1,705,978
Cash generated from operations		1,564,299	2,278,332
Finance cost paid		(1,628,371)	(969,565)
Compensated absences paid		(21,421)	(11,090)
Income tax (paid)/refunded		(160,176)	22,594
		(1,809,968)	(958,061)
Net cash (used in)/from operating activities		(245,669)	1,320,271
Cash flows from investing activities			
Purchase of property, plant and equipment		(280,724)	(1,382,955)
Purchase of intangible assets		-	(1,882)
Proceeds from disposal of property, plant and equipment		17,457	42,607
Proceeds from sale and leaseback activities		-	73,462
Proceeds from sales of investments at fair value through profit and loss		-	16,200
Long-term deposits made during the year		(5,265)	28,486
Net cash used in investing activities		(268,532)	(1,224,082)
Cash flows from financing activities			
Repayment of long-term financing		(27,012)	(437,132)
Repayment of lease rentals		(44,535)	(120,727)
Proceeds from short-term borrowings - net		640,231	279,783
Net cash from /(used in) financing activities		568,684	(278,076)
Net increase/(decrease) in cash and cash equivalents		54,483	(181,887)
Cash and cash equivalents at beginning of the year		161,866	343,753
Cash and cash equivalents at end of the year	26	216,349	161,866

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2012

	Share capital	Capital reserves: Premium on issue of shares	Revenue reserves: Unappropriated profit	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
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 profits 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
Total comprehensive income for the year ended December 31, 2012	-	-	114,665	114,665
Transfer to unappropriated profits on account of incremental depreciation charged during the year - net of deferred taxation	-	-	190,560	190,560
Balance as at December 31, 2012	1,668,264	164,134	2,075,931	3,908,329

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

1 LEGAL STATUS AND OPERATIONS

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 was terminated in the year 2011.

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.

2 BASIS OF PREPARATION

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.

2.2 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 associates at equity method

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

2.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards 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 judgments about carrying values 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 values 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.

Provision against 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.

Stores and spares

The Group reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

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.

2.5 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

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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 2012.

IAS 12, (AMENDMENTS) 'DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS'

IAS 12, (Amendments) 'Deferred Tax: Recovery of Underlying Assets' (effective for 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.

IFRS 7, (AMENDMENTS) 'DISCLOSURES: TRANSFERS OF FINANCIAL ASSETS'

IFRS 7, (Amendments) 'Disclosures: Transfers of Financial Assets' (effective for 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 derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement.

2.6 NEW ACCOUNTING STANDARDS, AMENDMENTS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning on or after 1 January 2013. These standards, interpretations and the amendments are either not relevant to the Group's current 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 for 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. The amendments have no impact on financial statements of the Group.

IAS 19, 'EMPLOYEE BENEFITS (AMENDED 2011)'

IAS 19, 'Employee Benefits (Amended 2011)' (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize 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 recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Group.

IAS 27, 'SEPARATE FINANCIAL STATEMENTS (2011)'

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Group.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

IAS 28, 'INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (2011)'

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.

IAS 32, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: PRESENTATION'

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

IFRS 7, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: DISCLOSURES'

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

IFRS 9, 'FINANCIAL INSTRUMENTS'

IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2013) This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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 for 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. The amendments have no impact on financial statements of the Group.

2.7 ANNUAL IMPROVEMENTS 2009–2011

Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

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 recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized 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 recognized.

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 recognized.

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.

3.2 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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.

3.3 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 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 Group 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.

3.5 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 Group or not.

3.7 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.

3.8 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

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 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-recognized 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 recognized 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.

3.9 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 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.

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3.10 INVESTMENTS

Investment 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.

3.11 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.

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

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 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.

3.16 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.

3.17 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-date method'. Under cost-to-date 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

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 Group 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

Income tax expense comprises current and deferred tax.

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" 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.

Notes to the Consolidated Financial Statements

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3.22 EARNING PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23 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.

3.24 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.

3.25 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.

	2012	2011
	Rupees'000	***Rupees'000***
4 AUTHORIZED CAPITAL		
150,000,000 (December 31, 2011: 150,000,000) ordinary shares of Rs. 10 each.	1,500,000	1,500,000
100,000,000 (December 31, 2011: 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

Notes to the Consolidated Financial Statements

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5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		Note	2012	2011
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	5.1	60,408	60,408
91,532,718	91,532,718	-as bonus shares		915,328	915,328
121,868,745	121,868,745			1,218,688	1,218,688
		Fully paid A class preference shares of Rs. 10 each			
44,957,592	44,957,592	**In cash**	5.1	449,576	449,576
166,826,337	166,826,337			1,668,264	1,668,264

5.1 '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, 2012 outstanding balance of such preference shares amounted to Rs. 449.58 million (December 31, 2011: 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 (Coupon Rate is one year KIBOR plus 100 bps) 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.

The redemption will be at the option of the Parent Company and subject to availability of funds and compliance with the provisions of

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Section 85 of the Companies Ordinance 1984.

Parent 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 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, 2012 an amount of approximately Rs.128.129 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.

As per the opinion of Company's legal counsel, the provision of cumulative dividend at 9.5% p.a. will prevail on account of preference dividend, as the approval process of the revised terms of reprofiling from different quarters is not yet complete.

		2012	2011
		Rupees'000	***Rupees'000***
6	**CAPITAL RESERVES**		
	Premium on issue of shares	164,134	164,134
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	3,962,040	4,162,626
	Add: Surplus on revaluation of property, plant and equipment during the year	102,025	-
	Less: transfer to un-appropriated profits on account of incremental depreciation charged during the year - net of deferred taxation	190,560	200,586
	Surplus on revaluation of property, plant and equipment at end of year	3,873,505	3,962,040

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8 LONG-TERM FINANCING - Secured

8.1 From banking companies and financial institutions

Description	Note	2012	2011	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance I	8.2	54,270	54,270	Six months average ask side rate KIBOR plus 175 bps per annum (December 31, 2011: 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. Last year the Parent Company 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 still under consideration of NBP.
Sukuk Funds (I)		514,286	514,286	Three month KIBOR plus 175 bps (December 31, 2011: 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 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 (December 31, 2011: 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 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	450,000	Three month ask side KIBOR plus 300 bps (December 31, 2011: 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 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	432,385	Three month average ask side KIBOR plus 175 bps per annum (December 31, 2011: Three month average ask side KIBOR plus 175 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. Last year the Parent Company 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 still under consideration of NBP.
Term finance PPTFCs	8.4	850,000	850,000	Six months KIBOR plus 300 bps (December 31, 2011: 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 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 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 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.
Demand finance IV - SUKUK	8.5	342,859	342,859	Three months KIBOR + 175 bps (December 31, 2011: 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. Last year the Parent Company 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 still under consideration of NBP.

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Description	Note	2012	2011	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance III - CAPEX	8.6	375,000	375,000	Six months KIBOR + 175 bps (December 31, 2011: 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. Last year the Parent Company 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 still under consideration of NBP.
Demand Finance	8.7	898,927	898,927	Three months KIBOR + 175 bps (December 31, 2011: 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, hypothecation over all the present and future moveable fixed assets of the 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. Last year the Parent Company 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 still under consideration of NBP.
Term Finance	8.8	323,437	337,500	One month KIBOR average ask side plus 350 bps per annum (December 31, 2011: One months KIBOR + 350 bps). KIBOR will be set on one Business Day prior to each installment period for markup due at the end of that 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 Second Supplemental Syndicated Term Finance Agreement with Standard Chartered Bank (Pakistan) Limited dated December 07, 2012. As per terms of Second Supplemental Agreement, the outstanding principal will be paid in 48 monthly installments starting from September 07, 2012, first 24 installments of 1.348 million each and last 24 installments of 12.129 million each.
Musharaka	8.9	287,051	300,000	One month KIBOR average ask side plus 350 bps per annum (December 31, 2011: One months KIBOR + 350 bps). KIBOR will be set on one Business Day prior to each installment period for markup due at the end of that 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 Second Supplemental PEL Purchase Undertaking with Standard Chartered Bank (Pakistan) Limited dated December 07, 2012. As per terms of Second Supplemental Undertaking, the outstanding principal will be paid in 48 monthly installments starting from September 07, 2012, first 24 installments of 1.198 million each and last 24 installments of 10.781 million each.
Total		5,628,215	5,655,227			
Less: current portion	8.12	40,729	1,106,375			
		5,587,486	4,548,852			

8.2 The Parent Company has not made principal payment of Rs. 54.270 million (December 31, 2011: Rs. 54.270 million) and markup payment of Rs. 14.655 million (December 31, 2011: Rs.7.171 million) during the year. The matter of reprofiling of terms of Demand Finance-I is still under consideration of National Bank of Pakistan.

8.3 The Parent Company has not made principal payment of Rs. 265.719 million (December 31, 2011: Rs. 132.386 million) and markup payment of Rs. 98.213 million (December 31, 2011: Rs.40.845 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. 228.573 million (December 31, 2011: Rs. 114.288 million) and markup payment of Rs. 84.193 million (December 31, 2011: Rs. 38.704 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. 200 million (December 31, 2011: Rs. 100 million) and markup payment of Rs. 101.006 million (December 31, 2011: Rs. 50.012 million) during the year. The matter of reprofiling of terms of Demand Finance-III CAPEX is still under consideration of National Bank of Pakistan.

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8.7 The Company has not made principal payment of Rs. 225 million (December 31, 2011: Nil) and markup payment of Rs. 221.645 million (December 31, 2011: Nil) during the year. The matter of reprofiling of terms of Demand Finance-V Reprofiled is still under consideration of National Bank of Pakistan.

8.8 The Parent Company has not made principal payment of Rs. 5.391 million (December 31, 2011: Nil) and markup payment of Rs. 16.497 million (December 31, 2011: Nil) during the year.

8.9 The Parent Company has not made principal payment of Rs. 4.792 million (December 31, 2011: Nil) and markup payment of Rs. 14.664 million (December 31, 2011: Nil) during the year.

8.10 These facilities carry mark-up rate ranging from 11.20% to 16.25% (December 31, 2011: 14.25% to 17.12%).

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

	2012	2011
	Rupees'000	*Rupees'000*
Maturity		
6 months or less	25,456	687,253
6-12 months	15,273	419,122
1-5 years	5,587,486	4,242,602
Over 5 years	-	306,250
	5,628,215	5,655,227

8.12 The current maturity of long term loans excluding term finance from Standard Chartered Bank is not shown as current portion of long term loans in current liabilities due to the fact that during the year the Parent Company has applied for restructuring to National Bank of Pakistan (NBP) directly and other long term lenders through their advisor Faysal Bank Limited (FBL). The outcome of the both proposals has not been finalized but the Parent Company is confident that restructuring will be finalized , whereby the amount due within one year comes to Rs. 2,197 million (December 31, 2011: Rs. 1,106 million) will be deferred.

	2012	2011
	Rupees'000	*Rupees'000*
9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	71,773	60,234
Less: current portion	38,218	38,393
	33,555	21,841

9.1 The Group has entered into lease agreements with Orix leasing Pakistan Limited. The rentals under these lease agreements are payable on monthly basis in arrears and are subject to mark-up rate ranging from 15.01% to 18.00% (December 31, 2011: 13.58% to 18.91%) 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 The amounts of future payments and the periods in which these will be due are as follows:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

	2012		2011	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
Not later than one year	47,439	38,218	46,252	38,393
Later than one year but not later than five years	38,433	33,555	22,930	21,841
	85,872	71,773	69,182	60,234
Less: amount representing finance cost	14,099	-	8,948	-
Present value of minimum lease payments	71,773	71,773	60,234	60,234
Less: current portion	38,218	38,218	38,393	38,393
	33,555	33,555	21,841	21,841

9.3 Maturity profile of the Group's finance lease is as follows:

	Note	2012	2011
		Rupees'000	*Rupees'000*
Maturity			
6 months or less		20,090	28,339
6 - 12 months		18,128	10,054
1 - 5 years		33,555	21,841
		71,773	60,234

10 DEFERRED TAXATION

	Note	2012	2011
Deferred taxation	10.1	1,930,107	1,973,350

10.1 This comprises following:

	2012	2011
Deferred tax liability on taxable temporary differences:		
- tax depreciation allowance	1,667,152	1,641,774
- finance lease	96,324	88,454
- surplus on revaluation of property, plant and equipment	1,949,541	2,052,148
	3,713,017	3,782,376
Deferred tax asset on deductible temporary differences:		
- provision for obsolete and slow moving inventories	(11,348)	(10,189)
- provision for doubtful debts and advances	(178,924)	(147,371)
- available tax losses	(1,189,515)	(1,336,348)
- provision for compensated absences	(4,386)	(5,330)
- minimum tax adjustable against future tax liability	(389,737)	(309,788)
	(1,782,910)	(1,809,026)
	1,930,107	1,973,350

11 DEFERRED INCOME

Deferred income on:

	Note	2012	2011
- grant-in-aid	11.1	50,037	52,670
- sale and lease back activities	11.2	-	3,399
		50,037	56,069

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			Rupees'000	*Rupees'000*
11.1	**Grant-in-aid**			
	Balance at beginning of the year		52,670	55,442
	Less: transferred to income	30	2,633	2,772
	Balance at end of the year		50,037	52,670

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. 2,633,000 (December 31, 2011: Rs. 2,772,000) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

		Note	2012	2011
			Rupees'000	*Rupees'000*
11.2	**Sale and lease back activities**			
	Gain on sale and lease back activities at beginning of the year		3,399	19,493
	Less: transferred to income	30	3,399	16,094
	Gain on sale and lease back activities at end of the year	11.2.1	-	3,399

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	2012	2011
			Rupees'000	*Rupees'000*
12	**TRADE AND OTHER PAYABLES**			
	Creditors		573,326	430,346
	Foreign bills payable	12.1	268,911	380,337
	Accrued liabilities		107,667	114,498
	Advances from customers		468,701	183,603
	Employees' provident fund		8,581	8,106
	Compensated absences		14,537	23,426
	Advance against contracts	36	78,901	81,504
	Other taxes payable		134,727	187,946
	Workers' profit participation fund	12.2	3,368	-
	Workers' welfare fund		17,862	16,582
	Others		15,567	58,654
			1,692,148	1,485,002

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	***Rupees'000***
12.2 Workers' profit participation fund			
Balance at beginning of the year		-	14,028
Add: interest on funds utilized in the Company's business	34	-	1,710
- allocation for the year	33	3,368	-
Less: amount paid during year		-	15,738
Balance at end of the year		3,368	-

12.3 Interest on workers' profit participation fund has been provided at the rate of Nil (December 31, 2011: 16.25%) per annum.

