

Life-changing Engineering



Annual Report  
2015



Pak Elektron Limited



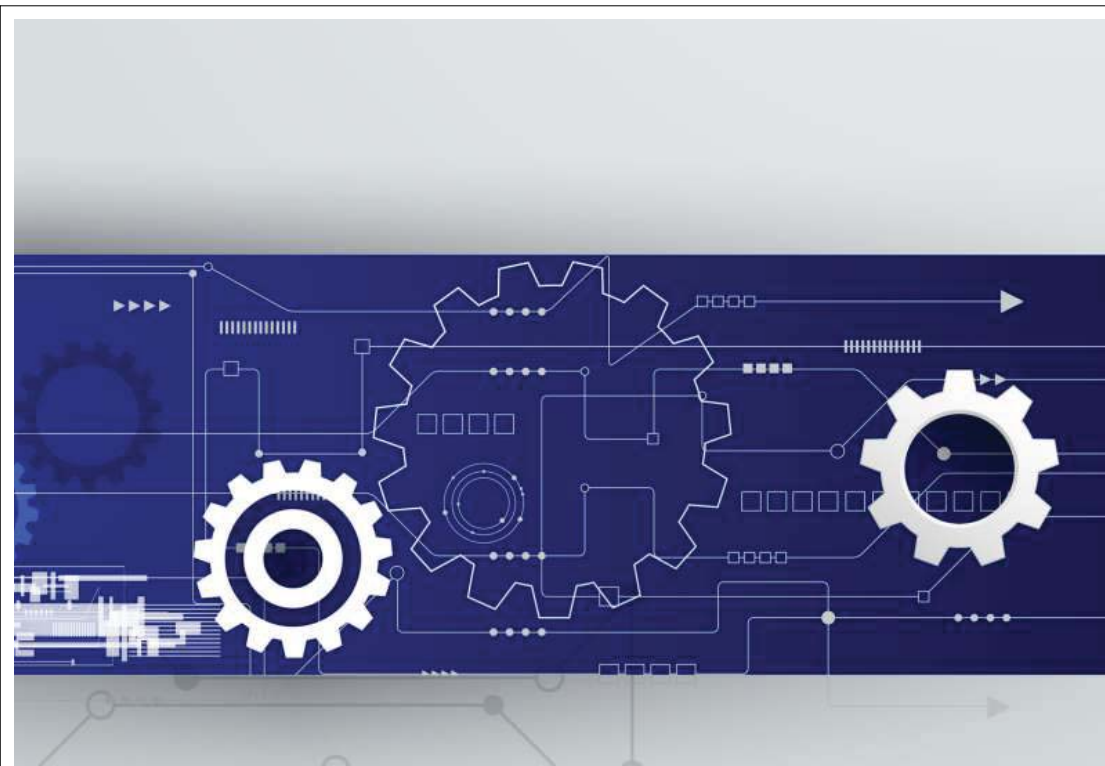
## Life-Changing Engineering

*Through Research & Development, Technology and Innovation Leadership*

PEL recognizes the importance of consumer-driven product development, makes significant investments in Research & Development and Technologies, and remains a technology forerunner and market leader in providing new products and services to meet the challenges and technology intensive needs of its customers.



This annual report can be accessed and downloaded from PEL's website  
<http://pel.com.pk/index.php/financial/>



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05 2015 the year in numbers

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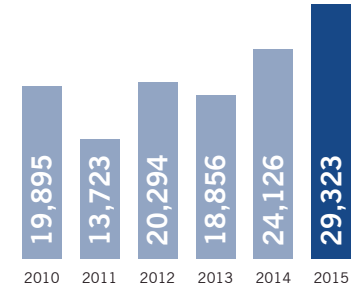
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**REVENUE IN 2015**

[RUPEES IN MILLIONS]

**29,323**

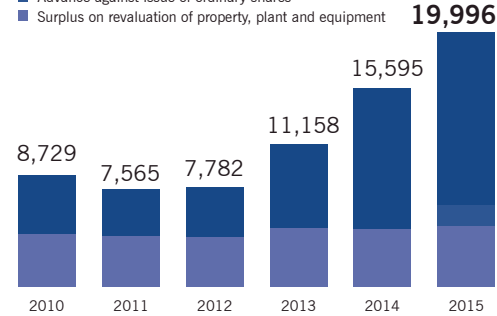
Record revenue in 2015



**EQUITY**

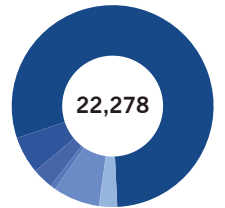
[RUPEES IN MILLIONS]

- Share capital and reserves
- Advance against issue of ordinary shares
- Surplus on revaluation of property, plant and equipment



**EXPENSES IN 2015**

[RUPEES IN MILLIONS]



- 79.40% ■ Cost of sales
- 5.97% ■ Distribution cost
- 3.40% ■ Administrative and general expenses
- 0.84% ■ Other expenses
- 7.48% ■ Finance cost
- 0.06% ■ Share of loss of associate
- 2.85% ■ Taxation

**SEGMENTAL PERFORMANCE**

[RUPEES IN MILLIONS]

**APPLIANCES DIVISION**

**15,183**

**↑ 18%**

**POWER DIVISION**

**14,140**

**↑ 26%**

**KEY INDICATORS**

<b>EARNINGS PER SHARE</b> Rs. 7.13	<b>RETURN ON EQUITY</b> 14.40%
<b>MARKET VALUE PER SHARE</b> Rs. 62.54	<b>BREAK-UP VALUE PER SHARE</b> Rs. 45.14
<b>MARKET CAPITALIZATION</b> Rs. 24,900 M	<b>CURRENT RATIO</b> 2.52 Times



**2015**

the year in numbers



# About PEL

## INTRODUCTION

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 equipment 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.

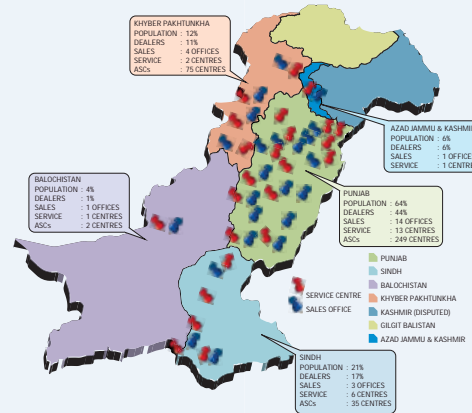
The Company comprises of two divisions; each offering a wide range of products as follows:

**POWER DIVISION**

- Distribution Transformers
- Power Transformers
- Energy Meters
- Switchgears
- Grid Stations
- EPC Contracting

**APPLIANCES DIVISION**

- Refrigerators
- Air Conditioners
- Deep Freezers
- Microwave Ovens
- Washing Machines
- Water Dispensers



## GEOGRAPHICAL PRESENCE

### PEL Dealer/Service Centre Network

Our nationwide Dealer and Service Centre including Authorized Service Centers (ASCs) Network provides us access to a wide range of customers and enables us to provide quality after sales services.

## International Presence

PEL exports to customers in following countries and has continued focus on expanding presence in international market:

- Qatar
- Afghanistan
- Zimbabwe
- Yemen
- Greece
- Swaziland
- Saudi Arabia
- Tanzania
- Kazakhstan
- Bangladesh
- Nepal
- Kenya





# Product Profile



Working our **magic**  
to **change** your life

## Appliances Division

PEL is among the Market Leaders in Home Appliances Business with a very good Presence and Market Share since year 1987. The growing demand is due to innovation and product development through dedicated & continuous Research & Development.

### REFRIGERATOR

PEL Started Refrigerator Manufacturing in Year 1987 with the technical assistance of IAR-SILTAL Italy. Its cooling Performance is tested and approved by Danfoss Germany while the manufacturing Facility is ISO 9002 Certified from SGS Switzerland.

The market demand remained buoyant during the year despite acute load shedding and high rate of inflation. Refrigerators have become a necessity for meeting the basic storage requirement for the preservation of edibles in addition to the cooling of water and producing ice . With the rise of rural prosperity , the demand for refrigerators in rural areas is surging.

The Company has introduced two new sizes, 2000 & 2200 in Glass Door and Glass Door Mirror series, to cater the small size segments as well.



The Aspire range has been very well received by customers across the country. With the Launch of the model we focused to catch the attention of customers who look for better aesthetics and beauty in affordable prices with simultaneously meet their requirement for robust cooling function.

The company also focused on continuous improvement through R&D. A special attention is being given through different marketing campaigns to further strengthen the PEL Brand. The turnover of Refrigerators is increased by 7.4% over last year, at the same time we have improved our margins.



### AIR CONDITIONER

PEL is among the Pioneers of Window AC Manufacturing. Due to Change in Fashion and Market Demand, Split A.C has replaced Window AC. PEL Split A.C is well received in the market due to its durability, quality, brand equity and after Sales service back up.

The Company has restarted Split AC manufacturing and sales in 2014 which is increasing the Company's profitability, besides giving a broader range of home appliances to customers.

## Appliances Division



### DEEP FREEZER

PEL Deep Freezers were introduced in 1987 in technical collaboration with ARISTON Italy. Due to durability and high quality, PEL Deep Freezers are preferred choice of corporate Institutions like Unilever and Engro. PEL Ice Cream Cabinets are best choices of "Walls" and "Omore" Ice Cream Products.

Our Capability to produce customized Products with a quick turnaround time is competitive advantage in our product market. In addition superior quality and prompt after sales service has also helped to maintain and develop stronger relation with our corporate customers. Proof of concept is that we are getting repeat orders and adding new variants for our valued customers like Unilever (Walls), Engro Foods (Omore), Pakistan Dairies (Igloo) and Pepsi etc. We are confident that we will add up major players of beverages industry in our customer list shortly.

Through ongoing R&D we are improving the quality of our products and we have added Deep Freezer for the retail market as well & it is becoming more popular in retail market.

### MICROWAVE OVEN

PEL Electrical Home Appliances have always been well received in Market. To have competitive Product range PEL Launched Microwave Oven with PEL Brand and Warranty which is well accepted by the large audience.

The Company has restarted microwave oven three years back which is increasing the Company's profitability, besides giving a broader range of home appliances to customers.



Going Forward, The Company is committed to adding more products in its range. The Strategy employed is to use the same distribution channel to sell more products. This dilutes our fixed cost. The growth Potential to add more products and leverage the PEL brand is Vast.

## Power Division

PEL is among the Pioneers of Electrical Capital Goods and has been serving the Power utilities, Industries, individual Customers, housing and commercial projects by providing cost effective solutions. PEL is now technology forerunner and market leader in providing new products and services to meet the challenges and technology intensive needs of its customers. Our EPC contracting division delivers custom designed and built HV and EHV grid stations, electrification of housing projects, industrial parks. We aim to maintain this competitive edge and at the same time keep striving to improve it further by continuous R&D, creating new knowledge and adopting global developments in technology and product design.

High standards of Quality and customer care are hallmark of PEL Corporate Philosophy. We have a comprehensive Quality Management System that is Consistent with ISO 9001-2000. PEL is an ISO certified Company.

### POWER TRANSFORMERS

Extensive Experience and success in manufacturing distribution transformer led to establishment of Power Transformer Division in 2005. Since its birth this division has produced Transformers of rating 31/40 MVA, 20/26 MVA and 10/13 MVA for 132 KV level. To meet the international competence PEL combined its Technical expertise with GANZ, renowned and experienced Hungarian Transformer Manufacturer of over 150 years of history and now continues to cooperate with their technical partners for new development.

PEL is also exporting Power Transformers to International customers for their special requirements and specifications.





# Power Division



## EPC CONTRACTING

PEL EPC Division was formally established in 2006 and delivers Custom made designed solutions in following areas.

- 132 & 220 KV Grid Station for Power Utility Companies.
- 132 and 11 KV Substations for Commercial & Industrial Customers. Integration of Private Captive Power Generation Plants into utility network for sale of their surplus Power to utility Companies.
- Electrification of housing Projects and Industrial Parks.

## ENERGY METER

PEL Single Phase and Three Phase Static Meters are manufactured as per Specifications of Utility Companies licensed from ABB USA and its quality is certified by KEMA Laboratories.

PEL Energy Meter Plant is ISO 9002 Certified and its product meets the standards of WAPDA & KESC.



## DISTRIBUTION TRANSFORMERS

Distribution Transformers range includes oil impressed core type transformers, dry type transformers and auto transformers of Voltage Up to 33 KV ratings from 10 KVA to 10 MVA. PEL established a state of the art transformer manufacturing facility to meet the global quality standards, in Technical assistance from Pauwels, Belgium. PEL has acquired manufacturing capabilities and developed Smart Transformers with reduced size by using foil winding, with latest cooling efficient insulation and corrugated tanks with detachable radiators.

The transformers have been tested and certified for impulse voltage and Short Circuits Tests from Short Circuit Laboratory, KEMA (Holland) and HVSC Lab, RAWAT ( Pakistan).

Besides meting the local demand PEL is exporting Transformers to different countries.