13 INTEREST AND MARK-UP ACCRUED

	Note	2012	2011
Mark up accrued on:			
- long-term financing		706,418	334,716
- liabilities against assets subject to finance lease		-	277
- short-term borrowings	13.1	539,161	488,903
		1,245,579	823,896

13.1 Mark-up accrued on short term borrowings also include an overdue mark up amounting Rs. 15.196 million (December 31, 2011: Rs. 2.731 million).

	Note	2012	2011
		Rupees'000	***Rupees'000***
14 SHORT-TERM BORROWINGS			
Secured			
Borrowings from:			
- banking companies	14.2	6,537,347	5,966,079
- non banking finance companies (NBFCs)	14.3	-	10,133
		6,537,347	5,976,212
Unsecured			
Book overdraft	14.4	277,744	198,648
		6,815,091	6,174,860

14.1 The aggregate un-availed short-term borrowing facilities as at December 31, 2012 amounts to Rs. 1,345 million (December 31, 2011: Rs. 1,087 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 11.72% to 14.21% (December 31, 2011: 13.02% to 17.43%) 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. 8,495 million (December 31, 2011: Rs. 7,968 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.

14.3 This facility was obtained from NBFCs for purchase of raw material and carried mark-up rate Nil (December 31, 2011: 14.18% to 16.78%) 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.

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.

Notes to the Consolidated Financial Statements

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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:

	2012	2011
	Rupees'000	*Rupees'000*
15.1 Contingencies		
Tender bonds	213,874	293,845
Performance bonds	1,352,641	984,768
Advance guarantees	874,935	394,556
Custom guarantees	93,781	66,459
Bills discounted	1,877,481	2,222,284
Foreign guarantees	141,321	129,372

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 accumulated to Rs. 1,118,150 till December 31, 2011. However, the Parent Company pays professional tax in the province of Punjab and therefore taken up the matter to the Honorable Supreme Court of Pakistan. As per the verdict of the Honorable Supreme Court of Pakistan, during the year the Parent Company has deposited the liability till 2012 amounting to Rs. 1,400,000 to Excise and Taxation Department, Karachi.

	2012	2011
	Rupees'000	*Rupees'000*
15.2 Commitments		
Letters of credit	669,926	894,377

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

	2012	2011
Not later than one year	20,047	40,909
Later than one year but not later than five years	338	23,078
	20,385	63,987

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16 PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2012

Particulars	Cost / revaluation					Accumulated depreciation				Book value as at December 31, 2012	Annual rate of depreciation
	As at January 01, 2012	Additions / (disposals)	Transfers / (adjustments)	Revaluation Surplus	As at December 31, 2012	As at January 01, 2012	Charge for the year	Transfers / (disposals) / (adjustments) /	As at December 31, 2012		
	Rupees '000					Rupees '000				Rupees '000	
Owned											
Leasehold land	13,256	-	-	-	13,256	-	-	-	-	13,256	
Freehold land	326,832	-	-	102,025	428,857	-	-	-	-	428,857	
Building on leasehold land	1,279,476	-	-	-	1,279,476	380,264	44,961	-	425,225	854,251	5%
Building on freehold land	2,998,704	-	-	-	2,998,704	234,057	138,232	-	372,289	2,626,415	5%
Plant and machinery	11,763,658	226,303	-	-	11,985,930	2,481,266	472,478	(1,149)	2,952,595	9,033,335	5%
		(4,031)						-			
Office equipment and furniture	177,848	2,242	-	-	178,468	72,889	10,566	(1,001)	82,454	96,014	10%
		(1,622)						-			
Computer hardware & allied items	80,671	5,582	-	-	85,649	71,180	4,661	(15)	75,826	9,823	30%
		(604)						-			
Vehicles	125,199	23,961	4,586	-	130,670	73,119	11,813	2,269	74,346	56,324	20%
		(23,076)						(12,855)			
	16,765,644	258,088	4,586	102,025	17,101,010	3,312,775	682,711	2,269	3,982,735	13,118,275	
		(29,333)						(15,020)			
Held under finance lease											
Plant and machinery	325,207	-	-	-	325,207	30,262	14,747	-	45,009	280,198	5%
Vehicles	31,756	56,074	(4,586)	-	83,244	13,741	4,987	(2,269)	16,459	66,785	20%
	356,963	56,074	(4,586)	-	408,451	44,003	19,734	(2,269)	61,468	346,983	
Capital work-in-progress											
Building on leasehold land	94,675	-	-	-	94,675	-	-	-	-	94,675	
Building on freehold land	66,431	16,682	-	-	83,113	-	-	-	-	83,113	
Plant and machinery	162,250	5,954	-	-	168,204	-	-	-	-	168,204	
	323,356	22,636	-		345,992	-	-	-	-	345,992	
December 31, 2012	17,445,963	336,798	4,586	102,025	17,855,453	3,356,778	702,445	2,269	4,044,203	13,811,250	
		(29,333)	(4,586)					(17,289)			

16.1 Transfer to owned assets includes leased assets on completion of the respective lease arrangements.

	Note	2012	2011
		Rupees'000	*Rupees'000*
16.2 Depreciation for the year has been allocated as under:-			
Cost of sales	29.1	686,431	665,544
Administrative expenses	32	16,014	28,101
		702,445	693,645

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16.3 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)			

16.4 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							
Stamping Machine	4,031	1,149	2,882	830	(2,052)	Negotiation	Imtiaz
	4,031	1,149	2,882	830	(2,052)		
Office equipment and furniture							
Office Equipment	1,550	990	560	286	(275)	Negotiation	Imtiaz
Others	72	11	61	13	(48)	Negotiation	Various Indviduals
	1,622	1,001	621	299	(323)		
Computer hardware & allied items							
IBM Server	604	15	589	604	15	Negotiation	Abdullah Aman
	604	15	589	604	15		

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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							
ToyotACorolla	1,005	644	361	353	(8)	As per Company policy	Aftad Ahmed
Suzuki Mehran	433	278	155	106	(49)	-do-	Ali Kamran
Suziki Alto	530	324	206	203	(3)	-do-	Safdar Iqbal
Prado	1,600	980	620	1,450	830	Negotiation	M. Ashfaq
Honda Civic	1,467	846	621	376	(245)	As per Company policy	Zafar Ahmed Pirzada
Honda City	851	541	310	520	210	-do-	Abdul Qavi Butt
ToyotACorolla	1,319	715	604	1,150	546	-do-	Umar Saleemi
Suzuki Alto	660	375	285	304	19	-do-	Aamir Yaqoob
Suzuki Cultus	959	529	430	561	131	-do-	M. Iqbal
Suzuki Cultus	609	246	363	350	(13)	-do-	Umar Hayat Bajwa
Suzuki Mehran	438	182	256	179	(77)	-do-	Masood Ul Hassan
Suzuki Mehran	438	265	173	180	7	-do-	Adeel Yasin Khan
Suzuki Mehran	431	216	215	177	(38)	-do-	Abdul Raheem
Suzuki Cultus	641	380	261	382	121	-do-	Tariq Afzal
Suzuki Cultus	641	355	286	382	96	-do-	Ali Imran Khurram
Suzuki Cultus	641	375	266	310	44	-do-	Azeem Qureshi
Suzuki Mehran	430	295	135	176	41	-do-	Hafiz M Azeem
Hundai Santro	614	364	250	128	(122)	-do-	Rafique Ahmed
Suzuki Mehran	409	196	213	134	(79)	-do-	Shabbir Haider
Suzuki Mehran	467	221	246	425	179	Negotiation	EFU General Insurance
D Coure	654	296	358	637	279	As per Company policy	Ahsan Farooq
Suzuki Cultus	612	370	242	350	108	-do-	Saleem Anjum
Suzuki Liana	79	28	51	273	222	-do-	Nadeem Asghar
Suzuki Mehran	443	265	178	109	(69)	-do-	Shafique Ahmed Burney
Suzuki Alto	499	287	212	173	(39)	-do-	Abbas Zaheer
Honda Civic	150	40	110	307	197	-do-	Manzar Hasan
Toyota Corolla	181	12	169	655	486	-do-	Shahzad Rashid
Suzuki Alto	537	296	241	232	(9)	-do-	Shakeel Ahmed
Suzuki Mehran	459	253	206	113	(93)	-do-	Hafiz Imran
Suzuki Mehran	530	270	260	428	168	Negotiation	EFU General Insurance
Honda City	1,202	614	588	637	49	As per Company policy	Usman Gohar
Others	3,148	1,797	1,351	3,964	2,613	Negotiation	Various Indviduals
	23,077	12,855	10,222	15,724	5,502		
December 31, 2012	29,332	15,020	14,313	17,457	3,144		
December 31, 2011	136,501	31,667	104,834	116,069	11,235		

	Note	2012	2011
		Rupees'000	*Rupees'000*
16.5 Gain/(loss) has been allocated as follows:			
Gain on disposal of Property, plant and equipment	30	3,144	12,954
Loss on sale and lease back	33	-	(1,719)
		3,144	11,235

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16.6 The latest revaluation of land is carried out by Empire Enterprises (Private) Ltd. independent valuers on the Pakistan Bankers' Association as on December 31, 2012, which resulted in revaluation surplus of Rs. 102 million, incorporated in the financial statements for the year ended December 31, 2012. The revaluation of building and plant & Machinary also carried out by Empire Enterprises (Private) Limited on the same date but not incorporated in financial statements as the difference between revalued amount and written down value of building and Plant & Machinary was immaterial.

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 last revaluation of building on free hold land, buildings and plant and machinery was carried out by M/S. Asif Associates (Pvt.) Ltd. as on December 31, 2009, which resulted in revaluation surplus of Rs. 2,494 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, 2012 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	706,711	2,414,103
Plant and machinery	5,949,237	1,556,518	4,392,719
December 31, 2012	9,245,980	2,263,229	6,982,751
December 31, 2011	9,021,516	1,762,428	7,259,088

17 INTANGIBLE ASSETS AT DECEMBER 31, 2012

	Cost				Accumulated Amortization			
	As at January 01, 2012	Impairment losses	Additions	As at December 31, 2012	As at January 01, 2012	Amortization for the period	As at December 31, 2012	Net book value as at December 31, 2012
	Rupees' 000				Rupees' 000			
Technology transfer agreement	75,434	-	-	75,434	15,155	3,014	18,169	57,265
Goodwill	312,341	-	-	312,341	91,859	-	91,859	220,482
Software	5,057	-	-	5,057	2,385	891	3,276	1,781
Intangible assets under development - ERP	31,441	-	-	31,441	-	-	-	31,441
	424,273	-	-	424,273	109,399	3,905	113,304	310,969

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

17.1 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			
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

17.2 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.

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 was fully impaired by providing impairment loss of Rs. 140.569 million in December 31, 2011.

	Note	2012	2011
		Rupees'000	*Rupees'000*
18 LONG-TERM INVESTMENTS			
Investment in associate at equity method - Quoted			
Kohinoor Power Company Limited			
Ownership interest		23.10%	23.10%
Cost of investment			
2,910,600 shares (December 31, 2011: 2,910,600 shares)		54,701	54,701
Share of post acquisition profit - net of dividend received		44,021	56,750
		98,722	111,451
Less: provision for impairment in value of investment	18.1	88,506	107,058
		10,216	4,393

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*

18.1 Movement in provision for impairment during the year

	Note	2012	2011
Balance at beginning of the year		107,058	108,166
(Reversal) / provision for the year		(18,552)	(1,108)
Balance at the end of the year		88,506	107,058

18.2 The investment in associated company "Kohinoor Power Company Limited" was tested for impairment as required by IAS 36 "Impairment of assets". During the year share price of the associated company has increased. So considering all factors, provision for impairment in value of investment is reversed to the extent that it 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, 2012 and related revenue and profit for the half year then ended based on latest un-audited financial statements are as follows:

	Note	2012	2011
		Rupees'000	*Rupees'000*
Assets		335,238	435,741
Liabilities		17,229	62,627
Revenue		153,871	531,097
Loss for the year		(55,106)	(43,992)
Share of loss of associate		(12,729)	(10,162)
Market value per share (Rupees)		3.51	1.51

19 LONG-TERM DEPOSITS

	Note	2012	2011
Security deposits with leasing companies		28,926	23,539
Less: current portion	24	8,598	14,595
		20,328	8,944
Other deposits		45,570	45,692
		65,898	54,636

20 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012	2011
Stores		2,230	2,378
Spare parts		94,232	84,912
Loose tools		47,036	37,735
		143,498	125,025
Less: provision for slow moving and obsolete items		16,706	15,443
		126,792	109,582

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

		Note	2012	2011
			Rupees'000	*Rupees'000*
21	**STOCK-IN-TRADE**			
	Raw material and components			
	- in stores		2,123,456	2,176,716
	- in-transit		472,123	739,311
	Less: provision for slow moving and obsolete items		10,913	8,865
			2,584,666	2,907,162
	Work-in-process		855,069	939,364
	Finished goods		354,649	405,301
	Less: provision for slow moving and obsolete items		4,804	4,804
			349,845	400,497
			3,789,580	4,247,023

21.1 Stocks with carrying value of Rs. 1,719 million (December 31, 2011: Rs. 2,350 million) have been pledged as security with certain banks against financing facilities.