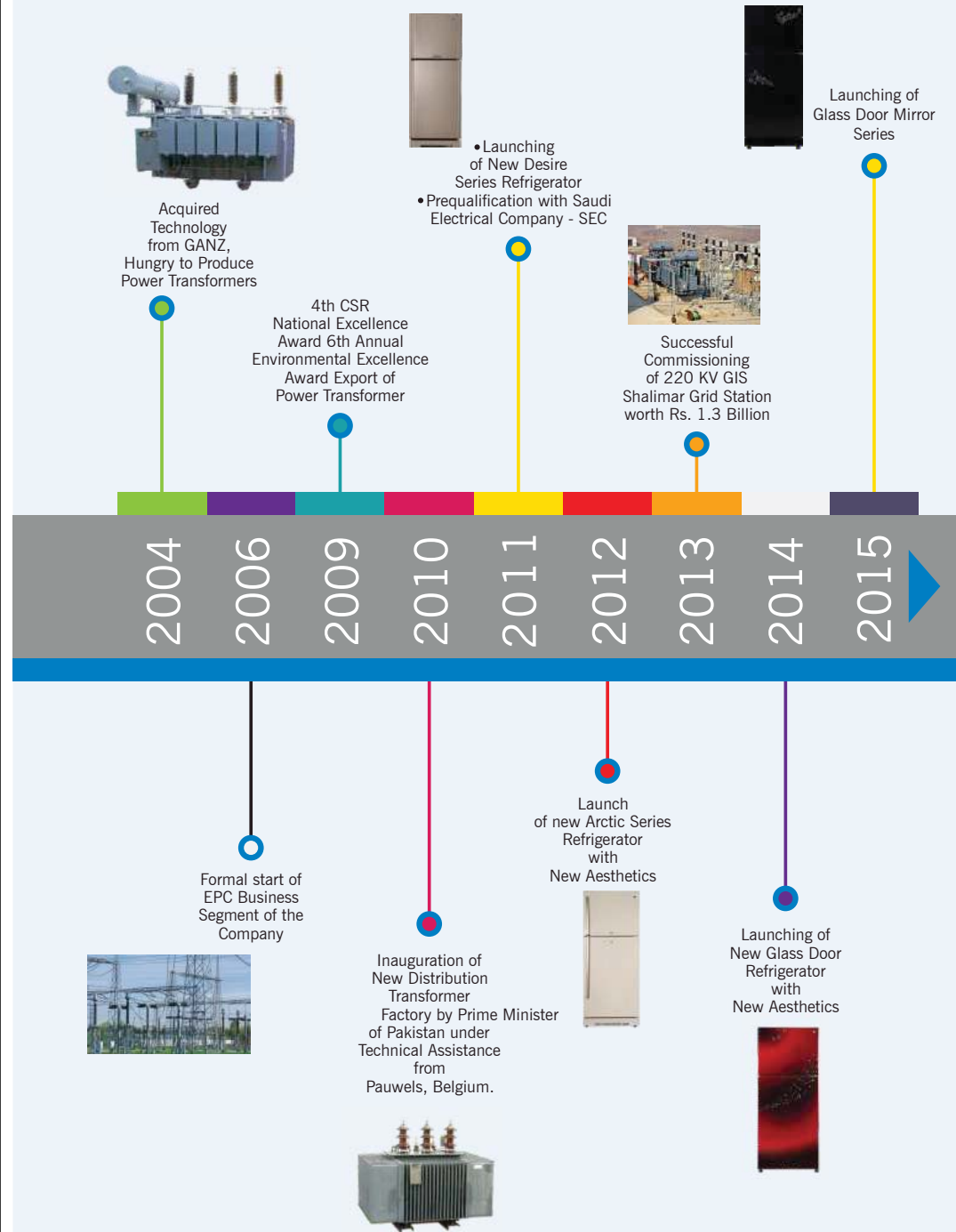
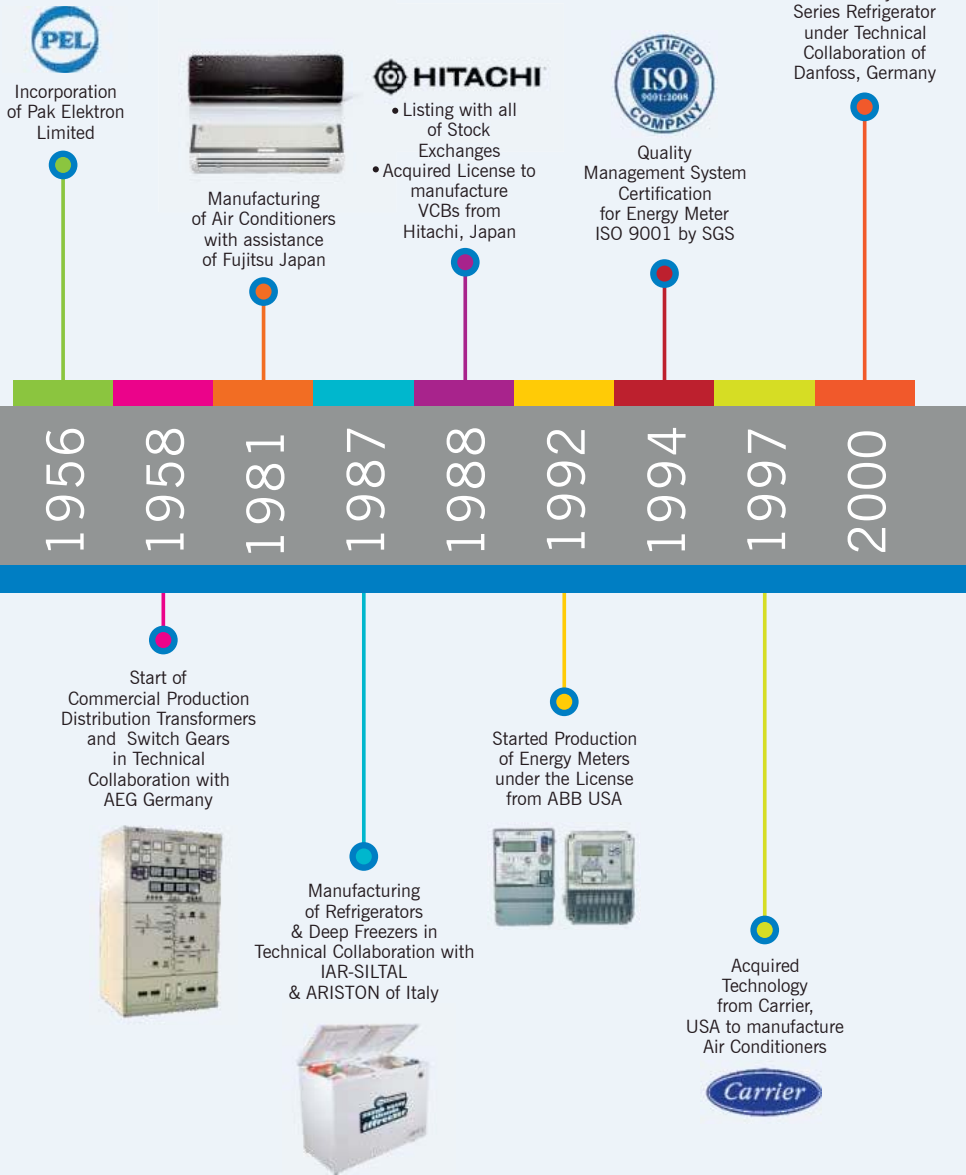
## SWITCH GEARS

Switch Gear Division Products include MV&LV Switch Gears, MV Metal Clad Switch Gear Cubicles, MV Pad Mounted Transformers, Kiosk Type Compact substations, LV Distribution Panels, PFI Plant, Motor control Centre & Bus Tie Duct.





# PEL's Journey Through Time



# Corporate Information

## BOARD OF DIRECTORS

Mr. M. Naseem Saigol	Chairman - Executive
Mr. M. Murad Saigol	Chief Executive Officer - Executive/ Certified (DTP)
Mr. M. Azam Saigol	Director - Non Executive
Mr. Muhammad Zeid Yousuf Saigol	Director - Executive/Certified (DTP)
Syed Manzar Hassan	Director - Executive
Mr. Asad Ullah Khawaja	Director - NIT Nominee/Independent
Sheikh Muhammad Shakeel	Director - Non Executive/Certified (DTP)
Mr. Wajahat A. Baqai	Director - NBP Nominee U/S 182 of the Ordinance/ Non Executive
Mr. Usman Shahid	Director - NBP Nominee U/S 182 of the Ordinance/ Non Executive
Mr. Khalid Siddiq Tirmizey	Director - BOP Nominee U/S 182 of the Ordinance/ Non Executive

## AUDIT COMMITTEE

Mr. M. Azam Saigol	Chairman/Member
Mr. Asad Ullah Khawaja	Member
Mr. Usman Shahid	Member
Sheikh Muhammad Shakeel	Member

## HR & REMUNERATION COMMITTEE

Mr. M. Azam Saigol	Chairman/Member
Mr. M. Murad Saigol	Member
Mr. Asad Ullah Khawaja	Member
Syed Manzar Hassan	Member

## COMPANY SECRETARY

Muhammad Omer Farooq

## CHIEF FINANCIAL OFFICER

Syed Manzar Hassan, FCA

## AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

## LEGAL ADVISOR

M/s Hassan & Hassan Advocates

## SHARE REGISTRAR

Corplink (Private) Limited  
Wings Arcade, 1-K Commercial  
Model Town, Lahore  
Tel: 042-35916714, 35839182,  
Fax: 042-35869037  
E-Mail: shares@corplink.com.pk

## BANKERS

Albaraka Islamic Bank  
Askari Bank Limited  
Bank Alfalah Limited  
Bank of Khyber  
Bank of Punjab  
Burj Bank Limited  
Escort Investment Bank  
Faysal Bank Limited  
Bank Islami Pakistan  
MCB Bank, Limited  
National Bank of Pakistan  
NIB Bank Limited  
Pak Brunei Investment Company Limited  
Pak Libya Holding Company (Private) Limited  
Silk Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank  
Summit Bank Limited  
Saudi Pak Industrial and agricultural investment Company Limited  
United Bank Limited

## REGISTERED OFFICE

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

## KARACHI

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

## ISLAMABAD

Room # 301, 3rd Floor,  
Green Trust Tower, Blue Area,  
Islamabad  
Tel: 051-2824543, 2828941  
Fax: 051-2273858

## CHINA

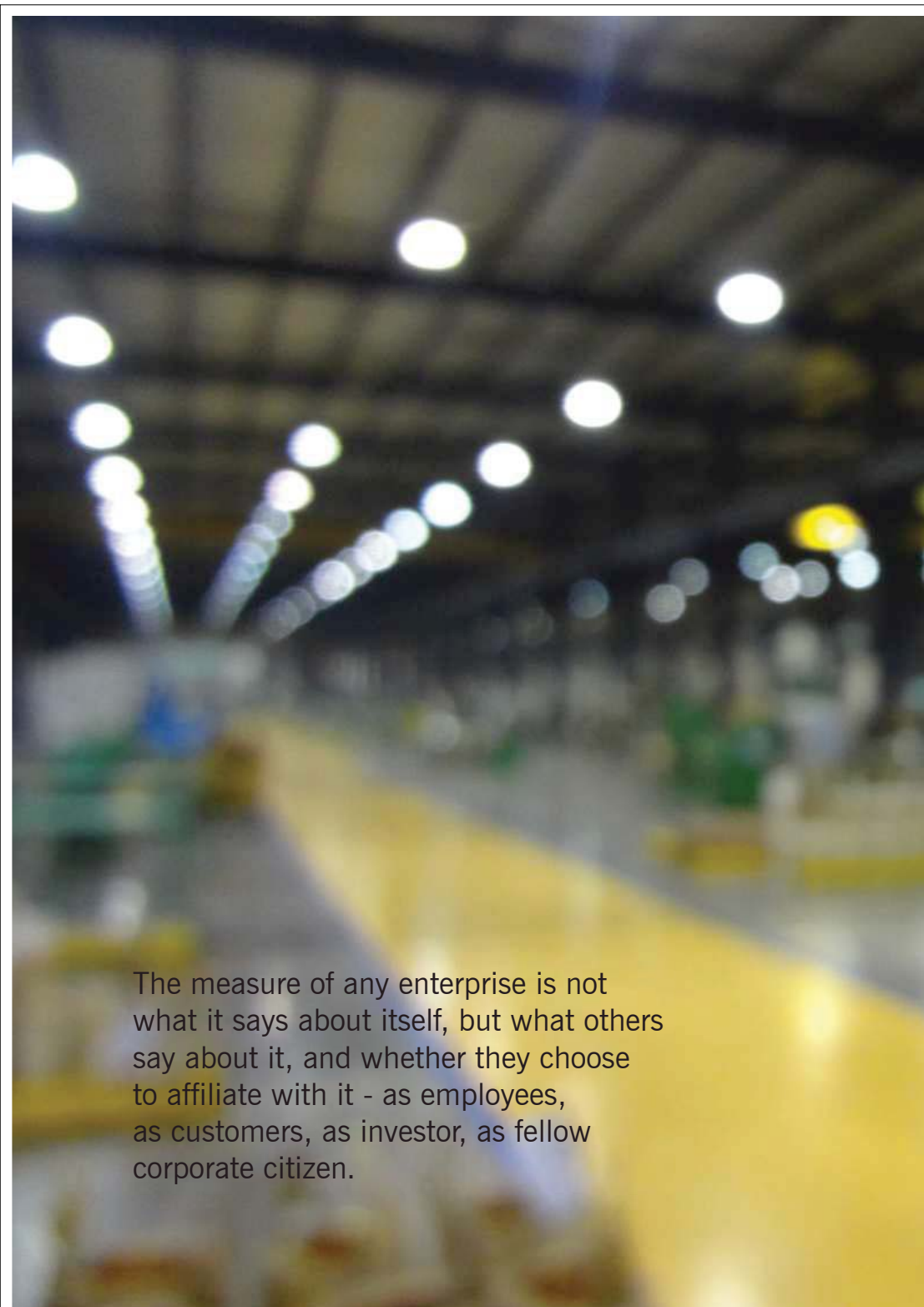
206, No. 1007, Zhong Shan  
Naun Er Road,  
Shanghai, China  
Tel: 86-21-64567713  
Fax: 86-21-54109971

## WORKS

14-K.M. Ferozepur Road,  
Lahore  
Tel: 042-35920151-9

## TRANSFORMER FACILITY

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



The measure of any enterprise is not what it says about itself, but what others say about it, and whether they choose to affiliate with it - as employees, as customers, as investor, as fellow corporate citizen.



## Vision

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

## 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 focus on personal development of our human resource to meet future challenges.

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



**CORPORATE STRATEGY**

To remain competitive in appliances and electrical capital goods industry through continued focus on consumer needs with improved product quality and after sale service, research and development, cost economization and efficiency improvement.

**STATEMENT OF ETHICS AND BUSINESS PRACTICES**

- We are serving the nation through manufacturing and sales of electrical goods and home appliances. We are committed to represent the ethical responsibilities of company operations .In recognition of this, our commitment reflects the value statements.
- As directors, and employees, we all are passionate to our contents and strive to be model of the principles. It is an organization of people who are united to achieve the common goal. We are accountable for all our actions both individually and as a company. We act with absolute honesty, integrity and fairness in the way we conduct our business and in the way we live and act
- We realize the importance of the human life and company's all other resources. We are committed, all the time, to the safe and reliable operations of our power complex, and to the incident-free workplace. We ensure that this commitment shall remain one of our utmost priorities
- We are persistent about delivering our promises to the customers as our success comes only with the success of our customers. We carried

out jobs keeping in view the satisfaction of our internal and external customers. We believe in cost effective quality of work with the aim of excellence in everything

- We value the safety, security and peace of mind of our employees. We recognize and affirm the unique and intrinsic worth of each individual and treat all with compassion and kindness. We value treating each individual with an attitude of mutual respect, caring attention and fairness. We observe strict compliance in the organization discipline with respect to all the company rules and regulations
- We embrace progress and growth as the life blood of our organization that gives us the freedom to fulfill our vision and mission. This includes company's growth as well as the career growth of the employees
- We value and promote teamwork by providing a work environment that helps to recognize the benefits of the individual and collective wisdom which is achieved through empowering the employees to create and act based upon the highest level of ethical conduct.
- We strive to enhance the quality of life of our surrounding community and set the precedent for the corporate sector to recognize the responsibilities. We value the promotion of mutual trust between the community and corporate sector

**CODE OF CONDUCT**

- Honesty and integrity: We shall demonstrate highest standards of honesty and integrity while conducting our employment activities.
- Unlawful activities: We shall not engage in any activity that is believed to be in violation of any law.
- Unfair advantage: We shall not abuse our position in any manner to influence any person, including subordinates, to provide us any favour, whether financial or otherwise.
- Conflict of interest: We shall not allow ourselves to be put in a position, while representing the Company in dealings with third parties, in which an actual or perceived conflict of interest exists.
- Other engagements: We shall not engage in any business activity, whether directly or indirectly, with any customer, supplier or agent of the Company or which is inconsistent or conflicting with the business activities of the Company.
- Confidentiality: We shall not use or disclose the Company's proprietary or confidential information to make personal gains or benefits

**CORE VALUES**

- Honesty and Integrity in conducting business.
- Continued focus on Customer Satisfaction
- Being Socially Responsible by giving back to society.
- Adhering to high standards of Morality.

Our Core Values determine how we shall conduct ourselves and our business, and aid us to create value for our customers, our people and our organization.





# Management Objectives

**Objective 1** Maintain competitiveness in appliances and electrical capital goods industry

Strategy	Opportunities/Threats	CPIs monitored	Future relevance
Keep ourselves up-to-date with the latest technological advancements and enhance our production facilities to improve efficiency.	Our policy of upgrading our plants with state of the art equipment ensures that we keep pace with advancements and avoid redundancy. However, with the passage of time, upgradation and maintenance may result in high costs and threat of entrance of the new players in the business.	Sales volume Asset turnover Market share	Yes

**Objective 2** Increase sales

Strategy	Opportunities/Threats	CPIs monitored	Future relevance
Sales expansion via well planned integrated marketing campaigns with Improved Quality of Products.	There are still untapped opportunities to expand our distribution network both within and outside Pakistan.	Sales Market share Geographical presence	Yes

**Objective 3** Economize on costs

Strategy	Opportunities/Threats	CPIs monitored	Future relevance
Keeping our resource utilization at an optimum level through strict governance policies	Prospect of streamlining our business processes will go a long way into further strengthening our bottom line. Cutting back on selling and distribution costs might adversely affect our sales volume.	Cost of Sales Operating expenses	Yes

**Objective 4** Expand product line

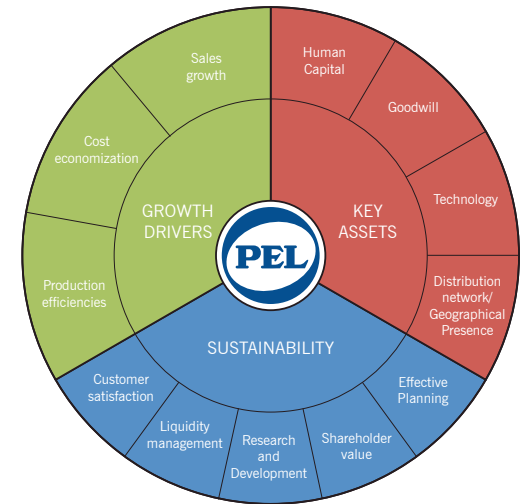
Strategy	Opportunities/Threats	CPIs monitored	Future relevance
Continuously seek avenues to diversify within and outside the Appliance and Power Industry	There are still numerous unexplored product lines that are offered by current competitors of PEL.	Product range and market research	Yes

**Objective 5** Achieve operational efficiencies

Strategy	Opportunities/Threats	CPIs monitored	Future relevance
Keep our business processes in perfect synchronization, thereby reduce cost and enhance the production efficiencies.	Room for improvement in efficiency. With focused management strategies, operational efficiencies can be enhanced.	Effective and efficient cost control	Yes

# Business Model

Our business model is at the heart of our strategy. It enables us to prosper and positions us well to deliver continued growth.



**GROWTH DRIVERS**

Our growth is primarily driven by increase in sales revenue resulting from strong demand for our products and our presence nationwide and internationally.

We have continued focus on improving production efficiencies and economizing costs which, in turn contributes towards improved profitability.

Effective planning is the key to achieving our management objectives. Continuous monitoring enables us to identify gaps and improve our planning process.

**KEY ASSETS**

Human Capital, being our most important asset, directly affects our performance.

Market goodwill and brand image is another valuable asset that has been, and continues to be, the primary ingredient to our accomplishments.

Keeping abreast with latest technology is key input to our continuous efforts to produce innovative high quality products.

Our nationwide distribution network and international presence enables us to reach a wide range of customers.

**SUSTAINABILITY**

Customer satisfaction is the one of main areas of focus in our sustainability model which is achieved through a comprehensive quality assurance mechanism and excellent after sales services

Liquidity is the key to smooth running of operations. Adequate reserves and banking facilities are maintained by continuously monitoring of forecasts and actual cash flows.

Continuous research and development has allowed us to emerge as technology and innovation leader in the industry.

## Stakeholders' Engagement

Stakeholders	Management of Stakeholders' Engagement	Effect and value to PEL
Institutional Investors /Shareholders	We recognize the trust our investors put in us and acknowledge it by providing a steady return on their investments.	The providers of capital allow PEL the means to achieve its vision
Customers & Suppliers	We recognize the importance of customer relationship management and have made significant investments in this regard over the years going beyond extending credit facilities and trade discounts. We also acknowledge that engaging reputed and dependable suppliers as business partners for supply of raw material, industrial inputs, machinery and equipment is the key to our continuous and sustainable growth.	Our success and performance depends upon the loyalty of our customers with the PEL brand and effective supply chain management
Banks and other lenders	Banks and other providers of debt finances are one of the key stakeholders who are engaged by us on a regular basis for the purpose of short term and long term financing.	Dealing with banks and other providers of debt finances is key to our performance in terms of access to cheaper loans, minimal fee, higher level of customer service, and future planning.
Media	Different communication mediums are used on need basis to apprise the general public about new developments, activities and products of the Company	By keeping the media informed of the developments and activities of PEL, more awareness of the Company is developed along with awareness of the Company's products offered.
Regulators	We pride ourselves in being a responsible corporate citizen and abide by the laws and regulations of Pakistan.	Laws and regulations, and other factors controlled by the Government affect PEL and its activities.
Analysts	In order to attract potential investors, the Company regularly engages with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information / trading, to avoid any negative impact on the Company's reputation or share price.	Providing all the required information to analysts helps in clarifying any misconception/rumour in the market
Employees	Our commitment to our most valued resource, our human capital, is at the core of our HR strategy. PEL provides a nurturing and employee friendly environment to its employees.	Our employees represent us in in the industry and community, and are at the heart of our organization, implementing every strategic and operational decision of the management.
EmployeesLocal community and general public	PEL regularly engages with general public at large through its CSR initiatives. This engagement helps us to identify required interventions in the field of education, health and uplift of the society.	The people of our country provide the grounds for us to build our future.

## Governance

## Board of Directors

### MR. M NASEEM SAIGOL

*Chairman/Non-Executive*

Mr. M. Naseem Saigol is the Chairman of the Saigol Group of Companies including PEL. He holds a degree in chemical engineering from USA. Mr. M. Naseem Saigol came up with the vision to serve the nation through power industry in 1994 when Pakistan was facing a severe shortage of power supply. He joined his hands with Tomen Corporation Japan (later on acquired by Toyota Tsusho Corporation, Japan) and formed Kohinoor Energy Limited (KEL) as an Independent Power Producer. KEL is proudly contributing to the dire power needs of the country.

Mr. M. Naseem Saigol has been the Chairman of All Pakistan Textile Mills Association (APTMA), Vice President of Lahore Chamber of Commerce and Industry, President of Faisalabad Chamber of Commerce and Industry, and is member of Industrial Employers' Association. He holds the office of Honorary Consulate of Belgium. Mr. M. Naseem Saigol through his business group in terms of services, manufacturing home appliances and electrical equipment, textile products and exports thereof, and power generation, is not only contributing to exchequer and the GDP of the country but also bestows businesses to local vendor industry and providing job opportunities to thousands of Pakistanis. He, being an eminent textile entrepreneur, has also the honor to provide technical and management expertise to the governments of Libya, Somalia and Tanzania for establishing textile industry in their countries.

Mr. M. Naseem Saigol is also on the Boards of Kohinoor Energy Limited, Saritow Spinning Mills Limited, Kohinoor Industries Limited and Kohinoor Power Company Limited.

### MR. M. MURAD SAIGOL

*Chief Executive Officer*

Mr. M. Murad Saigol is the Chief Executive Officer of the Company and has also assumed the responsibilities of Managing Director after the resignation of Mr. Haroon Ahmed Khan. He did his graduation from School of Oriental and African Studies, London UK. He looks after all of the Strategic and Operational affairs of the Company. He joined PEL in 2005 and achieved certain land marks in Company Business. In his current role he is responsible to drive the Company affairs in accordance with Board of Directors Vision and Mission. He is a Corporate Governance Certified Director under Directors Training Program.

### MR. M. AZAM SAIGOL

*Non-Executive Director*

Mr. M. Azam Saigol is a Non-Executive Director on the Board of PEL. He holds a Bachelor's (Hons) Degree in Economics & Economic History from Brasenose College Oxford University, UK. He is an industrialist and has interests in textile, electronics/electrical, international trading automobile, energy and banking industries. He is also Chairman of PIA Board's Information Technology Steering Committee and Member of Board's Human Resource & Remuneration Committee, and Board's Finance Committee. He is Chairman of the Company's Audit Committee and Human Resource & Remuneration Committee.

Mr. M. Azam Saigol is also on the Boards of Saritow Spinning Mills Limited, Kohinoor Industries Limited and Kohinoor Power Company Limited.

### MR. M. ZEID YOUSAF SAIGOL

*Executive Director*

Mr. M. Zeid Yousaf Saigol is an Executive Director on the Board of PEL. He holds Bachelors in Science (BS) in Chemical Engineering from Carnegie Mellon University USA.

He associated with Company since 2011 and is leading the Company's Power Division Operations. He is a Corporate Governance Certified Director under Directors Training Program.

### SYED MANZAR HASSAN

*Executive Director & CFO*

Syed Manzar Hassan is an Executive Director on the Board of PEL and is also the Chief Financial Officer of the Company. He is a Fellow Member of Institute of Chartered Accountants of Pakistan. He has over 20 years' experience in Financial Management, Financial & Management Reporting and handling Corporate Matters with a Specialization in Corporate Finance. He joined PEL in 1998 and is responsible for financial matters including budgeting and financial planning. In his current role, he is responsible for all necessary financing arrangements for smooth cash flow, budgeting and business planning, management and corporate accounting, company taxation and regulatory issues and IT resource management. He is a member of the Company's Human Resource & Remuneration Committee.

### SHEIKH MUHAMMAD SHAKEEL

*Non-Executive Director*

Mr. S M Shakeel is a Non-Executive Director on the Board of PEL. He is a Fellow Member of the Institute of Chartered Accountants of Pakistan. In 1990 he joined A. F. Ferguson & Co, Lahore, as Audit Trainee. During the training, he gained extensive experience of operations of a number of listed companies representing diverse segments of industry and finance. He passed his C.A. examination in 1994, and in recognition to his outstanding performance the Institute awarded him with the Gold Medal. He is a Corporate Governance Certified Director under Directors Training Program.

In 1994, he joined the Saigols Group as Manager Finance and was soon promoted to the position of General Manager Finance. Mr. Shakeel carries a wide range of experience in the fields of project development, business operations, financial management, and corporate and tax administration.

He is also on the Board of Kohinoor Energy Limited.

### OTHER DIRECTORS

In addition to the above directors Mr. Asad Ullah Khawaja is an Independent Non-Executive Director on the Board of PEL nominated by NIT.

The following Directors are on the Board of directors of PEL through nomination under section 182 of the Companies Ordinance, 1984.

1) Mr. Wajahat A. Baqai 2) Mr. Khalid Siddiq Tirmizey 3) Mr. Usman Shahid

# Board Committees

## AUDIT COMMITTEE

Composition	Designation
Mr. M. Azam Saigol	Chairman
Mr. Asad Ullah Khawaja (appointed on March 31, 2016)	Member
Mr. Usman Shahid (appointed on October 27, 2015)	Member
Sheikh Muhammad Shakeel (appointed on March 31, 2016)	Member
Mr. Wajahat A. Baqai (resigned on October 27, 2015)	Member
Syed Zubair Ahmed Shah (resigned on March 31, 2016)	Member
Mr. Haroon Ahmad Khan (resigned on March 31, 2016)	Member

Directors	2 <sup>nd</sup> April	24 <sup>th</sup> April	31 <sup>st</sup> August	27 <sup>th</sup> October	Total Attended
Mr. M. Azam Saigol	✓	✓	✗	✓	3
Mr. Asad Ullah Khawaja	✗	✗	✗	✗	-
Mr. Usman Shahid	✗	✗	✗	✗	-
Sheikh Muhammad Shakeel	✗	✗	✗	✗	-
Mr. Wajahat A. Baqai	✗	✗	✓	✗	1
Syed Zubair Ahmed Shah	✓	✓	✓	✗	3
Mr. Haroon Ahmad Khan	✓	✓	✓	✓	4

### Salient Features & Terms of References

The Audit Committee is, among other things, responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders and considers any questions of resignation or removal of external auditors, audit fee and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors acts in accordance with the recommendations of the Audit Committee in the following matters:

- Determination of appropriate measures to safeguard the Company's assets.
- Review of preliminary announcements of results prior to publication.
- Review of quarterly, half yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on :

- Major judgmental areas,
  - Significant adjustments resulting from the audit,
  - The going concern assumption,
  - Any change in accounting policies and practices,
  - Significant related party transactions
  - Compliance with applicable accounting standards, and
  - Compliance with listing regulations and other statutory and regulatory requirements.
- Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of Management, where necessary).
  - Review of Management Letter issued by external auditors and Management's responsible thereto.