		Note	2012	2011
			Rupees'000	*Rupees'000*
22	**TRADE DEBTS - unsecured**			
	Considered good:			
	- against sale of goods		4,142,567	2,594,562
	- against execution of contracts		1,633,114	1,152,319
			5,775,681	3,746,881
	Considered doubtful		357,957	287,169
			6,133,638	4,034,050
	Less: provision for doubtful debts	22.1	357,957	287,169
			5,775,681	3,746,881
22.1	**Movement in provision during the year**			
	Balance at beginning of the year		287,169	202,168
	Provision for the year		70,788	85,001
	Balance at the end of the year		357,957	287,169
23	**ADVANCES**			
	Advances to employees - Considered good:			
	- purchases		33,302	12,267
	- expenses		9,520	5,022
	- traveling		3,280	3,014
	- others	23.1	1,200	1,830
			47,302	22,133
	Advances to employees - considered doubtful		1,449	1,449
	Less: Provision for doubtful advances		1,449	1,449
			47,302	22,133
	Advances to suppliers and contractors		553,674	577,592
	Less: Provision for doubtful advances against suppliers		153,255	133,892
			400,419	443,700
	Retention money for contracts in progress	36	80,030	159,726
			527,751	625,559

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*

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

24 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2012	2011
Security deposits		77,439	30,880
Less: provision for security deposits considered doubtful		5,379	5,379
		72,060	25,501
Current portion of long-term deposits	19	8,598	14,595
Margin deposits		174,207	146,442
Prepayments		34,891	38,682
Letters of credit		1,043	2,335
		290,799	227,555

25 OTHER FINANCIAL ASSETS

Investments at fair value through profit or loss

	Note	2012	2011
Standard Chartered Bank	25.1	11,365	7,312
Wateen Telecom Limited	25.2	298	179
		11,663	7,491

25.1 Standard Chartered Bank

915,070 (December 31, 2011: 915,070) ordinary shares of Rs. 10 each

	2012	2011
Balance at beginning of the year	7,312	26,446
Shares sold during the year	-	(18,576)
	7,312	7,870
Gain/(loss) due to change in the fair value of investment	4,053	(558)
	11,365	7,312

25.1.1 Market value per share is Rs. 12.42 (December 31, 2011: Rs. 7.99).

25.2 Wateen Telecom Limited

100,000 (December 31, 2011: 100,000) ordinary shares of Rs. 10 each

	2012	2011
Balance at beginning of the year	179	364
Shares purchased during the year	-	-
	179	364
Gain/(loss) due to change in the fair value of investment	119	(185)
	298	179

25.2.1 Market value per share is Rs. 2.98 (December 31, 2011: Rs. 1.79).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

		Note	2012	2011
			Rupees'000	*Rupees'000*
26	**CASH AND BANK BALANCES**			
	In local currency			
	Cash in hand		2,891	4,447
	Balances with banks			
	in current accounts		171,805	107,412
	in deposit account	26.1	41,653	50,000
			213,458	157,412
	In foreign currency			
	US Dollar account ((US $ nil) (December 31, 2011: US $ 76.77 @ Rs.89.60))		-	7
			216,349	161,866

26.1 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, 2011: 3 months KIBOR plus 1% p.a).

		Note	2012	2011
			Rupees'000	*Rupees'000*
27	**REVENUE**			
	Contract revenue	36	1,795,415	380,797
	Sales - Local		16,177,632	12,927,374
	Sales - Export		2,320,925	414,998
			20,293,972	13,723,169
28	**SALES TAX AND DISCOUNT**			
	Sales tax and excise duty		1,861,857	1,852,714
	Trade discounts		662,227	527,625
			2,524,084	2,380,339
29	**COST OF SALES**			
	Finished goods at beginning of the year		405,301	780,642
	Cost of goods manufactured	29.1	12,577,168	9,375,125
	Finished goods purchased		174,265	114,314
			12,751,433	9,489,439
	Finished goods at end of the year		(354,649)	(405,301)
	Cost of goods sold		12,802,085	9,864,780
	Contract cost	36	1,324,191	413,168
			14,126,276	10,277,948

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			Rupees'000	*Rupees'000*
29.1	**Cost of goods manufactured**			
	Work-in-process at beginning of the year		939,364	874,748
	Raw material and components consumed		10,393,734	7,453,468
	Direct wages		540,724	459,441
	Factory overheads:			
	- salaries, wages and benefits	29.2	248,842	232,067
	- traveling and conveyance		12,705	15,329
	- electricity, gas and water		278,609	189,071
	- repairs and maintenance		84,281	54,561
	- vehicles running and maintenance		25,983	17,353
	- insurance		37,852	35,169
	- depreciation	16.2	686,431	665,544
	- amortization of intangible assets		3,905	4,183
	- provision for obsolete and slow moving stock		3,311	3,732
	- impairment loss on goodwill	17	-	140,569
	- carriage and freight		31,553	14,209
	- erection and testing		133,416	137,618
	- other factory overheads		11,527	17,427
			1,558,415	1,526,832
			13,432,237	10,314,489
	Work-in-process at end of the year		(855,069)	(939,364)
			12,577,168	9,375,125

29.2 These include employee benefits amounting to Rs. 30.452 million (December 31, 2011: Rs. 28.606 million).

		Note	2012	2011
			Rupees'000	*Rupees'000*
30	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Gain due to change in the fair value of investment at fair value through profit and loss	25	4,172	-
	Mark-up income		3,152	1,563
	Reversal of provision for impairment in value of long-term investments	18.1	18,552	1,108
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment	16.5	3,144	12,954
	Gain on sale and lease back activities	11.2	3,399	16,094
	Amortization of grant-in-aid	11.1	2,633	2,772
	Exchange gain		-	34
	Others		1,217	2,615
			36,269	37,140

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
31 DISTRIBUTION COST			
Salaries, wages and benefits	31.1	196,403	237,735
Traveling and conveyance		28,757	28,496
Rent, rates and taxes		36,024	49,814
Electricity, gas, fuel and water		8,371	8,166
Repairs and maintenance		3,067	6,822
Vehicles running and maintenance		24,565	15,168
Printing and stationery		5,037	5,269
Postage, telegrams and telephones		10,761	11,527
Entertainment and staff welfare		11,289	5,655
Advertisement and sales promotion		124,634	90,434
Insurance		6,034	5,044
Freight and forwarding		264,948	143,858
Contract and tendering		-	863
Warranty period services		105,463	90,690
Others		1,839	93,262
		827,192	792,803

31.1 This includes employee benefits amounting to Rs. 13.120 million (December 31, 2011: Rs. 12.544 million).

	Note	2012	2011
		Rupees'000	*Rupees'000*
32 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	32.1	321,676	276,541
Traveling and conveyance		14,417	14,171
Rent, rates and taxes		37,652	63,175
Ujrah payments		30,442	84,460
Legal and professional		6,917	16,824
Electricity, gas and water		23,824	17,150
Auditors' remuneration	32.2	4,564	2,536
Repairs and maintenance		10,288	10,605
Vehicles running and maintenance		14,089	11,509
Printing, stationery and periodicals		3,732	4,041
Postage, telegrams and telephones		7,094	7,850
Entertainment and staff welfare		26,799	13,843
Advertisement		116	195
Insurance		13,655	5,427
Provision for doubtful debts, advances and security deposits		90,151	121,821
Depreciation	16.2	16,014	28,101
Others		2,908	4,866
		624,338	683,115

32.1 These include employee benefits amounting to Rs. 23.043 million (December 31, 2011: Rs. 16.458 million).

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
32.2 Auditors' remuneration			
Audit fee		2,800	1,250
Half yearly and COCG review and special certificates		1,280	987
Out of pocket expenses		484	299
		4,564	2,536
33 OTHER OPERATING EXPENSES			
Workers' profit participation fund	12.2	3,368	-
Workers' welfare fund		1,280	-
Loss on sale and lease back	16.5	-	1,719
Loss due to change in the fair value of investments at fair value through profit and loss	25	-	743
Loss on sale of investments at fair value through profit and loss	25	-	2,376
		4,648	4,838
34 FINANCE COST			
Interest / mark-up on:			
- long-term financing - secured		773,193	407,421
- short-term borrowings	34.1	1,158,839	895,845
- workers' profit participation fund	12.2	-	1,710
- liabilities against assets subject to finance lease		9,174	13,978
Bank charges and commission		108,848	94,310
		2,050,054	1,413,264

34.1 Interest / mark-up on short term borrowings from NBFCs includes penalized mark up amounting to Nil (December 31,2011: Rs. 0.071 million) on overdue principal payments.

	2012	2011
	Rupees'000	*Rupees'000*
35 PROVISION FOR TAXATION		
For the year		
Current	88,949	123,169
Deferred	(43,243)	(799,931)
	45,706	(676,762)
Prior year		
Current	549	16,298
Deferred	-	21,766
	549	38,064
	46,255	(638,698)

35.1 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*

36 LONG-TERM CONSTRUCTION CONTRACTS

	Note	2012	2011
Contract revenue for the year	27	1,795,415	380,797
Cost incurred to date		3,361,674	2,037,483
Contract costs for the year	29	1,324,191	413,168
Gross profit realized to date		1,240,415	769,191
Balance of advance received	12	78,901	81,504
Retention money receivable	23	80,030	159,726
Gross amount due from customers		17,882	10,666
Gross amount due to customers		6,165	6,669
Estimated future costs to complete projects in progress	36.1	633,752	1,101,285

36.1 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.

37 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	
	2012 *Rupees '000*	**2011** *Rupees '000*	**2012** *Rupees '000*	**2011** *Rupees '000*
Remuneration	22,378	18,104	143,439	135,108
House rent	2,223	3,621	27,255	44,131
Utilities	2,238	1,810	13,522	11,878
Bonus	-	-	-	414
Employment benefits	1,056	1,056	14,213	12,500
Reimbursable expenses				
Motor vehicles expenses	720	360	9,544	9,302
Medical expenses	259	65	5,776	5,182
TOTAL	28,874	25,016	213,749	218,515
Number of persons	4	3	109	102

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

37.2 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, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000 Restated*
38 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
The calculation of basic and diluted earnings per ordinary share is based on the following data:			
Earnings / (Loss)			
Profit / (loss) for the year		114,665	(1,163,462)
Less: dividend payable on preference shares	38.3	42,710	42,710
Earnings / (loss) attributable to ordinary shares		71,955	(1,206,172)

	2012	2011
	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	121,868,745
Effect of dilutive potential ordinary shares	44,957,592	44,957,592
	166,826,337	166,826,337

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

	Note	2012	2011
Basic earnings / (loss) per share (Rupees)		0.59	(9.90)
Diluted earnings / (loss) per share (Rupees)	38.2	0.59	(9.90)

38.1 The price of preference share has been taken at par i.e. Rs. 10 per share for the purpose of taking the effect of dilutive potential ordinary shares.

38.2 The effect of conversion of convertible preference shares into ordinary shares is anti-dilutive for both years, accordingly the diluted earnings/(loss) per share is restricted to basic earnings/(loss) per share.

38.3 As per the opinion of Group's legal counsel, the provision of dividend at 9.5% p.a. (based on original terms of preference shares) will prevail on account of preference dividend, therefore EPS of prior year is restated accordingly.

39 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 Consolidated Financial Statements

for the year ended December 31, 2012

		2012	2011
		Rupees'000	*Rupees'000*
Relationship	**Nature of transaction**		
Key management personnel	Short-term employee benefits	27,818	23,960
	Post employment benefits	1,056	1,056
Other related parties:			
Red Communication Art Private Limited	Purchase of services	96,197	54,550
	Sales of goods	11,463	5,510

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

40 PLANT CAPACITY AND ACTUAL PRODUCTION

			2012	2011
			Rupees'000	*Rupees'000*
	Unit	**Annual Production capacity**	**Actual production during the year**	**Actual production during the year**
Transformers / Power Transformers	MVA	5,000	3,967	2,029
Switchgears	Nos.	4,500	1,780	1,490
Energy meters	Nos.	1,700,000	264,148	349,611
Air conditioners	Tonnes	90,000	919	39,565
Refrigerators/deep freezers	Cfts.	5,000,000	3,042,064	2,660,387

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

41 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 distribution agreement signed with LG. The Parent Company's distribution agreement with LG Electronics Inc. was terminated in the year 2011. 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".

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

	Power Division		Appliances Division		Consolidated	
	2012	2011	2012	2011	2012	2011
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*
Revenue	8,709,368	4,686,017	9,060,520	6,656,813	17,769,888	11,342,830
Finance cost	998,433	583,856	1,051,621	829,408	2,050,054	1,413,264
Depreciation and Amortization	333,590	331,665	372,760	366,163	706,350	697,828
Segment profit / (loss) before tax	85,871	(665,260)	56,157	(1,161,106)	142,028	(1,826,366)
Segment assets	10,927,950	10,263,225	12,921,597	12,116,978	23,849,547	22,380,203

	2012	2011
	Rupees'000	*Rupees'000*
Reconciliation of Segment profit / (loss) :		
Total profit / (loss) for Reportable Segments	142,028	(1,826,366)
Un-allocated other Income	18,892	24,206
Profit / (loss) before Taxation	160,920	(1,802,160)
Reconciliation of Reportable Segment Assets :		
Total assets for Reportable Segments	23,849,547	22,380,203
Other Corporate Assets	1,365,237	1,413,579
Total Assets	25,214,784	23,793,782

Information about major customers:

Revenue of Rs. 7,193.967 million (December 31, 2011: Rs. 2,983.960 million) is derived from WAPDA Distribution Companies, This revenue is attributable to Power Division of Group.

42 FINANCIAL INSTRUMENTS

42.1 Capital risk management

The Group's objective when measuring capital is 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, 2012 and December 31, 2011 were as follows:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

		2012	2011
		Rupees'000	***Rupees'000***
Long Term Finances	A	5,628,215	5,655,227
Total Equity	B	7,781,834	7,565,144
Total Capital	C=A+B	13,410,049	13,220,371
Gearing Ratio	D=A / C	42%	43%

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.

42.2 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.

42.3 Financial risk management objectives

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

Credit risk
Liquidity risk
Market risk

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.

42.3.1 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:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

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.

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:

	2012	2011
	Rupees'000	***Rupees'000***
Investments	10,216	4,393
Other financial assets	11,663	7,491
Trade debts	6,133,638	4,034,050
Advances	81,230	161,556
Trade deposits	106,365	54,419
Other receivables	19,662	17,241
Bank balances	213,458	157,419
	6,576,232	4,436,569

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:

	2012	2011
	Rupees'000	***Rupees'000***
General customers	5,783,178	3,511,374
Corporate customers	350,460	550,078
	6,133,638	4,061,452

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

Aging analysis of trade debts

1 year or less	5,482,656	3,441,611
1 - 2 year	208,217	190,900
2 - 3 year	116,596	125,817
3 year and above	326,169	275,722
Less: provision for doubtful debts	(357,957)	(287,169)
	5,775,681	3,746,881

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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.

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

				Balance As at	
Name of Bank	**Ratings Short-term**	**Ratings Long-term**	**Rating Agency**	**2012** ***Rupees '000***	**2011** ***Rupees '000***
AL Baraka Bank Pakistan Limited	A1	A	PACRA	6,307	-
Allied Bank of Pakistan	A1+	AA+	PACRA	1,048	1,046
Arif Habib Bank	A2	A-	JCR -VIS	128	742
Askari Commercial Bank	A1+	AA	PACRA	951	474
Bank Al- Habib	A1+	AA+	PACRA	144	415
Bank Alfalah	A1+	AA	PACRA	7,726	6,788
Bank Islami	A1	A	PACRA	25	25
Bank of Khayber	A2	A	PACRA	1,183	-
Barclays Bank	P1	A2	S&P	85	85
Burj Bank Limited	A-1	Aa3	JCR -VIS	529	1,741
Emirates Bank International	A1+	AAA	JCR -VIS	52	-
Faysal Bank Limited	A1+	AA	JCR -VIS	9,557	4,277
Habib bank Limited	A1+	AA+	JCR -VIS	2,980	934
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	10,239	11,505
HSBC Bank Limited	P1	A1	S&P	35	309
KASB Bank Limited	A3	BBB	PACRA	4,161	5
MCB Bank Limited	A1+	AA+	PACRA	35,288	1,896
Meezan Bank Limited	A1+	AA-	JCR -VIS	607	1,199
My Bank Limited	A-2	A-	PACRA	510	-
National Bank of Pakistan Limited	A1+	AAA	JCR -VIS	44,951	16,672
NIB Bank Limited	A1+	AA-	PACRA	18,280	9,389
SAMBA Bank Limited	A1	AA-	JCR -VIS	231	182
Silk Bank Limited	A2	A-1	JCR -VIS	68	10,799
Sindh Bank Limited	A1	AA-	JCR -VIS	533	982
Soneri Bank limited	A1+	AA-	PACRA	763	1,130
Standrad Chartered Bank Limited	A1+	AAA	PACRA	2,367	3,011
The Bank of Punjab	A1+	AA-	PACRA	16,228	23,856
Trust Investment Bank	A3	BBB	PACRA	41,653	50,000
United Bank Limited	A1+	AA+	JCR -VIS	6,829	9,950

42.3.2 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

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	
	2012 *Rupees '000*	**2011** *Rupees '000*
Trade and other Payables		
Maturity upto one year	1,009,819	1,031,949
Interest and mark-up accrued		
Maturity upto one year	1,245,579	823,896
Short term borrowings		
Maturity upto one year	6,815,091	6,174,860
Long term financing		
Maturity upto one year	40,729	1,106,375
Maturity after one year and upto five years	5,587,486	4,242,602
Maturity after five years	-	306,250
Liabilities against assets subject to finance lease		
Maturity upto one year	38,218	38,393
Maturity after one year and upto five years	33,555	21,841
	14,770,477	13,746,166

42.3.3 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2012

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:

	2012	2011
	USD '000	***USD '000***
Foreign bills payable	2,221.00	3,046.00
Cash and bank balances	-	0.08
	2,221.00	3,046.08
	EURO '000	***EURO '000***
Foreign bills payable	614	771
	CHF '000	***CHF '000***
Foreign bills payable	-	40

Commitments outstanding at year end amounted to Rs. 670 million (December 31, 2011: Rs.894 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**	
	2012 ***Rupees '000***	**2011** ***Rupees '000***	**2012** ***Rupees '000***	**2011** ***Rupees '000***
USD 1	86.88	87.86	97.10	89.60
EURO 1	123.73	115.51	128.31	115.96
CHF 1	-	94.58	106.28	95.20

Foreign currency sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the foreign currencies at December 31, 2012 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, 2011.

	2012	2011
	Rupees '000	***Rupees '000***
Increase in profit and loss account	29,444	36,614

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

A 10 percent weakening of the Pak Rupee against the foreign currency at December 31, 2012 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:

	2012	2011	2012	2011
	%	%	*Rupees '000*	*Rupees '000*
Floating rate instruments				
Financial assets				
Bank balances	10.06	12.98	41,653	50,000
Financial liabilities				
Long term financing	11.20 to 16.25	14.25 to 17.12	5,628,215	5,655,227
Short-term borrowings	11.72 to 14.21	13.02 to 17.43	6,537,347	5,976,212
			12,207,215	11,681,439

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, 2012		
Short term borrowings	1%	64,950
Long term financing		56,417
Liabilities against assets subject to finance lease		660
		122,027
December 31, 2011		
Short term borrowings	1%	60,350
Long term financing		58,738
Liabilities against assets subject to finance lease		856
		119,944

Notes to the Consolidated Financial Statements
for the year ended December 31, 2012

(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.

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.

42.4 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.

	2012	2011
	Rupees '000	***Rupees '000***
43 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(18,473)	633
- Stock-in-trade	455,395	1,399,524
- Trade debts	(2,099,588)	92,893
- Advances	78,445	18,232
- Trade deposits and short-term prepayments	(69,241)	12,104
- Other receivables	(2,421)	198,217
	(1,655,883)	1,721,603
Increase/(decrease) in trade and other payables	216,035	(15,625)
	(1,439,848)	1,705,978

44 REARRANGEMENT AND RECLASSIFICATION

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

45 NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the period amounting to Rs. 56.074 million (December 31, 2011: Rs. 70 million) were financed by new finance leases.

46 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, 2013.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Standalone Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of **PAK ELEKTRON LIMITED** ("the Company") as at December 31, 2012 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 purposes 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 required 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 verifications, 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;

(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, 2012 and of the profits, 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, 2013
Lahore.

Balance Sheet
as at December 31, 2012

	Note	2012	2011
		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		1,906,460	1,665,649
		3,738,858	3,498,047
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	3,873,505	3,962,040
NON-CURRENT LIABILITIES			
Long-term financing - secured	8	5,587,486	4,548,852
Liabilities against assets subject to finance lease	9	33,555	21,841
Deferred taxation	10	1,905,840	1,973,350
Deferred income	11	50,037	56,069
		7,576,918	6,600,112
CURRENT LIABILITIES			
Trade and other payables	12	1,558,305	1,478,889
Interest and mark-up accrued	13	1,245,579	823,896
Short-term borrowings	14	6,815,091	6,174,860
Current portion of:			
- long-term financing	8	40,729	1,106,375
- liabilities against assets subject to finance lease	9	38,218	38,393
		9,697,922	9,622,413
CONTINGENCIES AND COMMITMENTS	15		
		24,887,203	23,682,612

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

	Note	2012	2011
		Rupees'000	*Rupees'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	13,811,250	14,089,185
Intangible assets	17	310,969	314,874
		14,122,219	14,404,059
Long-term investments	18	10,316	4,495
Long-term deposits	19	65,898	54,636
CURRENT ASSETS			
Stores, spare parts and loose tools	20	126,792	109,582
Stock-in-trade	21	3,673,456	4,136,282
Trade debts - unsecured	22	5,581,876	3,774,283
Advances	23	527,751	625,559
Trade deposits and short-term prepayments	24	290,799	227,555
Other receivables		19,662	17,241
Other financial assets	25	11,663	7,491
Income tax refundable		271,584	198,105
Cash and bank balances	26	185,187	123,324
		10,688,770	9,219,422
		24,887,203	23,682,612

HAROON A. KHAN
Director

Profit And Loss Account / Statement Of Comprehensive Income

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
Revenue	27	17,751,060	13,547,832
Sales tax and discount	28	1,864,895	2,310,594
Revenue - net		15,886,165	11,237,238
Cost of sales	29	14,131,659	10,388,689
Gross profit		1,754,506	848,549
Other operating income	30	23,538	36,032
		1,778,044	884,581
Distribution cost	31	289,864	692,835
Administrative expenses	32	232,144	682,815
Other operating expenses	33	4,648	13,890
Finance cost	34	1,188,667	1,413,055
		1,715,323	2,802,595
Profit / (loss) before taxation		62,721	(1,918,014)
Provision for taxation	35	12,470	(649,495)
Profit / (loss) for the year		50,251	(1,268,519)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		50,251	(1,268,519)
			Restated
Earnings / (loss) per share		*Rupees*	*Rupees*
Basic	38	0.06	(10.76)
Diluted	38	0.06	(10.76)

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Cash Flow Statement

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	***Rupees'000***
Cash flows from operating activities			
Profit/(loss) before taxation		62,721	(1,918,014)
Adjustments for:			
Depreciation on property, plant and equipment		702,445	693,645
Amortization of intangible assets		3,905	4,183
(Reversal)/provision for impairment in value of investments		(5,821)	9,052
Finance cost		1,188,667	1,413,055
Provision for doubtful debts, advances and security deposits		90,151	121,821
Impairment of goodwill		-	140,569
Provision for obsolete and slow moving stocks		3,311	3,732
Provision for compensated absences		12,532	15,228
(Gain)/loss due to change in the fair value of other financial assets		(4,172)	743
Loss on sale of investments at fair value through profit and loss		-	2,376
Loss on sale and lease back		-	1,719
Amortization of grant-in-aid		(2,633)	(2,772)
Gain on sale and lease back activities (net of amortization during the year)		(3,399)	(16,094)
Gain on disposal of property, plant and equipment		(3,144)	(12,954)
		1,981,842	2,374,303
Cash generated from operations before working capital changes		2,044,563	456,289
Working capital changes	43	(1,340,988)	1,783,204
Cash generated from operations		703,575	2,239,493
Finance cost paid		(766,984)	(969,356)
Compensated absences paid		(21,421)	(11,090)
Income tax (paid)/refunded		(153,459)	22,782
		(941,864)	(957,664)
Net cash (used in)/from operating activities		(238,289)	1,281,829
Cash flows from investing activities			
Purchase of property, plant and equipment		(280,724)	(1,382,955)
Purchase of intangible assets		-	(1,882)
Proceeds from disposal of property, plant and equipment		17,457	42,607
Proceeds from sale and leaseback activities		-	73,462
Proceeds from sales of investments at fair value through profit and loss		-	16,200
Long-term deposits made during the year		(5,265)	28,486
Investment made in wholly owned subsidiary		-	(100)
Net cash used in investing activities		(268,532)	(1,224,182)
Cash flows from financing activities			
Repayment of long-term financing		(27,012)	(437,132)
Repayment of lease rentals		(44,535)	(120,727)
Proceeds from short-term borrowings - net		640,231	279,783
Net cash from /(used in) financing activities		568,684	(278,076)
Net increase/(decrease) in cash and cash equivalents		61,863	(220,429)
Cash and cash equivalents at beginning of the year		123,324	343,753
Cash and cash equivalents at end of the year	26	185,187	123,324

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Statement of Changes in Equity

for the year ended December 31, 2012

		Capital reserves	Revenue reserves	
	Share capital	Premium on issue of shares	Unappropriated profit	Total
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
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 profits 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
Total comprehensive income for the year ended December 31, 2012	-	-	50,251	50,251
Transfer to unappropriated profits on account of incremental depreciation charged during the year - net of deferred taxation	-	-	190,560	190,560
Balance as at December 31, 2012	1,668,264	164,134	1,906,460	3,738,858

The annexed notes 1 to 46 form an integral part of these financial statements.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Notes to the Financial Statements
for the year ended December 31, 2012

1 LEGAL STATUS AND OPERATIONS

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 was terminated in the year 2011.