- Ensuring coordination between the internal and external auditors of Company.
- Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company.
- consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto.
- ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective.
- Review of Company's statement on internal control system prior to endorsement by the Board of Directors and internal audit reports.
- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO&MD and to consider remittance of any matter to the external auditors or to any other external body.
- Determination of compliance with relevant statutory requirements.
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.
- Consideration of any other issue or matter as maybe assigned by the Board of Directors.

## HUMAN RESOURCE & REMUNERATION COMMITTEE

Composition	Designation
Mr. M. Azam Saigol	Chairman
Mr. M. Murad Saigol	Member
Mr. Asad Ullah Khawaja (appointed on March 31, 2016)	Member
Syed Manzar Hassan	Member
Syed Zubair Ahmed Shah (resigned on March 31, 2016)	Member
Mr. Haroon Ahmad Khan (resigned on March 31, 2016)	Member

Directors	2 <sup>nd</sup> April	Total Attended
Mr. M. Azam Saigol	✓	1
Mr. M. Murad Saigol (appointed on March 31, 2016)	✗	-
Mr. Asad Ullah Khawaja (appointed on March 31, 2016)	✗	-
Syed Manzar Hassan	✓	1
Syed Zubair Ahmed Shah (resigned on March 31, 2016)	✓	1
Mr. Haroon Ahmad Khan (resigned on March 31, 2016)	✓	1

### Salient Features & Terms of Reference

The role of Human Resource and Remuneration Committee is to assist the Board of Directors in its oversight of the evaluation and approval of short term and post-employment benefit plans, welfare projects, succession planning and industrial relations. The committee recommends any adjustments, which are fair and required to attract/retain high caliber staff, for consideration and approval. The Committee has the following responsibilities, powers, authorities and discretion:

- Conduct periodic reviews of good performance incentives and maintenance of industrial peace incentives and safety awards for safe plant operations.
- Periodic reviews of the amount and form of reimbursement for terminal benefits in case of retirement and death of any employee in relation to current norms.
- Consider any changes to Company's retirement benefit plan.
- Review organizational policies concerning welfare schemes, incentives for outstanding

performance and paid study leaves.

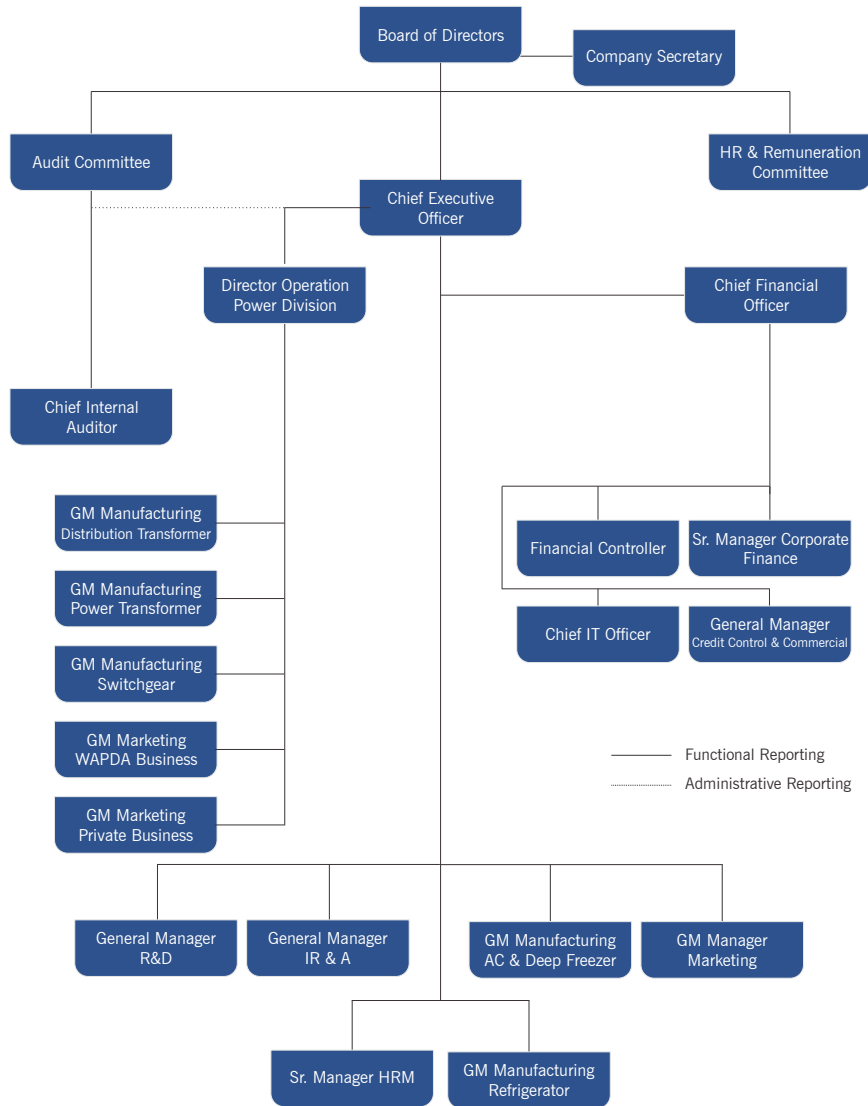
- Recommend financial package for board directors.
- Ensure, in consultation with the CE&MD that succession plans are in place and review such plans at regular intervals for those executives, whose appointment requires Board approval (under Code of Corporate Governance), namely, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit, including their terms of appointment and remuneration package in accordance with market positioning.
- Review and recommend compensation/benefits for the CEO&MD in consultation with Company Secretary.
- Conduct periodic review of the amount and for of Director's compensation for Board and Committee services in relation to current norms. Recommend any adjustments for Board consideration and approval.

The Committee meets on as required basis or when directed by the Board

sets the agenda, time, date and venue of the meeting in consultation with the Chairman of the Committee. The General Manger Human Resources acts as Secretary of the Committee and submits of the minutes of the meeting duly signed its Chairman to the Company Secretary. These minutes are then circulated to the Board of Directors.



# Organogram



Stakeholders' Information

# Key Performance Indicators

Unit	2015	2014	2013	2012	2011	2010	
<b>Profitability Ratios</b>							
Gross Profit ratio	%	29.59	30.75	24.62	20.50	9.39	21.16
Net Profit(Loss) to Sales	%	11.46	10.92	3.69	0.65	(10.26)	1.08
EBIT margin	Rupees in millions	5,295	4,438	2,594	2,211	(389)	1,885
EBITDA margin	Rupees in millions	6,041	5,195	3,315	2,917	309	2,587
% change in sales	%	21.54	27.94	(7.08)	47.88	(31.02)	282.37
% change EBIT margin	%	19.32	71.07	17.34	(668.53)	(120.63)	140.88
EBITDA Margin to Sales	%	24.05	25.32	20.13	16.42	2.72	14.77
Operating Leverage	Times	0.90	2.54	(2.45)	(13.96)	3.89	0.50
Return on Equity							
- without revaluation reserves	%	18.96	20.33	9.28	2.93	(32.29)	4.14
- with revaluation reserves	%	14.40	14.37	5.44	1.47	(15.38)	2.17
Return on Capital Employed	%	9.37	8.79	2.85	0.58	(5.78)	0.97
<b>Liquidity Ratios</b>							
Current ratio	Times	2.52	2.44	1.52	1.12	0.97	1.28
Quick / Acid Test ratio	Times	1.61	1.49	0.99	0.72	0.52	0.64
Cash to Current Liabilities	Times	0.07	0.05	0.04	0.02	0.02	0.04
Cash Flow from Operations to Sales	Times	0.08	(0.17)	0.00	(0.01)	0.12	(0.08)
<b>Activity/Turnover Ratios</b>							
Inventory turnover ratio	Times	2.83	2.79	3.24	3.52	2.08	2.91
No. of Days in Inventory	Days	129	131	113	104	176	125
Debtor turnover ratio	Times	3.96	3.83	3.39	4.36	3.66	5.49
No. of Days in Receivables	Days	92	95	108	84	100	66
Creditor turnover ratio	Times	23.54	17.63	10.54	9.81	7.89	11.29
No. of Days in Payables	Days	16	21	35	37	46	32
Total Assets turnover ratio	Times	0.69	0.63	0.61	0.70	0.48	0.69
Fixed Assets turnover ratio	Times	1.85	1.63	1.24	1.44	0.95	1.43
Operating Cycle	Days	206	206	186	150	229	159
<b>Investment/Market Ratios</b>							
Earning per Share - Basic	Rupees	7.13	6.61	4.04	0.58	(10.09)	1.24
Earning per Share - Diluted	Rupees	7.13	6.61	4.04	0.58	(10.09)	1.19
Price Earnings ratio	Times	8.78	6.19	4.95	18.53	(0.35)	11.41
Dividend Yield ratio	%	0.20	-	-	-	-	-
Dividend Payout ratio	%	1.75	-	-	-	-	-
Dividend Cover ratio	Times	57.01	-	-	-	-	-
Cash Dividend per Share	Rupees	0.13	-	-	-	-	-
Stock Dividend per Share	%	-	-	10.00	-	-	-
Market Value per Share							
- year end	Rupees	62.54	40.93	19.99	10.76	3.49	14.10
- high during the year	Rupees	94.97	40.93	27.97	11.00	15.73	18.12
- low during the year	Rupees	42.33	18.87	8.14	3.40	3.32	11.58
Break-up Value per Share							
- without revaluation reserves	Rupees	33.07	26.57	22.74	28.38	25.88	33.78
- with revaluation reserves	Rupees	45.14	38.04	39.94	60.17	58.39	67.93
Change in market value added	%	52.80	104.75	85.78	208.31	(75.25)	(24.76)
Market capitalization	Rupees in millions	24,900	16,296	5,360	1,311	425	1,718
<b>Capital Structure Ratios</b>							
Financial Leverage ratio	Times	0.94	1.19	1.70	3.20	3.30	2.65
Debt to Equity ratio		29:71	36:64	35:65	42:58	43:57	41:59
Interest Cover ratio	Times	3.67	2.47	1.51	1.14	(0.30)	1.24

Rupees in millions	2015	2014	2013	2012	2011	2010
<b>SUMMARY OF BALANCE SHEET</b>						
Shareholder's equity	19,996	15,595	11,158	7,782	7,565	8,729
Long term debt	6,127	7,344	5,728	5,621	4,571	4,969
Deferred liabilities/income	2,305	2,440	2,474	1,980	2,029	2,826
Current liabilities	7,722	7,148	7,782	9,832	9,629	9,006
<b>Total equity and liabilities</b>	<b>36,149</b>	<b>32,527</b>	<b>27,143</b>	<b>25,215</b>	<b>23,794</b>	<b>25,530</b>
Property, plant and equipment	15,510	14,467	14,818	13,811	14,089	13,435
Intangible assets	338	344	349	311	315	458
Long term assets	871	257	128	76	59	89
<b>Total non-current assets</b>	<b>16,719</b>	<b>15,068</b>	<b>15,295</b>	<b>14,198</b>	<b>14,463</b>	<b>13,981</b>
Cash and cash equivalents	578	340	278	216	162	344
Other current assets	18,853	17,119	11,570	10,800	9,169	11,205
<b>Total current assets</b>	<b>19,431</b>	<b>17,459</b>	<b>11,848</b>	<b>11,016</b>	<b>9,331</b>	<b>11,549</b>
<b>Total assets</b>	<b>36,149</b>	<b>32,527</b>	<b>27,143</b>	<b>25,215</b>	<b>23,794</b>	<b>25,530</b>
<b>SUMMARY OF PROFIT OR LOSS</b>						
Revenue	29,323	24,126	18,856	20,294	13,723	19,895
Sales tax and discount	(4,201)	(3,608)	(2,387)	(2,524)	(2,380)	(2,373)
Cost of Sales	(17,688)	(14,209)	(12,414)	(14,126)	(10,278)	(13,815)
<b>Gross profit</b>	<b>7,434</b>	<b>6,309</b>	<b>4,055</b>	<b>3,644</b>	<b>1,065</b>	<b>3,708</b>
Other income	36	32	46	36	37	51
Operating expenses	(2,277)	(1,893)	(1,486)	(1,456)	(1,481)	(1,879)
Finance cost	(1,665)	(1,893)	(1,819)	(2,050)	(1,413)	(1,624)
Share of profit/(loss) of associate	(13)	(11)	(21)	(13)	(10)	5
<b>Profit before taxation</b>	<b>3,514</b>	<b>2,545</b>	<b>775</b>	<b>161</b>	<b>(1,802)</b>	<b>261</b>
Taxation	(634)	(304)	(168)	(46)	639	(72)
<b>Profit after taxation</b>	<b>2,880</b>	<b>2,241</b>	<b>607</b>	<b>115</b>	<b>(1,163)</b>	<b>189</b>
<b>SUMMARY OF CASH FLOWS</b>						
Profit(loss) before taxation	3,514	2,545	775	161	(1,802)	261
Adjustments for non-cash and other items	2,391	2,649	2,502	2,721	2,375	2,468
Changes in working capital	(1,721)	(5,761)	(1,495)	(1,448)	1,705	(2,352)
Payments for income tax, interest etc.	(2,119)	(2,918)	(1,719)	(1,580)	(958)	(1,774)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,065</b>	<b>(3,485)</b>	<b>63</b>	<b>(246)</b>	<b>1,320</b>	<b>(1,397)</b>
Purchase of property, plant and equipment	(1,878)	(387)	(334)	(281)	(1,383)	(758)
Purchase of intangible assets	-	(0)	(42)	-	(2)	(31)
Proceeds from disposal of property, plant and equipment	126	16	34	17	43	47
Acquisition of short term investments	-	(50)	-	-	-	(1)
Proceeds from sale of investments	-	-	0	-	16	-
Long term deposits	(97)	(73)	(53)	(5)	28	15
Long term advances	(688)	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(2,537)</b>	<b>(495)</b>	<b>(393)</b>	<b>(269)</b>	<b>(1,298)</b>	<b>(729)</b>
Long term debt obtained	2,063	1,850	-	-	-	2,029
Repayment of long term debt	(2,912)	(319)	(80)	(72)	(558)	(891)
Net increase/(decrease) in short term borrowings	426	345	(1,355)	640	280	1,188
Proceeds from issue of ordinary shares	-	2,064	1,828	-	-	-
Advances against issue of ordinary shares	1,575	-	-	-	-	-
Proceeds from sale and leaseback activities	52	100	-	-	73	42
Dividend paid	(494)	-	-	-	-	(21)
<b>Net cash generated from/(used in) financing activities</b>	<b>710</b>	<b>4,041</b>	<b>393</b>	<b>569</b>	<b>(205)</b>	<b>2,347</b>
Net increase/(decrease) in cash and cash equivalents	238	62	62	54	(182)	221
Cash and cash equivalents as at beginning of the year	340	278	216	162	344	123
<b>Cash and cash equivalents as at end of the year</b>	<b>578</b>	<b>340</b>	<b>278</b>	<b>216</b>	<b>162</b>	<b>344</b>

# Analysis of Financial Position and Performance



## EQUITY AND LIABILITIES

### Shareholders' Equity

Aggregate equity has shown an exorbitant increase of 129% over the past 6 years, and has also registered an increase of 28% compared to last year. The paid-up share capital stands increased to Rs. 4,431 million as a result of issue of 120% right ordinary shares in 2013 and 35% right ordinary shares during year 2014. Capital Reserves increased by 1,130 million due to share premium on right shares issue in 2013 and 2014. Accumulated profits, at the close of 2015, stood at Rs. 7,891 million due to mile stone achievements in business volumes and cost economies.