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.

2 BASIS OF PREPARATION

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 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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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.

2.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards 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 judgments about carrying values 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.

Notes to the Financial Statements
for the year ended December 31, 2012

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 values 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 against 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.

Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

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.

2.5 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 2012.

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.

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).

Notes to the Financial Statements
for the year ended December 31, 2012

The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement.

2.6 NEW ACCOUNTING STANDARDS, AMENDMENTS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning on or after 1 January 2013. These standards, interpretations and the amendments are either not relevant to the Company's current operations or are not expected to have significant impact on the Company'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 for 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. The amendments have no impact on financial statements of the Company.

IAS 19, 'EMPLOYEE BENEFITS (AMENDED 2011)'

IAS 19, 'Employee Benefits (Amended 2011)' (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize 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 recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

IAS 27, 'SEPARATE FINANCIAL STATEMENTS (2011)'

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28, 'INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (2011)'

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

IAS 32, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: PRESENTATION'

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

IFRS 7, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: DISCLOSURES'

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after

January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

IFRS 9, 'FINANCIAL INSTRUMENTS'

IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2013) This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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 for 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. The amendments have no impact on financial statements of the Company.

2.7 ANNUAL IMPROVEMENTS 2009–2011

Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position' is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 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

Notes to the Financial Statements
for the year ended December 31, 2012

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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

Notes to the Financial Statements
for the year ended December 31, 2012

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.

Assets are de-recognized 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 recognized 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.

3.8 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.

3.9 INVESTMENTS

Investment in subsidiaries

Investments in subsidiaries are initially recognized 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 adjusted accordingly. Impairment losses are recognized as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased

Notes to the Financial Statements

for the year ended December 31, 2012

to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investment in associates

Investments in associates are initially recognized 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 recognized 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 recognized 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

Notes to the Financial Statements
for the year ended December 31, 2012

3.14 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.

3.15 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 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.

3.16 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-date method'. Under cost-to-date 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.

3.17 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.

Notes to the Financial Statements
for the year ended December 31, 2012

3.18 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.

3.19 TAXATION

Income tax expense comprises current and deferred tax.

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" 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.

3.20 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.

3.21 BASIS OF ALLOCATION OF COMMON EXPENSES

Administrative and finance cost are allocated to PEL Marketing (Private) Limited ("PMPL" or "the Subsidiary Company") on the basis of percentage of fixed assets used by PMPL, under the interservices agreement between PEL & PMPL.

Notes to the Financial Statements
for the year ended December 31, 2012

3.22 EARNING PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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.

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.

	2012	2011
	Rupees'000	*Rupees'000*
4 AUTHORIZED CAPITAL		
150,000,000 (December 31, 2011: 150,000,000) ordinary shares of Rs. 10 each.	1,500,000	1,500,000
100,000,000 (December 31, 2011: 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

Notes to the Financial Statements

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5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		Note	2012	2011
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	5.1	60,408	60,408
91,532,718	91,532,718	-as bonus shares		915,328	915,328
121,868,745	121,868,745			1,218,688	1,218,688
		Fully paid A class preference shares of Rs. 10 each			
44,957,592	44,957,592	**In cash**	5.1	449,576	449,576
166,826,337	166,826,337			1,668,264	1,668,264

5.1 '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, 2012 outstanding balance of such preference shares amounted to Rs. 449.58 million (December 31, 2011: 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 (Coupon Rate is one year KIBOR plus 100 bps) 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.

The redemption will be at the option of the Company and subject to availability of funds and compliance with the provisions of

Notes to the Financial Statements
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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, 2012 an amount of approximately Rs.128.129 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.

As per the opinion of Company's legal counsel, the provision of cumulative dividend at 9.5% p.a. will prevail on account of preference dividend, as the approval process of the revised terms of reprofiling from different quarters is not yet complete.

		2012	2011
		Rupees'000	***Rupees'000***
6	**CAPITAL RESERVES**		
	Premium on issue of shares	164,134	164,134
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	3,962,040	4,162,626
	Add: Surplus on revaluation of property, plant and equipment during the year	102,025	-
	Less: transfer to un-appropriated profits on account of incremental depreciation charged during the year - net of deferred taxation	190,560	200,586
	Surplus on revaluation of property, plant and equipment at end of year	3,873,505	3,962,040

Notes to the Financial Statements

for the year ended December 31, 2012

8 LONG-TERM FINANCING - Secured

8.1 From banking companies and financial institutions

Description	Note	2012	2011	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance I	8.2	54,270	54,270	Six months average ask side rate KIBOR plus 175 bps per annum (December 31, 2011: 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. Last year the Company 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 still under consideration of NBP.
Sukuk Funds (I)		514,286	514,286	Three month KIBOR plus 175 bps (December 31, 2011: 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 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 (December 31, 2011: 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 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	450,000	Three month ask side KIBOR plus 300 bps (December 31, 2011: 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 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	432,385	Three month average ask side KIBOR plus 175 bps per annum (December 31, 2011: Three month average ask side KIBOR plus 175 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. Last year the Company 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 still under consideration of NBP.
Term finance PPTFCs	8.4	850,000	850,000	Six months KIBOR plus 300 bps (December 31, 2011: 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 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 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 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.
Demand finance IV - SUKUK	8.5	342,859	342,859	Three months KIBOR + 175 bps (December 31, 2011: 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. Last year the Company 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 still under consideration of NBP.

Notes to the Financial Statements

for the year ended December 31, 2012

Description	Note	2012	2011	Mark-up / Profit	Security	Arrangements and repayment
		Rupees '000	*Rupees '000*			
Demand finance III - CAPEX	8.6	375,000	375,000	Six months KIBOR + 175 bps (December 31, 2011: 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. Last year the Company 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 still under consideration of NBP.
Demand Finance	8.7	898,927	898,927	Three months KIBOR + 175 bps (December 31, 2011: 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. Last year the Company 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 still under consideration of NBP.
Term Finance	8.8	323,437	337,500	One month KIBOR average ask side plus 350 bps per annum (December 31, 2011: One months KIBOR + 350 bps). KIBOR will be set on one Business Day prior to each installment period for markup due at the end of that 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 Second Supplemental Syndicated Term Finance Agreement with Standard Chartered Bank (Pakistan) Limited dated December 07, 2012. As per terms of Second Supplemental Agreement, the outstanding principal will be paid in 48 monthly installments starting from September 07, 2012, first 24 installments of 1.348 million each and last 24 installments of 12.129 million each.
Musharaka	8.9	287,051	300,000	One month KIBOR average ask side plus 350 bps per annum (December 31, 2011: One months KIBOR + 350 bps). KIBOR will be set on one Business Day prior to each installment period for markup due at the end of that 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 Second Supplemental PEL Purchase Undertaking with Standard Chartered Bank (Pakistan) Limited dated December 07, 2012. As per terms of Second Supplemental Undertaking, the outstanding principal will be paid in 48 monthly installments starting from September 07, 2012, first 24 installments of 1.198 million each and last 24 installments of 10.781 million each.
Total		5,628,215	5,655,227			
Less: current portion	8.12	40,729	1,106,375			
		5,587,486	4,548,852			

8.2 The Company has not made principal payment of Rs. 54.270 million (December 31, 2011: Rs. 54.270 million) and markup payment of Rs. 14.655 million (December 31, 2011: Rs.7.171 million) during the year. The matter of reprofiling of terms of Demand Finance-I is still under consideration of National Bank of Pakistan.

8.3 The Company has not made principal payment of Rs. 265.719 million (December 31, 2011: Rs. 132.386 million) and markup payment of Rs. 98.213 million (December 31, 2011: Rs.40.845 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 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 Company has not made principal payment of Rs. 228.573 million (December 31, 2011: Rs. 114.288 million) and markup payment of Rs. 84.193 million (December 31, 2011: Rs. 38.704 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 Company has not made principal payment of Rs. 200 million (December 31, 2011: Rs. 100 million) and markup payment of Rs. 101.006 million (December 31, 2011: Rs. 50.012 million) during the year. The matter of reprofiling of terms of Demand Finance-III CAPEX is still under consideration of National Bank of Pakistan.

Notes to the Financial Statements

for the year ended December 31, 2012

8.7 The Company has not made principal payment of Rs. 225 million (December 31, 2011: Nil) and markup payment of Rs. 221.645 million (December 31, 2011: Nil) during the year. The matter of reprofiling of terms of Demand Finance-V Reprofiled is still under consideration of National Bank of Pakistan.

8.8 The Company has not made principal payment of Rs. 5.391 million (December 31, 2011: Nil) and markup payment of Rs. 16.497 million (December 31, 2011: Nil) during the year.

8.9 The Company has not made principal payment of Rs. 4.792 million (December 31, 2011: Nil) and markup payment of Rs. 14.664 million (December 31, 2011: Nil) during the year.

8.10 These facilities carry mark-up rate ranging from 11.20% to 16.25% (December 31, 2011: 14.25% to 17.12%).

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

	2012	2011
	Rupees'000	*Rupees'000*
Maturity		
6 months or less	25,456	687,253
6-12 months	15,273	419,122
1-5 years	5,587,486	4,242,602
Over 5 years	-	306,250
	5,628,215	5,655,227

8.12 The current maturity of long term loans excluding term finance from Standard Chartered Bank is not shown as current portion of long term loans in current liabilities due to the fact that during the year the Company has applied for restructuring to National Bank of Pakistan (NBP) directly and other long term lenders through their advisor Faysal Bank Limited (FBL). The outcome of the both proposals has not been finalized but the Company is confident that restructuring will be finalized , whereby the amount due within one year comes to Rs. 2,197 million (December 31, 2011: Rs. 1,106 million) will be deferred.

	2012	2011
	Rupees'000	*Rupees'000*
9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	71,773	60,234
Less: current portion	38,218	38,393
	33,555	21,841

9.1 The Company has entered into lease agreements with Orix leasing Pakistan Limited. The rentals under these lease agreements are payable on monthly basis in arrears and are subject to mark-up rate ranging from 15.01% to 18.00% (December 31, 2011: 13.58% to 18.91%) per annum.

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.

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

Notes to the Financial Statements
for the year ended December 31, 2012

	2012		2011	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
Not later than one year	47,439	38,218	46,252	38,393
Later than one year but not later than five years	38,433	33,555	22,930	21,841
	85,872	71,773	69,182	60,234
Less: amount representing finance cost	14,099	-	8,948	-
Present value of minimum lease payments	71,773	71,773	60,234	60,234
Less: current portion	38,218	38,218	38,393	38,393
	33,555	33,555	21,841	21,841

9.3 Maturity profile of the Company's finance lease is as follows:

	Note	2012	2011
		Rupees'000	*Rupees'000*
Maturity			
6 months or less		20,090	28,339
6 - 12 months		18,128	10,054
1 - 5 years		33,555	21,841
		71,773	60,234

10 DEFERRED TAXATION

	Note	2012	2011
Deferred taxation	10.1	1,905,840	1,973,350

10.1 This comprises following:

	2012	2011
Deferred tax liability on taxable temporary differences:		
- tax depreciation allowance	1,667,149	1,641,774
- finance lease	96,324	88,454
- surplus on revaluation of property, plant and equipment	1,949,541	2,052,148
	3,713,014	3,782,376
Deferred tax asset on deductible temporary differences:		
- provision for obsolete and slow moving inventories	(11,348)	(10,189)
- provision for doubtful debts and advances	(178,924)	(147,371)
- available tax losses	(1,223,297)	(1,336,348)
- provision for compensated absences	(4,386)	(5,330)
- minimum tax adjustable against future tax liability	(389,219)	(309,788)
	(1,807,174)	(1,809,026)
	1,905,840	1,973,350

11 DEFERRED INCOME

Deferred income on:

	Note	2012	2011
- grant-in-aid	11.1	50,037	52,670
- sale and lease back activities	11.2	-	3,399
		50,037	56,069

Notes to the Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
11.1 Grant-in-aid			
Balance at beginning of the year		52,670	55,442
Less: transferred to income	30	2,633	2,772
Balance at end of the year		50,037	52,670

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. 2,633,000 (December 31, 2011: Rs. 2,772,000) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

	Note	2012	2011
		Rupees'000	*Rupees'000*
11.2 Sale and lease back activities			
Gain on sale and lease back activities at beginning of the year		3,399	19,493
Less: transferred to income	30	3,399	16,094
Gain on sale and lease back activities at end of the year	11.2.1	-	3,399

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	2012	2011
		Rupees'000	*Rupees'000*
12 TRADE AND OTHER PAYABLES			
Creditors		573,326	430,346
Foreign bills payable	12.1	268,911	380,337
Accrued liabilities		92,720	114,198
Advances from customers		349,805	177,790
Employees' provident fund		8,581	8,106
Compensated absences		14,537	23,426
Advance against contracts	36	78,901	81,504
Other taxes payable		134,727	187,946
Workers' profit participation fund	12.2	3,368	-
Workers' welfare fund		17,862	16,582
Others		15,567	58,654
		1,558,305	1,478,889

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

Notes to the Financial Statements
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	Note	2012	2011
		Rupees'000	*Rupees'000*
12.2 Workers' profit participation fund			
Balance at beginning of the year		-	14,028
Add: interest on funds utilized in the Company's business	34	-	1,710
- allocation for the year	33	3,368	-
Less: amount paid during year		-	15,738
Balance at end of the year		3,368	-

12.3 Interest on workers' profit participation fund has been provided at the rate of Nil (December 31, 2011: 16.25%) per annum.

13 INTEREST AND MARK-UP ACCRUED

	Note	2012	2011
Mark up accrued on:			
- long-term financing		706,418	334,716
- liabilities against assets subject to finance lease		-	277
- short-term borrowings	13.1	539,161	488,903
		1,245,579	823,896

13.1 Mark-up accrued on short term borrowings also include an overdue mark up amounting Rs. 15.196 million (December 31, 2011: Rs. 2.731 million).

	Note	2012	2011
		Rupees'000	*Rupees'000*
14 SHORT-TERM BORROWINGS			
Secured			
Borrowings from:			
- banking companies	14.2	6,537,347	5,966,079
- non banking finance companies (NBFCs)	14.3	-	10,133
		6,537,347	5,976,212
Unsecured			
Book overdraft	14.4	277,744	198,648
		6,815,091	6,174,860

14.1 The aggregate un-availed short-term borrowing facilities as at December 31, 2012 amounts to Rs. 1,345 million (December 31, 2011: Rs. 1,087 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 11.72% to 14.21% (December 31, 2011: 13.02% to 17.43%) 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. 8,495 million (December 31, 2011: Rs. 7,968 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.

14.3 This facility was obtained from NBFCs for purchase of raw material and carried mark-up rate Nil (December 31, 2011: 14.18% to 16.78%) 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.

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

Notes to the Financial Statements
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15 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:

	2012	2011
	Rupees'000	***Rupees'000***
15.1 Contingencies		
Tender bonds	213,874	293,845
Performance bonds	1,352,641	984,768
Advance guarantees	874,935	394,556
Custom guarantees	93,781	66,459
Bills discounted	1,877,481	2,222,284
Foreign guarantees	141,321	129,372

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 accumulated to Rs. 1,118,150 till December 31, 2011. However, the Company pays professional tax in the province of Punjab and therefore taken up the matter to the Honorable Supreme Court of Pakistan. As per the verdict of the Honorable Supreme Court of Pakistan, during the year the Company has deposited the liability till 2012 amounting to Rs. 1,400,000 to Excise and Taxation Department, Karachi.

	2012	2011
	Rupees'000	***Rupees'000***
15.2 Commitments		
Letters of credit	669,926	894,377

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

Not later than one year	20,047	40,909
Later than one year but not later than five years	338	23,078
	20,385	63,987

Notes to the Financial Statements

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16 PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2012

Particulars	Cost / revaluation					Accumulated depreciation					
	As at January 01, 2012	Additions / (disposals)	Transfers / (adjustments)	Revaluation Surplus	As at December 31, 2012	As at January 01, 2012	Charge for the year	Transfers / (disposals) / (adjustments) /	As at December 31, 2012	Book value as at December 31, 2012	Annual rate of depreciation
	Rupees '000					Rupees '000				Rupees '000	
Owned											
Leasehold land	13,256	-	-	-	13,256	-	-	-	-	13,256	
Freehold land	326,832	-	-	102,025	428,857	-	-	-	-	428,857	
Building on leasehold land	1,279,476	-	-	-	1,279,476	380,264	44,961	-	425,225	854,251	5%
Building on freehold land	2,998,704	-	-	-	2,998,704	234,057	138,232	-	372,289	2,626,415	5%
Plant and machinery	11,763,658	226,303	-	-	11,985,930	2,481,266	472,478	(1,149)	2,952,595	9,033,335	5%
		(4,031)						-			
Office equipment and furniture	177,848	2,242	-	-	178,468	72,889	10,566	(1,001)	82,454	96,014	10%
		(1,622)						-			
Computer hardware & allied items	80,671	5,582	-	-	85,649	71,180	4,661	(15)	75,826	9,823	30%
		(604)						-			
Vehicles	125,199	23,961	4,586	-	130,670	73,119	11,813	2,269	74,346	56,324	20%
		(23,076)						(12,855)			
	16,765,644	258,088	4,586	102,025	17,101,010	3,312,775	682,711	2,269	3,982,735	13,118,275	
		(29,333)						(15,020)			
Held under finance lease											
Plant and machinery	325,207	-	-	-	325,207	30,262	14,747	-	45,009	280,198	5%
Vehicles	31,756	56,074	(4,586)	-	83,244	13,741	4,987	(2,269)	16,459	66,785	20%
	356,963	56,074	(4,586)	-	408,451	44,003	19,734	(2,269)	61,468	346,983	
Capital work-in-progress											
Building on leasehold land	94,675	-	-	-	94,675	-	-	-	-	94,675	
Building on freehold land	66,431	16,682	-	-	83,113	-	-	-	-	83,113	
Plant and machinery	162,250	5,954	-	-	168,204	-	-	-	-	168,204	
	323,356	22,636	-		345,992	-	-	-	-	345,992	
December 31, 2012	17,445,963	336,798	4,586	102,025	17,855,453	3,356,778	702,445	2,269	4,044,203	13,811,250	
		(29,333)	(4,586)					(17,289)			

16.1 Transfer to owned assets includes leased assets on completion of the respective lease arrangements.

	Note	2012	2011
		Rupees'000	*Rupees'000*
16.2 Depreciation for the year has been allocated as under:-			
Cost of sales	29.1	686,431	665,544
Administrative expenses	32	16,014	28,101
		702,445	693,645

Notes to the Financial Statements

for the year ended December 31, 2012

16.3 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 (136,501)	1,185,449 (1,185,449)	17,445,963	2,694,800	693,645	3,972 (35,639)	3,356,778	14,089,185	

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							
Stamping Machine	4,031	1,149	2,882	830	(2,052)	Negotiation	Imtiaz
	4,031	1,149	2,882	830	(2,052)		
Office equipment and furniture							
Office Equipment	1,550	990	560	286	(275)	Negotiation	Imtiaz
Others	72	11	61	13	(48)	Negotiation	Various Indviduals
	1,622	1,001	621	299	(323)		
Computer hardware & allied items							
IBM Server	604	15	589	604	15	Negotiation	Abdullah Aman
	604	15	589	604	15		

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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							
ToyotACorolla	1,005	644	361	353	(8)	As per Company policy	Aftad Ahmed
Suzuki Mehran	433	278	155	106	(49)	-do-	Ali Kamran
Suziki Alto	530	324	206	203	(3)	-do-	Safdar Iqbal
Prado	1,600	980	620	1,450	830	Negotiation	M. Ashfaq
Honda Civic	1,467	846	621	376	(245)	As per Company policy	Zafar Ahmed Pirzada
Honda City	851	541	310	520	210	-do-	Abdul Qavi Butt
ToyotACorolla	1,319	715	604	1,150	546	-do-	Umar Saleemi
Suzuki Alto	660	375	285	304	19	-do-	Aamir Yaqoob
Suzuki Cultus	959	529	430	561	131	-do-	M. Iqbal
Suzuki Cultus	609	246	363	350	(13)	-do-	Umar Hayat Bajwa
Suzuki Mehran	438	182	256	179	(77)	-do-	Masood Ul Hassan
Suzuki Mehran	438	265	173	180	7	-do-	Adeel Yasin Khan
Suzuki Mehran	431	216	215	177	(38)	-do-	Abdul Raheem
Suzuki Cultus	641	380	261	382	121	-do-	Tariq Afzal
Suzuki Cultus	641	355	286	382	96	-do-	Ali Imran Khurram
Suzuki Cultus	641	375	266	310	44	-do-	Azeem Qureshi
Suzuki Mehran	430	295	135	176	41	-do-	Hafiz M Azeem
Hundai Santro	614	364	250	128	(122)	-do-	Rafique Ahmed
Suzuki Mehran	409	196	213	134	(79)	-do-	Shabbir Haider
Suzuki Mehran	467	221	246	425	179	Negotiation	EFU General Insurance
D Coure	654	296	358	637	279	As per Company policy	Ahsan Farooq
Suzuki Cultus	612	370	242	350	108	-do-	Saleem Anjum
Suzuki Liana	79	28	51	273	222	-do-	Nadeem Asghar
Suzuki Mehran	443	265	178	109	(69)	-do-	Shafique Ahmed Burney
Suzuki Alto	499	287	212	173	(39)	-do-	Abbas Zaheer
Honda Civic	150	40	110	307	197	-do-	Manzar Hasan
Toyota Corolla	181	12	169	655	486	-do-	Shahzad Rashid
Suzuki Alto	537	296	241	232	(9)	-do-	Shakeel Ahmed
Suzuki Mehran	459	253	206	113	(93)	-do-	Hafiz Imran
Suzuki Mehran	530	270	260	428	168	Negotiation	EFU General Insurance
Honda City	1,202	614	588	637	49	As per Company policy	Usman Gohar
Others	3,148	1,797	1,351	3,964	2,613	Negotiation	Various Indviduals
	23,077	12,855	10,222	15,724	5,502		
December 31, 2012	29,332	15,020	14,313	17,457	3,144		
December 31, 2011	136,501	31,667	104,834	116,069	11,235		

	Note	2012	2011
		Rupees'000	***Rupees'000***
16.5 Gain/(loss) has been allocated as follows:			
Gain on disposal of Property, plant and equipment	30	3,144	12,954
Loss on sale and lease back	33	-	(1,719)
		3,144	11,235

Notes to the Financial Statements
for the year ended December 31, 2012

16.6 The latest revaluation of land is carried out by Empire Enterprises (Private) Ltd. independent valuers on the Pakistan Bankers' Association as on December 31, 2012, which resulted in revaluation surplus of Rs. 102 million, incorporated in the financial statements for the year ended December 31, 2012. The revaluation of building and plant & Machinary also carried out by Empire Enterprises (Private) Limited on the same date but not incorporated in financial statements as the difference between revalued amount and written down value of building and Plant & Machinary was immaterial.

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 last revaluation of building on free hold land, buildings and plant and machinery was carried out by M/S. Asif Associates (Pvt.) Ltd. as on December 31, 2009, which resulted in revaluation surplus of Rs. 2,494 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, 2012 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	706,711	2,414,103
Plant and machinery	5,949,237	1,556,518	4,392,719
December 31, 2012	9,245,980	2,263,229	6,982,751
December 31, 2011	9,021,516	1,762,428	7,259,088

Notes to the Financial Statements

for the year ended December 31, 2012

17 INTANGIBLE ASSETS AT DECEMBER 31, 2012

	Cost				Accumulated Amortization			
	As at January 01, 2012	Impairment losses	Additions	As at December 31, 2012	As at January 01, 2012	Amortization for the period	As at December 31, 2012	Net book value as at December 31, 2012
	Rupees' 000				Rupees' 000			
Technology transfer agreement	75,434	-	-	75,434	15,155	3,014	18,169	57,265
Goodwill	312,341	-	-	312,341	91,859	-	91,859	220,482
Software	5,057	-	-	5,057	2,385	891	3,276	1,781
Intangible assets under development - ERP	31,441	-	-	31,441	-	-	-	31,441
	424,273	-	-	424,273	109,399	3,905	113,304	310,969

17.1 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			
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

17.2 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.

17.3 The 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 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 was fully impaired by providing impairment loss of Rs. 140.569 million in December 31, 2011.

Notes to the Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
18 LONG-TERM INVESTMENTS			
Investments in related parties			
Wholly owned subsidiary at cost - Unquoted			
PEL Marketing (Private) Limited			
10,000 shares (December 31, 2011: 10,000) of Rs. 10 each			
Ordinary shares held 100% (December 31, 2011: 100%)		100	100
Associate at cost - Quoted	18.1	10,216	4,395
		10,316	4,495

18.1 Investment in associate at cost - Quoted

	Note	2012	2011
Kohinoor Power Company Limited			
Ownership interest		23.10%	23.10%
Cost of investment			
2,910,600 shares (December 31, 2011: 2,910,600 shares)		54,701	54,701
Less: provision for impairment in valueof investment	18.1.1	44,485	50,306
		10,216	4,395

18.1.1 Movement in provision for impairment during the year

	2012	2011
Balance at beginning of the year	50,306	41,254
(Reversal) / provision for the year	(5,821)	9,052
Balance at the end of the year	44,485	50,306

18.1.2 The investment in associated company "Kohinoor Power Company Limited" was tested for impairment as required by IAS 36 "Impairment of assets". During the year share price of the associated company has increased. So considering all factors, provision for impairment in value of investment is reversed to the extent that it is recoverable from the sale of shares.