### Non-current Liabilities

Total non-current liabilities comprising of long term debt, deferred taxation and deferred Income increased by Rs. 636 million during the past six years.

Long term debt obtained, mainly for BMR, and restructuring of short term liabilities, increased by Rs. 1,158 million, over the last six years, partially offset by decrease in deferred taxation and deferred income due to reversal of taxable temporary differences and amortization of deferred income respectively aggregating to Rs. 522 million, over the same period.

### Current Liabilities

Current liabilities of the Company, over the last six years, have decreased by Rs. 1,284 million

to Rs. 7,722 million at the close of 2015 in spite of tremendous volume increase, primarily on account of equity injection through issue of right shares and restructuring of short term debt into long term debt.

## ASSETS

### Non-current Assets

Non-current assets of the Company including property, plant and equipment, intangible assets, long term investments and other long term assets have increased by Rs. 2,737 million over the last 6 years. Property plant and equipment is increased by Rs. 2,074 million due to procurement of plant and machinery, and other fixed assets in addition to construction of office buildings. Long term

deposits depicted a steady growth over the past 6 years due to growth in business activity. During the year, PEL extended interest free advances to dealers for renovation of showrooms amounting to Rs. 688 million. Long term investments and intangible assets decreased by Rs. 5 million and Rs. 119 million due to recognition of impairment loss.

### Current Assets

Current assets include inventories, trade debts short term advances, deposits, prepayments and other receivables, short term investments, current tax assets and cash and bank balances. With an aggregate balance of Rs.19,431 million at the close of 2015, the current assets recorded an increase of Rs. 7,781 million since 2010 mainly on account of increase in stock in trade and trade debts due to increase in business volume in past 6 years.

## PROFIT AND LOSS

### Revenue and Cost of sales

Gross sales revenue registered a growth of 47% over the last 6 years, on account of higher increase in business volume and selling prices. Cost of sales increase by 28% since 2010. The lower rate of increase in cost of sales in comparison with increase in revenue is attributable to cost efficiencies, improved productivity and improved product design.

### Operating costs

Distribution cost has increase by 26% since 2010 in proportion to increase in revenue over the last 6 years. Administrative and

general expenses represent an average of 3% to 4% sales revenue over the last 6 years.

## CASH FLOWS

Cash and cash equivalents at the close of 2015 were recorded at Rs. 578 million in comparison with Rs. 340 Million for 2014, with an increase of 70% from last year and recorded an overall improvement over the past 6 years. An aggregate of Rs. 5,021 million was invested in property, plant and equipment during the past 6 years. Inflows in the form of subscriptions to ordinary shares since 2010 amount to Rs. 5,468 million. An aggregate of Rs. 515 million was paid in the form of cash dividend. Net proceeds from debt finances amounted to Rs. 2,902 million. A total of Rs. 11,168 million was paid on account of interest/mark-up on borrowings and income taxes.

## RATIO ANALYSIS

### Profitability Ratios

Rise in cost of sales owing to increased raw material cost resulted in a reduction in gross profit margins for 2015. However due to some economies in operating and financial costs net profit margin for the year is increased by 0.54%. Consequently, return on capital employed also increased by 0.58% in comparison with 2014. Consistent profitability growth resulted in highest ever performance during the year since 2010.

### Operating performance / liquidity

Current ratio for 2015 is right on track at 2.52 times against 2.44 times for the year 2014 and

1.28 times for year 2010. Cash to current liabilities and cash flows from operations to sales have shown a significant growth during the past 6 years.

### Activity / Turnover ratios

Inventories, Receivables and Creditors days at 129 days, 92 days and 16 days for the year 2015 are slightly improved as compared to previous trend of 131 days, 95 days and 21 days respectively in year 2014. Total asset turnover ratio recorded at 0.69 times in year 2015 against 0.63 times for the year 2014 showing considerable improvement from 0.48 times of 2011.

### Investment / Market ratios

As a result of increase in profits, the Company's earnings per share was recorded at Rs. 7.13 per share. Price to earnings ratio improved by 2.59 times as compared to 2014 as the market price of Company's share rose from Rs. 40.93 at the close of 2014 to Rs. 62.54 as at December 31, 2015.

### Capital Structure Ratios

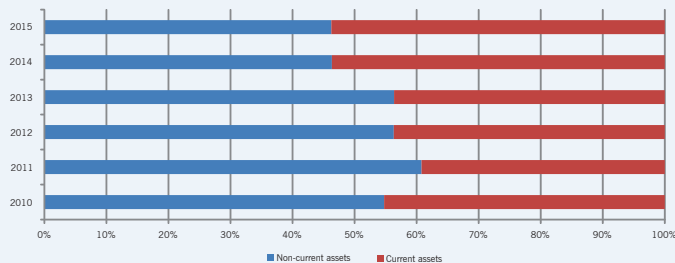
Financial leverage ratio of 0.94 times for 2015 shows improvement in comparison to 1.19 times for year 2014 and much improved from 2.65 times six years ago. Debt to equity ratio improved to 29:71 indicating the lowest amount of long term debt in the last 6 years. Company's interest cover ratio increased to 3.52 times in comparison with 1.24 times in 2010 as a result of reduction in finance cost.

# Horizontal and Vertical Analysis

## HORIZONTAL ANALYSIS - BALANCE SHEET

	2015		2014		2013		2012		2011		2010	
	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age
<b>EQUITY AND LIABILITIES</b>												
<b>SHARE CAPITAL AND RESERVES</b>												
Issued, subscribed and paid-up capital	4,431	-	4,431	41.54	3,131	87.66	1,668	-	1,668	-	1,668	4.68
Capital reserve	1,294	-	1,294	144.24	530	222.75	164	-	164	-	164	24.41
Accumulated profit	7,891	48.85	5,302	83.76	2,885	38.98	2,076	17.24	1,771	(35.22)	2,734	11.06
<b>TOTAL EQUITY</b>	<b>13,616</b>	<b>-</b>	<b>11,026</b>	<b>6,545</b>	<b>3,908</b>	<b>3,603</b>	<b>4,566</b>					
<b>ADVANCES AGAINST ISSUE OF ORDINARY SHARES</b>												
	1,575	-	-	-	-	-	-	-	-	-	-	-
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>												
	4,804	5.16	4,568	(0.95)	4,612	19.07	3,874	(2.23)	3,962	(4.82)	4,163	(4.83)
<b>LIABILITIES</b>												
<b>NON-CURRENT LIABILITIES</b>												
Redeemable capital	3,879	(19.63)	4,826	95.86	2,464	-	2,464	-	-	-	-	-
Long term finances	2,187	(10.49)	2,443	3,233	3,52	3,123	(31.34)	4,549	(8.18)	4,954	21.46	
Liabilities against assets subject to finance lease	61	(17.89)	75	143.49	31	(8.55)	34	53.63	22	47.81	15	(87.62)
Deferred taxation	2,262	(5.53)	2,394	(1.34)	2,427	25.74	1,930	(2.19)	1,973	(28.28)	2,752	(4.58)
Deferred income	43	(5.00)	45	(5.00)	48	(5.00)	50	(10.76)	56	(25.18)	75	(25.89)
	<b>8,432</b>	<b>(13.82)</b>	<b>9,783</b>	<b>19.27</b>	<b>8,203</b>	<b>7.91</b>	<b>7,601</b>	<b>15.17</b>	<b>6,600</b>	<b>(15.33)</b>	<b>7,796</b>	<b>8.52</b>
<b>CURRENT LIABILITIES</b>												
Trade and other payables	815	(7.52)	881	(6.79)	946	(44.12)	1,692	13.95	1,485	(0.77)	1,496	16.54
Accrued interest/mark-up	261	(47.87)	501	(65.59)	1,455	16.78	1,246	51.18	824	116.70	380	13.91
Short term borrowings	4,669	10.03	4,243	(14.45)	4,960	(27.22)	6,815	10.37	6,175	4.75	5,895	25.24
Current portion of non-current liabilities	1,977	29.77	1,523	260.92	422	434.56	79	(93.10)	1,145	(7.25)	1,234	42.43
	<b>7,722</b>	<b>8.02</b>	<b>7,148</b>	<b>(8.15)</b>	<b>7,782</b>	<b>(20.84)</b>	<b>9,832</b>	<b>2.11</b>	<b>9,629</b>	<b>6.91</b>	<b>9,006</b>	<b>25.23</b>
<b>TOTAL LIABILITIES</b>	<b>16,154</b>	<b>(4.60)</b>	<b>16,932</b>	<b>5.92</b>	<b>15,985</b>	<b>(8.31)</b>	<b>17,433</b>	<b>7.42</b>	<b>16,229</b>	<b>(3.41)</b>	<b>16,802</b>	<b>16.88</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,149</b>	<b>11.14</b>	<b>32,527</b>	<b>19.84</b>	<b>27,143</b>	<b>7.65</b>	<b>25,215</b>	<b>5.97</b>	<b>23,794</b>	<b>(6.80)</b>	<b>25,530</b>	<b>11.31</b>
<b>ASSETS</b>												
<b>NON-CURRENT ASSETS</b>												
Property, plant and equipment	15,510	7.21	14,467	(2.37)	14,818	7.29	13,811	(1.97)	14,089	4.87	13,435	(0.17)
Intangible assets	338	(1.65)	344	(1.42)	349	12.22	311	(1.24)	315	(31.21)	458	(10.45)
Long term investments	9	(86.06)	64	670.22	8	(18.80)	10	132.55	4	(67.33)	13	(41.29)
Long term deposits	290	50.30	193	61.11	120	81.61	66	20.61	55	(27.65)	76	(18.05)
Long term advances	572	-	-	-	-	-	-	-	-	-	-	-
	<b>16,719</b>	<b>10.96</b>	<b>15,068</b>	<b>(1.49)</b>	<b>15,295</b>	<b>7.72</b>	<b>14,198</b>	<b>(1.83)</b>	<b>14,463</b>	<b>3.45</b>	<b>13,981</b>	<b>(0.72)</b>
<b>CURRENT ASSETS</b>												
Stores, spares and loose tools	793	71.68	462	61.72	286	125.39	127	15.71	110	1.09	108	19.49
Stock in trade	6,182	(2.14)	6,317	62.66	3,883	2.48	3,790	(10.77)	4,247	(24.86)	5,652	47.70
Trade debts	7,700	8.09	7,124	30.08	5,476	(2.96)	5,643	54.37	3,656	(5.11)	3,853	13.44
Due against construction work in progress	1,024	1.87	1,005	138.68	421	98.18	212	(15.34)	251	16.32	216	-
Short term advances	914	10.15	830	28.01	648	44.76	448	(3.89)	466	(13.26)	537	(18.24)
Short term deposits and prepayments	1,331	56.03	853	88.32	453	55.80	291	27.79	228	(7.97)	247	27.48
Other receivables	390	107.81	188	642.34	25	28.62	20	14.04	17	(92.00)	215	27.24
Short term investments	86	296.02	22	(5.22)	23	95.36	12	55.69	7	(72.06)	27	(2.59)
Advance income tax	433	35.66	319	(9.11)	354	37.19	258	37.70	187	(46.36)	350	(4.84)
Cash and bank balances	578	69.86	340	22.42	278	28.41	216	33.66	162	(52.91)	344	178.88
	<b>19,431</b>	<b>11.29</b>	<b>17,459</b>	<b>47.36</b>	<b>11,848</b>	<b>7.55</b>	<b>11,016</b>	<b>18.07</b>	<b>9,331</b>	<b>(19.21)</b>	<b>11,549</b>	<b>30.47</b>
<b>TOTAL ASSETS</b>	<b>36,149</b>	<b>11.14</b>	<b>32,527</b>	<b>19.84</b>	<b>27,143</b>	<b>7.65</b>	<b>25,215</b>	<b>5.97</b>	<b>23,794</b>	<b>(6.80)</b>	<b>25,530</b>	<b>11.31</b>

BALANCE SHEET ANALYSIS (ASSETS)



## VERTICAL ANALYSIS - BALANCE SHEET

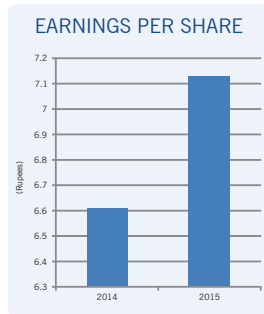
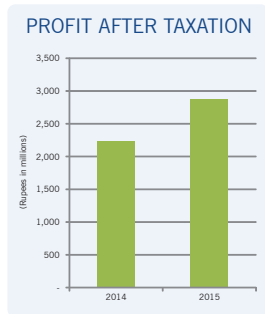
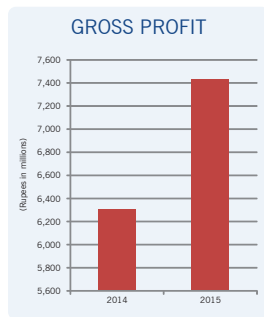
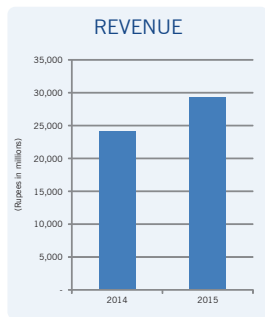
	2015		2014		2013		2012		2011		2010	
	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age
<b>EQUITY AND LIABILITIES</b>												
<b>SHARE CAPITAL AND RESERVES</b>												
Issued, subscribed and paid-up capital	4,431	12.26	4,431	13.62	3,131	11.53	1,668	6.62	1,668	7.01	1,668	6.53
Capital reserve	1,294	3.58	1,294	3.98	530	1.95	164	0.65	164	0.69	164	0.64
Accumulated profit	7,891	21.83	5,302	16.30	2,885	10.63	2,076	8.23	1,771	7.44	2,734	10.71
<b>TOTAL EQUITY</b>	<b>13,616</b>	<b>37.67</b>	<b>11,026</b>	<b>33.90</b>	<b>6,545</b>	<b>24.12</b>	<b>3,908</b>	<b>15.50</b>	<b>3,603</b>	<b>15.14</b>	<b>4,566</b>	<b>17.88</b>
<b>ADVANCES AGAINST ISSUE OF ORDINARY SHARES</b>												
	1,575	4.36	-	-	-	-	-	-	-	-	-	-
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>												
	4,804	13.29	4,568	14.04	4,612	16.99	3,874	15.36	3,962	16.65	4,163	16.30
<b>LIABILITIES</b>												
<b>NON-CURRENT LIABILITIES</b>												
Redeemable capital	3,879	10.73	4,826	14.84	2,464	9.08	2,464	9.77	-	-	-	-
Long term finances	2,187	6.05	2,443	7.51	3,233	11.91	3,123	12.39	4,549	19.12	4,954	19.41
Liabilities against assets subject to finance lease	61	0.17	75	0.23	31	0.11	34	0.13	22	0.09	15	0.06
Deferred taxation	2,262	6.26	2,394	7.36	2,427	8.94	1,973	7.65	1,973	8.29	2,752	10.78
Deferred income	43	0.12	45	0.14	48	0.18	50	0.20	56	0.24	75	0.29
	<b>8,432</b>	<b>23.33</b>	<b>9,783</b>	<b>30.08</b>	<b>8,203</b>	<b>30.22</b>	<b>7,601</b>	<b>30.15</b>	<b>6,600</b>	<b>27.74</b>	<b>7,796</b>	<b>30.53</b>
<b>CURRENT LIABILITIES</b>												
Trade and other payables	815	2.26	881	2.71	946	3.48	1,692	6.71	1,485	6.24	1,496	5.86
Accrued interest/mark-up	261	0.72	501	1.54	1,455	5.36	1,246	4.94	824	3.46	380	1.49
Short term borrowings	4,669	12.92	4,243	13.05	4,960	18.27	6,815	27.03	6,175	25.95	5,895	23.09
Current portion of non-current liabilities	1,977	5.47	1,523	4.68	422	1.55	79	0.31	1,145	4.81	1,234	4.83
	<b>7,722</b>	<b>21.36</b>	<b>7,148</b>	<b>21.98</b>	<b>7,782</b>	<b>28.67</b>	<b>9,832</b>	<b>38.99</b>	<b>9,629</b>	<b>40.47</b>	<b>9,006</b>	<b>35.28</b>
<b>TOTAL LIABILITIES</b>	<b>16,154</b>	<b>44.69</b>	<b>16,932</b>	<b>52.06</b>	<b>15,985</b>	<b>58.89</b>	<b>17,433</b>	<b>69.14</b>	<b>16,229</b>	<b>68.21</b>	<b>16,802</b>	<b>65.81</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,149</b>	<b>100.00</b>	<b>32,527</b>	<b>100.00</b>	<b>27,143</b>	<b>100.00</b>	<b>25,215</b>	<b>100.00</b>	<b>23,794</b>	<b>100.00</b>	<b>25,530</b>	<b>100.00</b>
<b>ASSETS</b>												
<b>NON-CURRENT ASSETS</b>												
Property, plant and equipment	15,510	42.90	14,467	44.48	14,818	54.59	13,811	54.77	14,089	59.21	13,435	52.62
Intangible assets	338	0.94	344	1.06	349	1.29	311	1.23	315	1.32	458	1.79
Long term investments	9	0.02	64	0.20	8	0.03	10	0.04	4	0.02	13	0.05
Long term deposits	290	0.80	193	0.59	120	0.44	66	0.26	55	0.23	76	0.30
Long term advances	572	1.58	-	-	-	-	-	-	-	-	-	-
	<b>16,719</b>	<b>46.25</b>	<b>15,068</b>	<b>46.32</b>	<b>15,295</b>	<b>56.35</b>	<b>14,198</b>	<b>56.31</b>	<b>14,463</b>	<b>60.79</b>	<b>13,981</b>	<b>54.76</b>
<b>CURRENT ASSETS</b>												
Stores, spares and loose tools	793	2.19	462	1.42	286	1.05	127	0.50	110	0.46	108	0.42
Stock in trade	6,182	17.10	6,317	19.42	3,883	14.31	3,790	15.03	4,247	17.85	5,652	22.14
Trade debts	7,700	21.30	7,124	21.90	5,476	20.18	5,643	22.38	3,656	15.36	3,853	15.09
Due against construction work in progress	1,024	2.83	1,005	3.09	421	1.55	212	0.84	251	1.05	216	0.84
Short term advances	914	2.53	830	2.55	648	2.39	448	1.78	466	1.96	537	2.10
Short term deposits and prepayments	1,331	3.68	853	2.62	453	1.67	291	1.15	228	0.96	247	0.97
Other receivables	390	1.08	188	0.58	25	0.09	20	0.08	17	0.07	215	0.84
Short term investments	86	0.24	22	0.07	23	0.08	12	0.05	7	0.03	27	0.11
Advance income tax	433	1.20	319	0.98	354	1.30	258	1.02	187	0.79	350	1.37
Cash and bank balances	578	1.60	340	1.05	278	1.02	216	0.86	162	0.68	344	1.35
	<b>19,431</b>	<b>53.75</b>	<b>17,459</b>	<b>53.68</b>	<b>11,848</b>	<b>43.65</b>	<b>11,016</b>	<b>43.69</b>	<b>9,331</b>	<b>39.21</b>	<b>11,549</b>	<b>45.24</b>
<b>TOTAL ASSETS</b>	<b></b>											



# Horizontal and Vertical Analysis

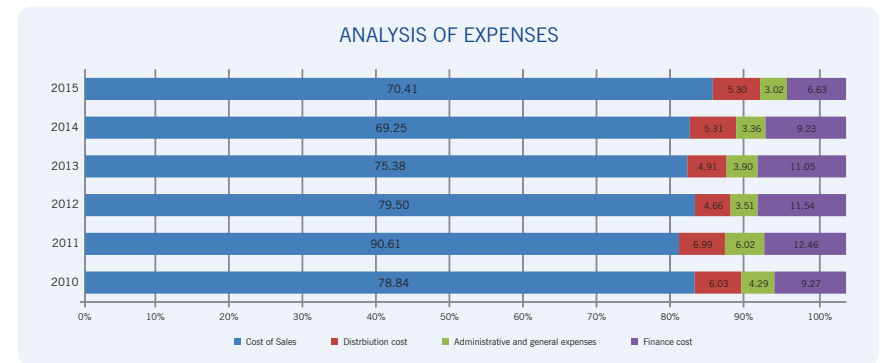
## HORIZONTAL ANALYSIS - PROFIT AND LOSS

	2015		2014		2013		2012		2011		2010	
	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age
Revenue	29,323	21.54	24,126	27.94	18,856	(7.08)	20,294	47.88	13,723	(31.02)	19,895	282.37
Sales tax and discount	(4,201)	16.45	(3,608)	51.12	(2,387)	(5.42)	(2,524)	6.04	(2,380)	0.32	(2,373)	315.03
<b>Revenue -net</b>	<b>25,122</b>	<b>22.44</b>	<b>20,518</b>	<b>24.58</b>	<b>16,469</b>	<b>(7.32)</b>	<b>17,770</b>	<b>56.66</b>	<b>11,343</b>	<b>(35.27)</b>	<b>17,523</b>	<b>278.34</b>
Cost of sales	(17,688)	24.49	(14,209)	14.46	(12,414)	(12.12)	(14,126)	37.44	(10,278)	(25.60)	(13,815)	338.79
<b>Gross profit</b>	<b>7,434</b>	<b>17.83</b>	<b>6,309</b>	<b>55.59</b>	<b>4,055</b>	<b>11.29</b>	<b>3,644</b>	<b>242.16</b>	<b>1,065</b>	<b>(71.28)</b>	<b>3,708</b>	<b>150.02</b>
Other income	36	10.42	32	(29.72)	46	27.43	36	(2.35)	37	(27.08)	51	25.13
Distribution cost	(1,331)	22.17	(1,090)	34.63	(809)	(2.17)	(827)	4.34	(793)	(25.00)	(1,057)	235.38
Administrative and general expenses	(758)	9.99	(690)	7.30	(643)	(62.4)	(8.60)	(683)	(9.05)	(751)	(115.55)	
Other expenses	(188)	65.12	(114)	233.61	(34)	632.64	(5)	(3.93)	(5)	(93.21)	(71)	260.60
	(2,277)	20.31	(1,893)	27.37	(1,486)	2.05	(1,456)	(1.66)	(1,481)	(21.21)	(1,879)	175.01
<b>Operating profit</b>	<b>5,193</b>	<b>16.72</b>	<b>4,449</b>	<b>70.11</b>	<b>2,615</b>	<b>17.61</b>	<b>2,224</b>	<b>(687.14)</b>	<b>(379)</b>	<b>(120.15)</b>	<b>1,880</b>	<b>123.66</b>
Finance cost	(1,665)	(12.02)	(1,893)	4.03	(1,819)	(11.25)	(2,050)	45.06	(1,413)	(12.96)	(1,624)	161.91
	3,528	38.00	2,556	221.18	796	358.32	174	(109.69)	(1,792)	(800.22)	256	16.09
Share of loss of associate	(13)	23.44	(11)	(47.90)	(21)	64.73	(13)	25.26	(10)	(292.13)	5	116.94
<b>Profit before taxation</b>	<b>3,514</b>	<b>38.07</b>	<b>2,545</b>	<b>228.46</b>	<b>775</b>	<b>381.55</b>	<b>161</b>	<b>(108.93)</b>	<b>(1,802)</b>	<b>(789.93)</b>	<b>261</b>	<b>17.19</b>
Taxation	(634)	108.72	(304)	81.30	(168)	262.29	(46)	(107.24)	639	(984.82)	(72)	19.03
<b>Profit after taxation</b>	<b>2,880</b>	<b>28.49</b>	<b>2,241</b>	<b>269.07</b>	<b>607</b>	<b>429.65</b>	<b>115</b>	<b>(109.86)</b>	<b>(1,163)</b>	<b>(715.51)</b>	<b>189</b>	<b>16.50</b>
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>2,880</b>	<b>28.49</b>	<b>2,241</b>	<b>269.07</b>	<b>607</b>	<b>429.65</b>	<b>115</b>	<b>(109.86)</b>	<b>(1,163)</b>	<b>(715.51)</b>	<b>189</b>	<b>16.50</b>



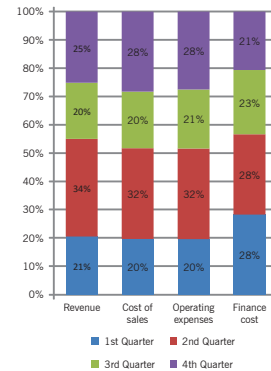
## VERTICAL ANALYSIS - PROFIT AND LOSS

	2015		2014		2013		2012		2011		2010	
	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age	Rs. in M	%age
Revenue	29,323	100.00	24,126	100.00	18,856	100.00	20,294	100.00	13,723	100.00	19,895	100.00
Sales tax and discount	(4,201)	(14.33)	(3,608)	(14.95)	(2,387)	(12.66)	(2,524)	(12.44)	(2,380)	(17.35)	(2,373)	(11.93)
<b>Revenue -net</b>	<b>25,122</b>	<b>85.67</b>	<b>20,518</b>	<b>85.05</b>	<b>16,469</b>	<b>87.34</b>	<b>17,770</b>	<b>87.56</b>	<b>11,343</b>	<b>82.65</b>	<b>17,523</b>	<b>88.07</b>
Cost of sales	(17,688)	(60.32)	(14,209)	(58.89)	(12,414)	(65.83)	(14,126)	(69.61)	(10,278)	(74.89)	(13,815)	(69.44)
<b>Gross profit</b>	<b>7,434</b>	<b>25.35</b>	<b>6,309</b>	<b>26.15</b>	<b>4,055</b>	<b>21.51</b>	<b>3,644</b>	<b>17.95</b>	<b>1,065</b>	<b>7.76</b>	<b>3,708</b>	<b>18.64</b>
Other income	36	0.12	32	0.13	46	0.25	36	0.18	37	0.27	51	0.26
Distribution cost	(1,331)	(4.54)	(1,090)	(4.52)	(809)	(4.29)	(827)	(4.08)	(793)	(5.78)	(1,057)	(5.31)
Administrative and general expenses	(758)	(2.59)	(690)	(2.86)	(643)	(3.41)	(624)	(3.08)	(683)	(4.98)	(751)	(3.78)
Other expenses	(188)	(0.64)	(114)	(0.47)	(34)	(0.18)	(5)	(0.02)	(5)	(0.04)	(71)	(0.36)
	(2,277)	(7.77)	(1,893)	(7.85)	(1,486)	(7.88)	(1,456)	(7.18)	(1,481)	(10.79)	(1,879)	(9.45)
<b>Operating profit</b>	<b>5,193</b>	<b>17.71</b>	<b>4,449</b>	<b>18.44</b>	<b>2,615</b>	<b>13.87</b>	<b>2,224</b>	<b>10.96</b>	<b>(379)</b>	<b>(2.76)</b>	<b>1,880</b>	<b>9.45</b>
Finance cost	(1,665)	(5.68)	(1,893)	(7.85)	(1,819)	(9.65)	(2,050)	(10.10)	(1,413)	(10.30)	(1,624)	(8.16)
	3,528	12.03	2,556	10.60	796	4.22	174	0.86	(1,792)	(13.06)	256	1.29
Share of loss of associate	(13)	(0.05)	(11)	(0.05)	(21)	(0.11)	(13)	(0.06)	(10)	(0.07)	5	0.03
<b>Profit before taxation</b>	<b>3,514</b>	<b>11.98</b>	<b>2,545</b>	<b>10.55</b>	<b>775</b>	<b>4.11</b>	<b>161</b>	<b>0.79</b>	<b>(1,802)</b>	<b>(13.13)</b>	<b>261</b>	<b>1.31</b>
Taxation	(634)	(2.16)	(304)	(1.26)	(168)	(0.89)	(46)	(0.23)	639	4.65	(72)	(0.36)
<b>Profit after taxation</b>	<b>2,880</b>	<b>9.82</b>	<b>2,241</b>	<b>9.29</b>	<b>607</b>	<b>3.22</b>	<b>115</b>	<b>0.57</b>	<b>(1,163)</b>	<b>(8.48)</b>	<b>189</b>	<b>0.95</b>
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>2,880</b>	<b>9.82</b>	<b>2,241</b>	<b>9.29</b>	<b>607</b>	<b>3.22</b>	<b>115</b>	<b>0.57</b>	<b>(1,163)</b>	<b>(8.48)</b>	<b>189</b>	<b>0.95</b>