	Note	2012	2011
		Rupees'000	*Rupees'000*
19 LONG-TERM DEPOSITS			
Security deposits with leasing companies		28,926	23,539
Less: current portion	24	8,598	14,595
		20,328	8,944
Other deposits		45,570	45,692
		65,898	54,636
20 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		2,230	2,378
Spare parts		94,232	84,912
Loose tools		47,036	37,735
		143,498	125,025
Less: provision for slow moving and obsolete items		16,706	15,443
		126,792	109,582

Notes to the Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
21 STOCK-IN-TRADE			
Raw material and components			
- in stores		2,123,456	2,176,716
- in-transit		472,123	739,311
Less: provision for slow moving and obsolete items		10,913	8,865
		2,584,666	2,907,162
Work-in-process		855,069	939,364
Finished goods		238,525	294,560
Less: provision for slow moving and obsolete items		4,804	4,804
		233,721	289,756
		3,673,456	4,136,282

21.1 Stocks with carrying value of Rs. 1,719 million (December 31, 2011: Rs. 2,350 million) have been pledged as security with certain banks against financing facilities.

	Note	2012	2011
		Rupees'000	*Rupees'000*
22 TRADE DEBTS - unsecured			
Considered good:			
- against sale of goods		3,948,762	2,621,964
- against execution of contracts		1,633,114	1,152,319
		5,581,876	3,774,283
Considered doubtful		357,957	287,169
		5,939,833	4,061,452
Less: provision for doubtful debts	22.1	357,957	287,169
		5,581,876	3,774,283
22.1 Movement in provision during the year			
Balance at beginning of the year		287,169	202,168
Provision for the year		70,788	85,001
Balance at the end of the year		357,957	287,169
23 ADVANCES			
Advances to employees - Considered good:			
- purchases		33,302	12,267
- expenses		9,520	5,022
- traveling		3,280	3,014
- others	23.1	1,200	1,830
		47,302	22,133
Advances to employees - considered doubtful		1,449	1,449
Less: Provision for doubtful advances		1,449	1,449
		47,302	22,133
Advances to suppliers and contractors		553,674	577,592
Less: Provision for doubtful advances against suppliers		153,255	133,892
		400,419	443,700
Retention money for contracts in progress	36	80,030	159,726
		527,751	625,559

Notes to the Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	***Rupees'000***

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

24 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2012	2011
Security deposits		77,439	30,880
Less: provision for security deposits considered doubtful		5,379	5,379
		72,060	25,501
Current portion of long-term deposits	19	8,598	14,595
Margin deposits		174,207	146,442
Prepayments		34,891	38,682
Letters of credit		1,043	2,335
		290,799	227,555

25 OTHER FINANCIAL ASSETS

Investments at fair value through profit or loss

	Note	2012	2011
Standard Chartered Bank	25.1	11,365	7,312
Wateen Telecom Limited	25.2	298	179
		11,663	7,491

25.1 Standard Chartered Bank

915,070 (December 31, 2011: 915,070) ordinary shares of Rs. 10 each	2012	2011
Balance at beginning of the year	7,312	26,446
Shares sold during the year	-	(18,576)
	7,312	7,870
Gain/(loss) due to change in the fair value of investment	4,053	(558)
	11,365	7,312

25.1.1 Market value per share is Rs. 12.42 (December 31, 2011: Rs. 7.99).

25.2 Wateen Telecom Limited

100,000 (December 31, 2011: 100,000) ordinary shares of Rs. 10 each	2012	2011
Balance at beginning of the year	179	364
Shares purchased during the year	-	-
	179	364
Gain/(loss) due to change in the fair value of investment	119	(185)
	298	179

25.2.1 Market value per share is Rs. 2.98 (December 31, 2011: Rs. 1.79).

Notes to the Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	***Rupees'000***
26 CASH AND BANK BALANCES			
In local currency			
Cash in hand		2,653	3,567
Balances with banks			
in current accounts		140,881	69,750
in deposit account	26.1	41,653	50,000
		182,534	119,750
In foreign currency			
US Dollar account ((US $ nil) (December 31, 2011: US $ 76.77 @ Rs.89.60))		-	7
		185,187	123,324

26.1 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, 2011: 3 months KIBOR plus 1% p.a).

	Note	2012	2011
		Rupees'000	***Rupees'000***
27 REVENUE			
Contract revenue	36	1,795,415	380,797
Sales - Local		13,634,720	12,752,037
Sales - Export		2,320,925	414,998
		17,751,060	13,547,832
28 SALES TAX AND DISCOUNT			
Sales tax and excise duty		1,861,857	1,852,714
Trade discounts		3,038	457,880
		1,864,895	2,310,594
29 COST OF SALES			
Finished goods at beginning of the year		294,560	780,642
Cost of goods manufactured	29.1	12,577,168	9,375,125
Finished goods purchased		174,265	114,314
		12,751,433	9,489,439
Finished goods at end of the year		(238,525)	(294,560)
Cost of goods sold		12,807,468	9,975,521
Contract cost	36	1,324,191	413,168
		14,131,659	10,388,689

Notes to the Financial Statements

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
29.1 Cost of goods manufactured			
Work-in-process at beginning of the year		939,364	874,748
Raw material and components consumed		10,393,734	7,453,468
Direct wages		540,724	459,441
Factory overheads:			
- salaries, wages and benefits	29.2	248,842	232,067
- traveling and conveyance		12,705	15,329
- electricity, gas and water		278,609	189,071
- repairs and maintenance		84,281	54,561
- vehicles running and maintenance		25,983	17,353
- insurance		37,852	35,169
- depreciation	16.2	686,431	665,544
- amortization of intangible assets		3,905	4,183
- provision for obsolete and slow moving stock		3,311	3,732
- impairment loss on goodwill	17	-	140,569
- carriage and freight		31,553	14,209
- erection and testing		133,416	137,618
- other factory overheads		11,527	17,427
		1,558,415	1,526,832
		13,432,237	10,314,489
Work-in-process at end of the year		(855,069)	(939,364)
		12,577,168	9,375,125

29.2 These include employee benefits amounting to Rs. 30.452 million (December 31, 2011: Rs. 28.606 million).

	Note	2012	2011
		Rupees'000	*Rupees'000*
30 OTHER OPERATING INCOME			
Income from financial assets			
Gain due to change in the fair value of investment at fair value through profit and loss	25	4,172	-
Mark-up income		3,152	1,563
Reversal of provision for impairment in value of long-term investments	18.1.1	5,821	-
Income from assets other than financial assets			
Gain on disposal of property, plant and equipment	16.5	3,144	12,954
Gain on sale and lease back activities	11.2	3,399	16,094
Amortization of grant-in-aid	11.1	2,633	2,772
Exchange gain		-	34
Others		1,217	2,615
		23,538	36,032

Notes to the Financial Statements
for the year ended December 31, 2012

		Note	2012	2011
			Rupees'000	*Rupees'000*
31	**DISTRIBUTION COST**			
	Salaries, wages and benefits	31.1	79,821	205,476
	Traveling and conveyance		14,563	25,916
	Rent, rates and taxes		820	38,412
	Electricity, gas, fuel and water		690	6,021
	Repairs and maintenance		799	2,691
	Vehicles running and maintenance		6,880	15,168
	Printing and stationery		1,445	4,524
	Postage, telegrams and telephones		1,844	8,781
	Entertainment and staff welfare		-	5,030
	Advertisement and sales promotion		9,297	79,071
	Insurance			5,044
	Freight and forwarding		130,620	122,452
	Contract and tendering		-	861
	Warranty period services		42,572	80,126
	Others		513	93,262
			289,864	692,835

31.1 This includes employee benefits amounting to Rs. 7.207 million (December 31, 2011: Rs. 12.544 million).

		Note	2012	2011
			Rupees'000	*Rupees'000*
32	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	32.1	48,753	276,541
	Traveling and conveyance		6,590	14,171
	Rent, rates and taxes		15,085	63,175
	Ujrah payments		14,523	84,460
	Legal and professional		5,568	16,824
	Electricity, gas and water		11,060	17,150
	Auditors' remuneration	32.2	3,410	2,236
	Repairs and maintenance		4,435	10,605
	Vehicles running and maintenance		6,707	11,509
	Printing, stationery and periodicals		1,753	4,041
	Postage, telegrams and telephones		3,027	7,850
	Entertainment and staff welfare		3,504	13,843
	Advertisement		54	195
	Insurance		675	5,427
	Provision for doubtful debts, advances and security deposits		90,151	121,821
	Depreciation	16.2	16,014	28,101
	Others		835	4,866
			232,144	682,815

32.1 These include employee benefits amounting to Rs. 17.236 million (December 31, 2011: Rs. 16.458 million).

Notes to the Financial Statements

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	***Rupees'000***
32.2 Auditors' remuneration			
Audit fee		2,000	1,250
Half yearly and COCG review and special certificates		1,030	737
Out of pocket expenses		380	249
		3,410	2,236
33 OTHER OPERATING EXPENSES			
Workers' profit participation fund	12.2	3,368	-
Workers' welfare fund		1,280	-
Loss on sale and lease back	16.5	-	1,719
Loss due to change in the fair value of investments at fair value through profit and loss	25	-	743
Loss on sale of investments at fair value through profit and loss	25	-	2,376
Provision for impairment in value of long-term investments	18.1.1	-	9,052
		4,648	13,890
34 FINANCE COST			
Interest / mark-up on:			
- long-term financing - secured		773,193	407,421
- short-term borrowings	34.1	298,945	895,845
- workers' profit participation fund	12.2	-	1,710
- liabilities against assets subject to finance lease		9,174	13,978
Bank charges and commission		107,355	94,101
		1,188,667	1,413,055

34.1 Interest / mark-up on short term borrowings from NBFCs includes penalized mark up amounting to Nil (December 31,2011: Rs. 0.071 million) on overdue principal payments.

	2012	2011
	Rupees'000	***Rupees'000***
35 PROVISION FOR TAXATION		
For the year		
Current	79,431	112,372
Deferred	(67,510)	(799,931)
	11,921	(687,559)
Prior year		
Current	549	16,298
Deferred	-	21,766
	549	38,064
	12,470	(649,495)

35.1 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.

Notes to the Financial Statements
for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*

36 LONG-TERM CONSTRUCTION CONTRACTS

	Note	2012	2011
Contract revenue for the year	27	1,795,415	380,797
Cost incurred to date		3,361,674	2,037,483
Contract costs for the year	29	1,324,191	413,168
Gross profit realized to date		1,240,415	769,191
Balance of advance received	12	78,901	81,504
Retention money receivable	23	80,030	159,726
Gross amount due from customers		17,882	10,666
Gross amount due to customers		6,165	6,669
Estimated future costs to complete projects in progress	36.1	633,752	1,101,285

36.1 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.

37 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	
	2012 *Rupees '000*	**2011** *Rupees '000*	**2012** *Rupees '000*	**2011** *Rupees '000*
Remuneration	22,378	18,104	143,439	135,108
House rent	2,223	3,621	27,255	44,131
Utilities	2,238	1,810	13,522	11,878
Bonus	-	-	-	414
Employment benefits	1,056	1,056	14,213	12,500
Reimbursable expenses				
Motor vehicles expenses	720	360	9,544	9,302
Medical expenses	259	65	5,776	5,182
TOTAL	28,874	25,016	213,749	218,515
Number of persons	4	3	109	102

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

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

Notes to the Financial Statements

for the year ended December 31, 2012

	Note	2012	2011
		Rupees'000	*Rupees'000*
38 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
The calculation of basic and diluted earnings per ordinary share is based on the following data:			
Earnings / (Loss)			
Profit / (loss) for the year		50,251	(1,268,519)
Less: dividend payable on preference shares	38.3	42,710	42,710
Earnings / (loss) attributable to ordinary shares		7,541	(1,311,229)

	2012	2011
	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	121,868,745
Effect of dilutive potential ordinary shares	44,957,592	44,957,592
	166,826,337	166,826,337

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

	Note	2012	2011
Basic earnings / (loss) per share (Rupees)		0.06	(10.76)
Diluted earnings / (loss) per share (Rupees)	38.2	0.06	(10.76)

38.1 The price of preference share has been taken at par i.e. Rs. 10 per share for the purpose of taking the effect of dilutive potential ordinary shares.

38.2 The effect of conversion of convertible preference shares into ordinary shares is anti-dilutive for both years, accordingly the diluted earnings/(loss) per share is restricted to basic earnings/(loss) per share.

38.3 As per the opinion of Company's legal counsel, the provision of dividend at 9.5% p.a. (based on original terms of preference shares) will prevail on account of preference dividend, therefore EPS of prior year is restated accordingly.