## Quarterly Analysis

Rupees in millions	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Revenue</b>	<b>5,869</b>	<b>10,241</b>	<b>5,846</b>	<b>7,367</b>
Sales tax and discount	(707)	(1,578)	(864)	(1,052)
<b>Revenue - net</b>	<b>5,162</b>	<b>8,663</b>	<b>4,982</b>	<b>6,315</b>
Cost of sales	(3,483)	(5,666)	(3,540)	(4,999)
<b>Gross profit</b>	<b>1,679</b>	<b>2,997</b>	<b>1,442</b>	<b>1,316</b>
Other income	7	10	10	9
Distribution cost	(255)	(417)	(299)	(360)
Administrative and general expenses	(189)	(228)	(152)	(189)
Other expenses	(3)	(84)	(23)	(78)
	(447)	(729)	(474)	(627)
<b>Operating profit</b>	<b>1,239</b>	<b>2,278</b>	<b>978</b>	<b>698</b>
Finance cost	(471)	(473)	(377)	(344)
	768	1,805	601	354
<b>Share of loss of associate</b>	<b>(2)</b>	<b>-</b>	<b>(1)</b>	<b>(10)</b>
<b>Profit before taxation</b>	<b>766</b>	<b>1,805</b>	<b>600</b>	<b>343</b>
Taxation	(33)	(411)	(66)	(124)
<b>Profit after taxation</b>	<b>733</b>	<b>1,394</b>	<b>534</b>	<b>219</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>733</b>	<b>1,394</b>	<b>534</b>	<b>219</b>



**1st Quarter**

Sales revenue during the first quarter was recorded at Rs. 5,869 million, which were higher by 16% compared to the corresponding quarter of the previous year. The main contributor to this growth was appliances division, whereas the power division managed to maintain its sales level in the first quarter.

**3rd Quarter**

Sales revenue during the third quarter was recorded at Rs. 5,846 million, which were higher by 7% compared to the corresponding quarter of the previous year and approximately at the same level as that for first quarter of the year.

**2nd Quarter**

Sales revenue during the second quarter was recorded at Rs. 10,241, which were higher by 28% compared to the corresponding quarter of the previous year and 74% higher than the sales for the first quarter of 2015 mainly due to increase in sales volume of air conditioners, refrigerators and deep freezers during the summer season. Power division also contributed to growth in revenue due to elevated orders from WAPDA as well as high sales orders of EPC division.

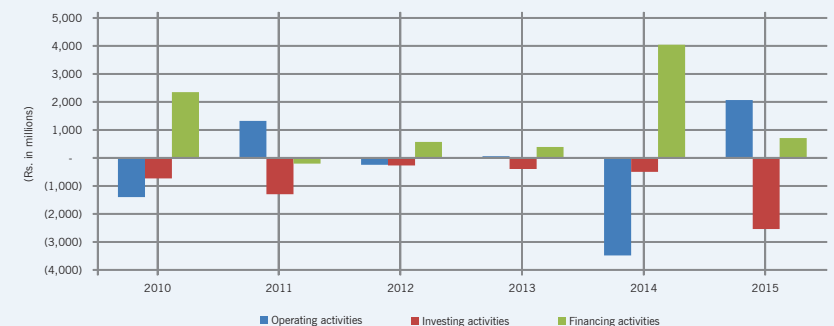
**4th Quarter**

Sales picked up again in the last quarter of the year and were recorded at Rs. 7,367 million which was 31% higher than the last quarter of the previous year. The growth was contributed by both appliances and power divisions due to increase in sales of refrigerators and elevation in EPC sales orders following the maturity of tenders floated by the government after the budget in June 2015.

## Direct Method Cash Flow Statement

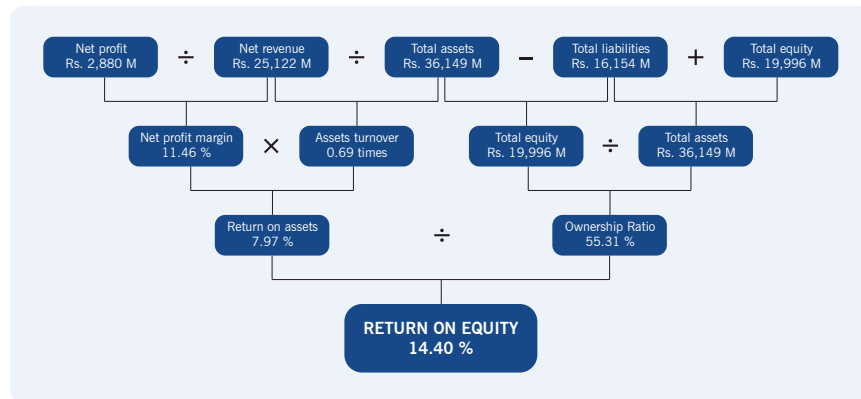
Rupees in millions	2015	2014	2013	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers - net	28,670	21,864	18,414	18,627	13,931	19,238
Payments to suppliers/service providers/employees etc. - net	(24,369)	(22,394)	(16,610)	(17,194)	(11,648)	(18,834)
Payment to Workers' Profit Participation Fund	(70)	(27)	(4)	-	(16)	(37)
Payment to Workers' Welfare Fund	(47)	(9)	(18)	-	-	-
Interest/mark-up on borrowings paid	(1,683)	(2,748)	(1,506)	(1,520)	(970)	(1,577)
Income taxes (paid)/refund	(437)	(170)	(214)	(160)	23	(187)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,065</b>	<b>(3,485)</b>	<b>63</b>	<b>(246)</b>	<b>1,320</b>	<b>(1,397)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment	(1,878)	(387)	(334)	(281)	(1,383)	(758)
Purchase of intangible assets	-	(0)	(42)	-	(2)	(31)
Proceeds from disposal of property, plant and equipment	126	16	34	17	43	47
Acquisition of short term investments	-	(50)	-	-	-	(1)
Proceeds from sale of investments	-	-	0	-	16	-
Long term deposits	(97)	(73)	(53)	(5)	28	15
Long term advances	(688)	-	-	-	-	-
<b>Net cash generated used in investing activities</b>	<b>(2,537)</b>	<b>(495)</b>	<b>(393)</b>	<b>(269)</b>	<b>(1,298)</b>	<b>(729)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Long term debt obtained	2,063	1,850	-	-	-	2,029
Repayment of long term debt	(2,912)	(319)	(80)	(72)	(558)	(891)
Net increase/(decrease) in short term borrowings	426	345	(1,355)	640	280	1,188
Proceeds from issue of ordinary shares	-	2,064	1,828	-	-	-
Advances against issue of ordinary shares	1,575	-	-	-	-	-
Proceeds from sale and leaseback activities	52	100	-	-	73	42
Dividend paid	(494)	-	-	-	-	(21)
<b>Net cash generated used in investing activities</b>	<b>710</b>	<b>4,041</b>	<b>393</b>	<b>569</b>	<b>(205)</b>	<b>2,347</b>
Net increase/(decrease) in cash and cash equivalents	238	62	62	54	(182)	221
Cash and cash equivalents at the end of the year	340	278	216	162	344	123
<b>Cash and cash equivalents at the end of the year</b>	<b>578</b>	<b>340</b>	<b>278</b>	<b>216</b>	<b>162</b>	<b>344</b>

### CASH FLOW ANALYSIS



## Dupont Analysis

	Unit	2015	2014
Tax burden	%	81.95	88.06
Interest burden	%	66.36	57.35
EBIT margin	%	21.08	21.63
Asset turnover	Times	0.69	0.63
Leverage	%	180.78	208.57
Return on Equity	%	14.40	14.37



## Plant Capacity and Production

	Unit	2015	2014	2013	2012	2011	2010
<b>Annual Production Capacity</b>							
Transformers	MVA	6,500	5,000	5,000	5,000	5,000	5,000
Switchgears	No.s	12,000	9,000	9,000	9,000	4,500	4,500
Energy Meters	No.s	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Air conditioners	Tonnes	90,000	90,000	90,000	90,000	90,000	90,000
Refrigerators/Deep Freezers	Cfts	5,500,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Microwave Ovens	Litres	700,000	700,000	-	-	-	-
<b>Actual Production</b>							
Transformers	MVA	4,171	3,097	2,537	3,967	2,029	2,999
Switchgears	No.s	8,311	6,258	8,021	1,780	1,490	3,443
Energy Meters	No.s	320,875	579,237	277,732	264,148	349,611	843,880
Air conditioners	Tonnes	40,953	9,712	1,720	919	39,565	91,952
Refrigerators/Deep Freezers	Cfts	4,520,052	4,152,270	3,306,428	3,042,064	2,660,387	3,660,858
Microwave Ovens	Litres	389,809	236,391	-	-	-	-

## Directors' Report to the Shareholders

## Chairman's Review

I am very pleased to inform that PEL has surpassed its targets of 2015 in terms of revenue, profitability and good governance, besides maintaining stakeholders' trust in quality of our products and business practices.

At the close of 2015, PEL boasts of achieving highest ever turnover. Both, Appliances and Power Divisions, witnessed significant growth during the year. This is all due to our strong customer focus, hard work of our human resource and superiority of PEL's brand image in the industry.

The Company is transforming under the young and energetic leadership of our CEO, Mr. M Murad Saigol and has, once again, emerged as a technology and innovation leader in both the Power and Domestic Appliances industries.

PEL is back on track - from recovery to progress. We are confident that the progressive approach of CEO supported by highly competitive management team of PEL will take the Company to record breaking heights of success and prosperity.

M. Naseem Saigol  
Chairman  
Lahore  
March 31, 2016

## CEO's Remarks

"We remain committed to driving the business forward and explore the new avenues despite the numerous challenges engulfing the country. We are confident that through resilient productivity initiatives, improved brand portfolio and dedication, we will continue to surpass these challenges and deliver the value to shareholders."

Your Company continued to deliver a strong operational and financial performance in 2015 on account of strengthening of financial base and brand portfolio, enhanced production capacity, modernized technology footprint, increased sales, reduced cost base and more flexible distribution network.

The year 2015 can be marked by strong economic performance, improved law and order, Rupee appreciation, declining oil prices, lower inflation and interest rates and slight improvement in power supply. We are optimistic that with improved governance, the government would gradually surmount the challenges which have been hampering the economic growth of the country in the past decade.

The Company has achieved highest sales revenue of Rs. 29,323 million which is higher by 21.5% as compared to the corresponding period (2014: Rs. 24,126 million). Increase in sales revenue is primarily due to strong growth throughout the product base fueled by enhanced and improved product portfolio, brand expansion, diminishing competition and reasonable order uplift of power division products by WAPDA and Private sectors.

Appliance division witnessed a growth of 18% during the year attributable to geographical expansion of deep freezer business and increased market penetration in air conditioner segment as restored last year. The Company kept on improving product features, introduce aesthetics and increase product range that led to strengthening of respective

segments.

Power division experienced an even better growth of 26% particularly due to improved orders from DISCOs especially for Power Transformers and healthy activity within housing and power sector. We foresee continuity and surge in demand for power division products due to continued focus of the government on improvement of power generation & distribution, supply infrastructure and better margins across all our product lines.

Gross profit achieved in 2015 amounts to Rs. 7,434 million as compared to Rs. 6,309 million for the 2014, resulting in an increase of 18% as compared to previous year. Profit after tax was recorded at Rs. 2,880 as compared to Rs. 2,241 for the previous year, resulting in a remarkable increase of 28.5%.

Rise in exports, reduced oil prices, cost efficiencies, improved productivity and improved product design contributed to this growth in profitability.

Earnings per share improved to Rs. 7.13 as compared to that of Rs. 6.61 previous year which is 7.87% higher. During the year, the Company also distributed cash dividend at 12.5% per share to the shareholders.

To support the future growth in revenue, production and profits, Company has invested Rs. 1,826 million in plant and machinery, which will not only increase the production capacities, but also improve efficiencies. This will support us to meet the production requirements during peak seasons

and in timely deliveries against future high order intakes.

In order to strengthen the capital structure and at the same time fuel the growth in business, the Company offered 1 for 4 right share issue (25%) in the first quarter of 2016 for Rs. 3,981 million (99.536 million shares at a premium of Rs. 30 per share) which now stands fully subscribed.

We remain committed to driving the business forward and explore the new avenues despite the numerous challenges engulfing the country. We are confident that through resilient productivity initiatives, improved brand portfolio and dedication, we will continue to surpass these challenges and deliver the value to shareholders.

On behalf of PEL, we gratefully acknowledge the immense contribution and efforts of Mr. Haroon Ahmed Khan, Ex. Managing Director, in the progress and growth of the Company. Under his leadership the company has explored new avenues and crossed many boundaries of success. Mr. Haroon has set very high standards of performance for the rest of the management to be followed.