39 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, 2012

Relationship	Nature of transaction	2012 *Rupees'000*	2011 *Rupees'000*
Subsidiary:			
PEL Marketing Private Limited	Sales of goods	5,215,470	904,358
	Sales of services	-	93,123
	Payable	-	29,676
Key management personnel	Short-term employee benefits	27,818	23,960
	Post employment benefits	1,056	1,056
Other related parties:			
Red Communication Art Private Limited	Purchase of services	96,197	54,550
	Sales of goods	11,463	5,510

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

40 PLANT CAPACITY AND ACTUAL PRODUCTION

			2012 *Rupees'000*	2011 *Rupees'000*
	Unit	Annual Production capacity	Actual production during the year	Actual production during the year
Transformers / Power Transformers	MVA	5,000	3,967	2,029
Switchgears	Nos.	4,500	1,780	1,490
Energy meters	Nos.	1,700,000	264,148	349,611
Air conditioners	Tonnes	90,000	919	39,565
Refrigerators/deep freezers	Cfts.	5,000,000	3,042,064	2,660,387

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

41 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 distribution agreement signed with LG. The Company's distribution agreement with LG Electronics Inc. was terminated in the year 2011. 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"

Notes to the Financial Statements

for the year ended December 31, 2012

	Power Division		Appliances Division		Consolidated	
	2012	2011	2012	2011	2012	2011
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*
Revenue	8,709,368	4,686,017	7,176,797	6,551,221	15,886,165	11,237,238
Finance cost	998,433	589,255	190,234	823,800	1,188,667	1,413,055
Depreciation and Amortization	333,590	331,665	372,760	366,163	706,350	697,828
Segment profit / (loss) before tax	85,871	(638,371)	(42,040)	(1,312,903)	43,831	(1,951,274)
Segment assets	10,927,950	10,263,225	12,594,016	12,033,639	23,521,966	22,296,864

	2012	2011
	Rupees'000	*Rupees'000*
Reconciliation of Segment profit / (loss) :		
Total profit / (loss) for Reportable Segments	43,831	(1,951,274)
Un-allocated other Income	18,890	33,260
Profit / (loss) before Taxation	62,721	(1,918,014)
Reconciliation of Reportable Segment Assets :		
Total assets for Reportable Segments	23,521,966	22,296,864
Other Corporate Assets	1,365,237	1,385,748
Total Assets	24,887,203	23,682,612
Information about major customers:		
Revenue derived from WAPDA Distribution Companies	7,193,967	2,983,960
Revenue derived from PMPL	5,215,470	997,481

42 FINANCIAL INSTRUMENTS

42.1 Capital risk management

The Company's objective when measuring capital is 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, 2012 and December 31, 2011 were as follows:

Notes to the Financial Statements
for the year ended December 31, 2012

		2012	2011
		Rupees'000	*Rupees'000*
Long Term Finances	A	5,628,215	5,655,227
Total Equity	B	7,612,363	7,460,087
Total Capital	C=A+B	13,240,578	13,115,314
Gearing Ratio	D=A / C	43%	43%

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.

42.2 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.

42.3 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.

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.

42.3.1 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:

Notes to the Financial Statements
for the year ended December 31, 2012

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:

	2012	**2011**
	Rupees'000	***Rupees'000***
Investments	10,316	4,495
Other financial assets	11,663	7,491
Trade debts	5,939,833	4,061,452
Advances	81,230	161,556
Trade deposits	106,365	54,419
Other receivables	19,662	17,241
Bank balances	182,534	119,757
	6,351,603	4,426,411

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:

	2012	**2011**
	Rupees'000	***Rupees'000***
General customers	5,589,373	3,511,374
Corporate customers	350,460	550,078
	5,939,833	4,061,452

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

Aging analysis of trade debts

1 year or less	5,288,851	3,469,013
1 - 2 year	208,217	190,900
2 - 3 year	116,596	125,817
3 year and above	326,169	275,722
Less: provision for doubtful debts	357,957	287,169
	5,581,876	3,774,283

Notes to the Financial Statements
for the year ended December 31, 2012

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.

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

				Balance As at	
Name of Bank	**Ratings Short-term**	**Ratings Long-term**	**Rating Agency**	**2012** ***Rupees '000***	**2011** ***Rupees '000***
AL Baraka Bank Pakistan Limited	A1	A	PACRA	6,307	-
Allied Bank of Pakistan	A1+	AA+	PACRA	590	226
Arif Habib Bank	A2	A-	JCR -VIS	128	742
Askari Commercial Bank	A1+	AA	PACRA	951	474
Bank Al- Habib	A1+	AA+	PACRA	144	415
Bank Alfalah	A1+	AA	PACRA	7,414	6,788
Bank Islami	A1	A	PACRA	25	25
Bank of Khayber	A2	A	PACRA	1,015	-
Barclays Bank	P1	A2	S&P	85	85
Burj Bank Limited	A-1	Aa3	JCR -VIS	529	1,741
Emirates Bank International	A1+	AAA	JCR -VIS	52	-
Faysal Bank Limited	A1+	AA	JCR -VIS	1,941	838
Habib bank Limited	A1+	AA+	JCR -VIS	2,970	931
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	10,137	10,636
HSBC Bank Limited	P1	A1	S&P	35	309
KASB Bank Limited	A3	BBB	PACRA	4,161	5
MCB Bank Limited	A1+	AA+	PACRA	35,259	1,886
Meezan Bank Limited	A1+	AA-	JCR -VIS	607	1,199
My Bank Limited	A-2	A-	PACRA	510	-
National Bank of Pakistan Limited	A1+	AAA	JCR -VIS	32,790	1,833
NIB Bank Limited	A1+	AA-	PACRA	14,855	8,024
SAMBA Bank Limited	A1	AA-	JCR -VIS	231	182
Silk Bank Limited	A2	A-1	JCR -VIS	68	10,799
Sindh Bank Limited	A1	AA-	JCR -VIS	533	982
Soneri Bank limited	A1+	AA-	PACRA	763	1,130
Standrad Chartered Bank Limited	A1+	AAA	PACRA	2,367	3,011
The Bank of Punjab	A1+	AA-	PACRA	15,138	15,126
Trust Investment Bank	A3	BBB	PACRA	41,653	50,000
United Bank Limited	A1+	AA+	JCR -VIS	1,276	2,370

42.3.2 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who 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.

Notes to the Financial Statements

for the year ended December 31, 2012

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	
	2012	**2011**
	Rupees '000	***Rupees '000***
Trade and other Payables		
Maturity upto one year	994,872	1,031,649
Interest and mark-up accrued		
Maturity upto one year	1,245,579	823,896
Short term borrowings		
Maturity upto one year	6,815,091	6,174,860
Long term financing		
Maturity upto one year	40,729	1,106,375
Maturity after one year and upto five years	5,587,486	4,242,602
Maturity after five years	-	306,250
Liabilities against assets subject to finance lease		
Maturity upto one year	38,218	38,393
Maturity after one year and upto five years	33,555	21,841
	14,755,530	13,745,866

42.3.3 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.

Notes to the Financial Statements

for the year ended December 31, 2012

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:

	2012	2011
	USD '000	***USD '000***
Foreign bills payable	2,221.00	3,046.00
Cash and bank balances	-	0.08
	2,221.00	3,046.08
	EURO '000	***EURO '000***
Foreign bills payable	614	771
	CHF '000	***CHF '000***
Foreign bills payable	-	40

Commitments outstanding at year end amounted to Rs. 670 million (December 31, 2011: Rs.894 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**	
	2012 ***Rupees '000***	**2011** ***Rupees '000***	**2012** ***Rupees '000***	**2011** ***Rupees '000***
USD 1	86.88	87.86	97.10	89.60
EURO 1	123.73	115.51	128.31	115.96
CHF 1	-	94.58	106.28	95.20

Foreign currency sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the foreign currencies at December 31, 2012 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, 2011.

	2012	2011
	Rupees '000	***Rupees '000***
Increase in profit and loss account	29,444	36,614

Notes to the Financial Statements
for the year ended December 31, 2012

A 10 percent weakening of the Pak Rupee against the foreign currency at December 31, 2012 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:

	2012	2011	2012	2011
	%	%	*Rupees '000*	*Rupees '000*
Floating rate instruments				
Financial assets				
Bank balances	10.06	12.98	41,653	50,000
Financial liabilities				
Long term financing	11.20 to 16.25	14.25 to 17.12	5,628,215	5,655,227
Short-term borrowings	11.72 to 14.21	13.02 to 17.43	6,537,347	5,976,212
			12,207,215	11,681,439

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, 2012		
Short term borrowings	1%	64,950
Long term financing		56,417
Liabilities against assets subject to finance lease		660
		122,027
December 31, 2011		
Short term borrowings	1%	60,350
Long term financing		58,738
Liabilities against assets subject to finance lease		856
		119,944

Notes to the Financial Statements

for the year ended December 31, 2012

(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.

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.

42.4 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.

	2012	2011
	Rupees '000	*Rupees '000*
43 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(18,473)	633
- Stock-in-trade	460,778	1,510,265
- Trade debts	(1,878,381)	65,491
- Advances	78,445	18,232
- Trade deposits and short-term prepayments	(69,241)	12,104
- Other receivables	(2,421)	198,217
	(1,429,293)	1,804,942
Increase/(decrease) in trade and other payables	88,305	(21,738)
	(1,340,988)	1,783,204

44 REARRANGEMENT AND RECLASSIFICATION

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

45 NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the period amounting to Rs. 56.074 million (December 31, 2011: Rs. 70 million) were financed by new finance leases.

46 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, 2013.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Director

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholding From	Shareholding To	Shares held
689	1	100	21,278
588	101	500	172,136
458	501	1,000	377,109
909	1,001	5,000	2,340,217
281	5,001	10,000	2,265,901
107	10,001	15,000	1,372,649
74	15,001	20,000	1,369,623
57	20,001	25,000	1,342,669
31	25,001	30,000	881,326
16	30,001	35,000	522,084
16	35,001	40,000	628,870
9	40,001	45,000	385,841
27	45,001	50,000	1,337,359
5	50,001	55,000	253,236
8	55,001	60,000	473,801
3	60,001	65,000	188,604
5	65,001	70,000	345,300
8	70,001	75,000	596,000
7	75,001	80,000	550,265
1	80,001	85,000	85,000
3	90,001	95,000	279,442
13	95,001	100,000	1,300,000
6	100,001	105,000	611,150
2	105,001	110,000	216,566
5	110,001	115,000	563,367
2	115,001	120,000	238,000
4	120,001	125,000	489,888
2	130,001	135,000	265,770
4	135,001	140,000	548,778
3	140,001	145,000	428,731
2	145,001	150,000	299,500
2	150,001	155,000	301,745
1	155,001	160,000	155,938
2	185,001	190,000	376,062
1	190,001	195,000	195,000
5	195,001	200,000	1,000,000
1	205,001	210,000	208,000
1	245,001	250,000	250,000
2	280,001	285,000	567,845
2	285,001	290,000	573,129
1	290,001	295,000	293,533
2	295,001	300,000	596,046
1	340,001	345,000	345,000
1	345,001	350,000	350,000
1	420,001	425,000	423,500
1	460,001	465,000	460,500
1	475,001	480,000	477,488
1	550,001	555,000	552,466
2	570,001	575,000	1,148,356
1	700,001	705,000	701,363
1	795,001	800,000	800,000
1	865,001	870,000	869,826
1	975,001	980,000	979,000
2	990,001	995,000	1,985,348
1	1,295,001	1,300,000	1,297,120
1	1,465,001	1,470,000	1,466,000
1	1,790,001	1,795,000	1,793,686
1	3,390,001	3,395,000	3,391,086
1	3,605,001	3,610,000	3,608,825
1	3,765,001	3,770,000	3,768,116
1	4,595,001	4,600,000	4,599,015
1	8,815,001	8,820,000	8,815,529
1	9,425,001	9,430,000	9,425,985
1	14,670,001	14,675,000	14,670,602
1	34,670,001	34,675,000	34,672,176
3,390			121,868,745

Classification by Categories of Shareholders

as at December 31, 2012

Categories of Shareholders	Number	Shares held	Percentage
Individuals	3282	32,661,975	26.80
Financial Institutions	15	16,176,395	13.27
Insurance Companies	3	3,741,104	3.07
Joint-stock Companies	73	2,149,094	1.77
Investment Companies	1	67	0.00
Modaraba Companies	-	-	-
Foreign Investors	16	34,824	0.03
	3390	121,868,745	100.00

Information as required under clause XIX (i) of Code of Corporate Governance as at December 31, 2012

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**			
	1. Mr. M. Naseem Saigol	Chairman/Chief Executive	36,095,676	29.62
	2. Mr. M. Azam Saigol	Director	651,191	0.53
	3. Mr. Muhammad Murad Saigol	Director	3,042	-
	4. Mr. Haroon Ahmad Khan	Director	3,042	-
	5. Mr. Muhammad Abdullah Haroon Saigol	Director	500	-
	6. Mr. Muhammad Zeid Yousuf Saigol	Director	3,611,867	2.96
	7. Mrs. Amber Saigol	Spouse of Mr. M. Azam Saigol	25,033,251	20.54
	8. Mrs. Sehyr Saigol	Spouse of Mr. M. Naseem Saigol	1,153,571	0.95
4	**Executives**			
5	**Public sector companies and corporations**			
	Joint Stock Companies		2,149,094	1.77
6	**Banks, DFI's Insurance Companies, Modarabas and Mutal Funds**			
	Insurance Companies		3,741,104	3.07
	Financial Institutions		16,176,395	13.27
	Modaraba Companies		-	-
	Foeign Companies / Individuals		34,824	0.03
7	**Shareholders holding ten percent or more voting interest in the listed company**			
	1. Mr. M. Naseem Saigol		36,095,676	29.62
	2. Mrs. Amber Saigol		25,033,251	20.54

Notes

Notes

Form of Proxy

57th 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 57th Annual General Meeting of the Company to be held on April 30, 2013 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 __________ 2013.

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.

17-Aziz Avenue, Canal Bank, Gulberg - V, Lahore.
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