M. Murad Saigol  
Chief Executive Officer

March 31, 2016  
Lahore



# Financial and Operational Review

## Macro-Economic Review

### Global Economic Overview

Global growth fell short of expectations in 2015, decelerating to 2.4 percent from 2.6 percent in 2014. The disappointing performance mainly reflected a continued growth deceleration in emerging and developing economies amid post-crisis lows in commodity prices, weaker capital flows and subdued global trade. Global growth is projected to edge up in the coming years, but at a slower pace than envisioned in 2015, reaching 2.9 percent in 2016 and 3.1 percent in 2017-18. This pickup is predicated on continued gains in major high-income countries, a gradual tightening of financing conditions, a stabilization of commodity prices, and a gradual rebalancing in China. The forecast is subject to substantial downside risks, including a disorderly slowdown in major emerging market economies, financial market turmoil arising from sudden shifts in borrowing costs amid deteriorating fundamentals, lingering vulnerabilities in some countries, and heightened geopolitical tensions. Weakening

growth and sharply lower commodity prices have narrowed the room for policy makers to respond, especially in commodity-exporting countries, should risks materialize.

### Domestic Economic Overview

Pakistan's economic expansion during 2015 was led by services as growth in manufacturing slowed. Industrial growth was hobbled by a slowdown in large-scale manufacturing to 3.3% owing to continued power shortages and weaker external demand. The resilience of small-scale manufacturing and construction sustained industrial growth at 3.6%. Agriculture growth remained modest at 2.9%. Private fixed investment slipped to equal 9.7% of Gross Domestic Product ('GDP') from 10.0% a year earlier because of continuing energy constraints and the generally weak business environment that has depressed investment for several years.

Headline inflation sharply declined in 2015 and improved on the Asian Development Outlook 2015 projection. The current account deficit narrowed in 2015 from 1.3% in 2014 due lower oil imports, larger inflows

under the Coalition Support Fund, and robust workers' remittances. The benefit of the 18% decline in expenditures on oil imports was offset to some extent by increased imports of machinery and metal products, as well as of food and transport equipment.

Prospects for large-scale manufacturing remain subject to progress on power supply.

### Industry Overview

The Government of Pakistan is continuously focused on improvement of power distribution and supply infrastructure due to which the demand for electrical capital goods continues to grow.

The necessity to meet basic storage requirement for the preservation of edibles in addition to requirements of cold water and ice have made refrigerators and deep freezers an essential item for every household rather than a luxury. Increase in average temperature during summers over the years has escalated the demand for air conditioners. Rural areas have also witnessed upsurge in demand for domestic home appliances.

## Review of Business Performance

*Rupees in millions*

Summary of operating results	2015	2014	YoY (%)
Gross revenue	<b>29,323</b>	24,126	21.54
Gross profit	<b>7,434</b>	6,309	17.83
Operating profit	<b>5,193</b>	4,449	16.72
Finance cost	<b>1,665</b>	1,893	(12.02)
Profit before tax	<b>3,514</b>	2,545	38.07
Profit after tax	<b>2,880</b>	2,241	28.49
Earnings per share	<b>7.13</b>	6.61	7.87



PEL has, once again, emerged as a **technology and innovation leader** in both the Power and Domestic Appliances industries

# Financial and Operational Review

## Product Wise Operating Performance

### Refrigerator

Being a flagship product of PEL, refrigerator accounts for around 83% of the appliance division's sales. Refrigerator registered a sales growth of 7.4% during the year 2015 becoming one of the leading refrigerator producers in the domestic market.

Market demand of refrigerators remained resilient during the year despite acute load shedding owing to rising demand for refrigerators in rural areas. The launch of new glass door mirror series with new aesthetics received a tremendous response within the consumer market contributing to continuous sales growth. During the year, Company has also introduced two new sizes, 2000 & 2200 in Glass Door and Glass Door Mirror series, to cater the small size segments as well. The efforts were augmented by 360 degree marketing campaign to promote the new series.

Parallel to these initiatives, continuous marketing campaigns and tireless sales activities have played a major role in our growth. The overall trend of the market was also favorable due to gradually improving law and order situation along with the macro-economic indicators.

With the rise in rural prosperity, the demand for refrigerators is surging and to cater it, 3 new models are being introduced in PEL Arctic series as well.

The Company is focused on continuous widening of its complete product range in order to maximize market coverage for which new models and sizes are planned to be continuously introduced in the coming years. A

number of initiatives with respect to product innovation which will be complemented with appropriate marketing campaigns are in pipeline.

### Deep Freezer

Due to durability, quick turnaround time, customized product solutions, prompt after sales service and high quality, PEL Deep Freezers are preferred choice of corporate Institutions like Unilever, Engro Foods, Pepsi and Pakistan Dairies (Igloo), the major customers of PEL's deep freezers at the moment. The Company is striving to utilize this competitive advantage by acquiring other corporate clients including other beverage companies.

Your Company after continuous R&D, has improved the quality and added different variants of its deep freezers to further capture retail market in addition to a new marketing campaign for its deep freezers with a new slogan, "sub say thanda", which is becoming popular in the retail market.

As a result, the Company saw an unprecedented increase of 131% in its sales this year owing to aggressive market campaigns and improved product offering for retail customers. The Company is optimistic for further growth of its deep freezer sales in the future.

### Air conditioner (AC)

PEL was among the pioneers of window AC manufacturing at one time, which was hit by a technological breakthrough with the advent of split air conditioners. In 2014, PEL entered again into air conditioner business after a gap of 4 years, where its split air conditioners

were well received in market, both at domestic and institutional level, due to its durability, quality, brand image and strong after sales service back up.

After a vigorous response from the market in 2014, sales further increased this year by 207%. During the year PEL launched 3 cutting edge technology air conditioner series: Desire Infinite, Cool Smile and the Aspire. All 3 series have unique features to offer particularly Desire Infinite, which is most energy efficient air conditioner in Pakistan at the moment.

Despite the challenges facing the industry, AC segment continued to focus on product innovation, channel optimization and strengthening of its management.

### Microwave Oven

During the year, the Company launched several innovative microwave oven series like 8020, Aspire and PMO, to provide diversified home appliance solutions for different kinds of foods and customized cooking experience. The Company launched various models ranging from basic ovens featuring solo option/manual interface to more advanced ovens featuring grill option/digital interface.

Further models were launched in PMO series, a leading series in top-end segment, increasing the offered capacity to 26 and 30 litres, which will further strengthen the series position. The Company believes that continuing investment in R&D and technology upgrade will be the key to keep its products competitive.

### Distribution transformer (DTR)

After a sluggish performance during last couple of years, DTR sales bounced back this year attributed to increase in orderings from WAPDA/DISCOs, posting sales increase of 17% over last year. A number of developments took place during the year that led to this growth and is expected to further boost DTR business in the future:

- Design changes in DTR of all specifications to decrease transformer losses and increase savings to WAPDA;
- Successful development of 600 KVA dry type transformer;
- For the first time in Pakistan, successful short-circuit testing of 1,500 KVA aluminum transformer at HVSC lab Rawat;
- Qualification of 500 KVA Pad Mounted Prototype by HVSC lab Rawat for K-electric;
- Capital expenditure of around PKR 500 Million to enhance manufacturing capacity by 1500 MVA by adding different machines and furnaces for baking transformers.

WAPDA and DISCOs remains the major customers of this segment along with the private customers. Your Company relishes significant competitive advantage of its DTR over its competitors in the local market due to development of new and improved prototypes by the Engineering Department of PEL. Your Company is also gaining ground in the export market in Middle East, Africa, and Central Asia, Swaziland etc. with special focus on Afghanistan. Prototype transformer for Saudi Electric Company and short-circuit testing

is also being developed by Company's Engineering Department within the Company.

Privatization of DISCOs is underway and the Company believes to gain further business as a result of structural reforms that may follow subsequent to privatization. PEL Unit-2 continues to be the flagship of the Company by maintaining its image of being the best state-of-the-art manufacturing set up in the region. With the highest quality human resource, manufacturing and design infrastructure, your Company is committed to not only maintain, but enhance its brand image in local as well as global markets.

### Power transformer (PTR)

Power Transformer is a high value asset in any electrical network. Over the years, PEL has played a leading role in PTR manufacturing in Pakistan and has become the largest local supplier of 132KV PTR in the country.

The Company supplied 77 units of PTR in 2015, as compared to 40 units last year, registering a growth of 92.5%. This is the highest ever production of PTR in Pakistan and this is a result of a decline in competition and increase in orders from WAPDA and within private network.

In 2015, PEL got approval of new prototypes of 26 MVA and 40 MVA power transformers which are fully in compliance to WAPDA standards. In pursuance of excellence in quality, PEL has commissioned a new assembly bay at Unit-II which has not only increased the production capacity but also improved product quality.

With numerous IPP projects of around 15,852 MW in pipeline

and privatization of DISCOs underway, the Company foresees a promising future for this segment. Our focus will remain on continuous research and development which will enable us to not only cater for the local demands but also explore new markets outside Pakistan.

Research in convertor and rectifier transformers is a promising new area in power transformer industry and PEL as always has shown its commitment to innovative engineering solutions by investing for the same. PEL's design of 12MVA-24 pulse converter transformer, Pakistan's first of its kind, has been recognized as the best engineering contribution in this category by "Institute of Engineers, Pakistan" and was awarded with National Excellence Award, highlighting a significant contribution to the industry.

### Switch Gears (SG)

SG segment achieved an unprecedented growth in sales of 36% this year to become the market leader in this segment as well. This growth was contributed particularly by approval of Ring Main Unit (RMU) by NTDC/WAPDA last year, a mandatory requirement of all housing projects having underground cabling system. The Company also secured healthy orders due to economic revival of national industry in textile and energy sectors, housing development and industrial estate projects.

The Company has started working on the upgradation of paint plant and fabrication unit of Switch Gear department, expected to be completed in 2016, which will decrease the production cost and enhance the production and quality of the

# Financial and Operational Review

product. Switchgear department is also working on the approval of K-Electric's standard of switchgear to focus on the customers in south region.

We have optimistic orders outlook for the coming year based on economic stimulation of national industry in textile and energy sectors. The overall private business of housing schemes and upcoming projects of industrial estates seem very promising in 2016. We are confident to increase our market share and switchgear business even further during the coming months.

## Energy Meters

Meter business remained depressed during the period under review largely due to lower business activity in meter industry caused by delayed implementation of AMR/AMI in the country. As a result, sales declined by 46% to PKR 711 Million.

However, in collaboration with Asian Development Bank, LESCO and IESCO have attained loan approval amounting to \$450 million for AMR / AMI (Advanced Metering Reading/Infrastructure) in Pakistan. The investment program aims to improve the financial viability of Pakistan's power distribution sector by reducing power distribution losses and power outages, improve revenue collection, provide automated power consumption data, modernize electricity metering and billing system and improve customer services by installation of customer information system.

PEL energy meter department is well positioned to get a reasonable share of this project and has taken a number of initiatives in developing new

products and adding new features in existing products. The Company has already developed and got approval from NTDC last year of the following products for this project:

- Single phase electronic energy meter with GSM module for the AMR project;
- Three phase whole current electronic energy meter with GSM module for the AMR project;
- DLMS compliant single phase electronic energy meter with GSM/GPRS module.

The Company is also exploring export markets for these products and has 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 and within Pakistan.

## EPC Contracting

This department takes up turnkey contracts involving Engineering, Procurement and Construction (EPC) for building power infrastructure projects comprising electrical networks/electrification and grid stations up to 220 KV level.

EPC segment witnessed sales growth of 7% during the year owing to diligent efforts by the Company to secure EPC business within housing and power sector. As planned last year, work on DHA phase-VII project worth Rs. 1.8 billion stands now completed, consequent to which, DHA has awarded another contract to PEL involving housing electrification of DHA phase-VI. The work on this project has already been substantially

completed during the year under review. The Company is actively pursuing new orders from housing sector, which has been a major contributor towards EPC business growth.

In 2015, PEL secured new projects for 132kV (GIS) substation at Defence, Lahore (DRGCC) worth Rs. 546 Million and 132 kV substation at Mubarikpur (MEPCO) funded by Asian Development Bank worth Rs. 380 Million.

Going forward, Company is following up with NTDC and DISCOs for 220 and 132 kV grid station orders. Progress in these projects is well ahead of their targets and EPC team is committed to achieve these milestones and perform breakthroughs in EPC segment years to come. It's the huge achievement of EPC department that it has won most of the available projects and to make 2016 a record breaking year, and a lot more projects are in queue.

The Company is focused on continuous widening of its complete product range in order to maximize market coverage for which new models and sizes are planned to be continuously introduced in the coming years. A number of initiatives with respect to product innovation which will be complemented with appropriate marketing campaigns are in pipeline.

## FINANCIAL PERFORMANCE ANALYSIS

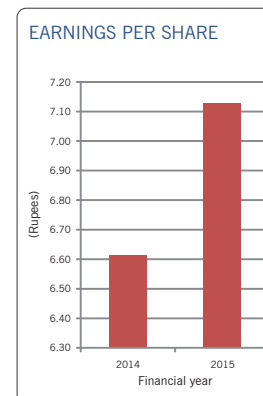
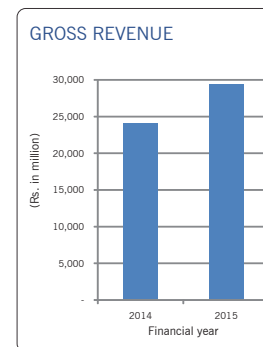
PEL recorded net earnings of Rs. 2,880 million during the year 2015, registering highest ever revenue in the history of the Company. The achievement was supported by strengthening of financial base and brand portfolio, enhanced production capacity, modernized technology footprint, increased sales, reduced cost base and more flexible distribution network. Analysis of operating performance is presented below:

The Company earned record revenue of Rs. 29,323 million, through incremental revenue generation of Rs. 5,198 million mainly due to strong growth throughout the product base fueled by enhanced and improved product portfolio, brand expansion, diminishing competition and reasonable order uplift of power division products by WAPDA and Private sectors.

Gross profit achieved in 2015 amounts to Rs. 7,434 million as compared to Rs. 6,309 million for the 2014, resulting in an increase of 18% as compared to previous year. The increase is attributable to rise in exports, reduced oil prices, cost efficiencies, improved productivity and improved product design.

Distribution costs were recorded at Rs. 1,331 million, showing an increase of 22% from the previous year directly in proportion to the increase in revenue by 22%.

Finance costs reduced by Rs. 228 million to Rs. 1,665 million in comparison to previous year due to repayments of debt finances and decrease in KIBOR rates.



Provision for taxation was recorded at Rs. 634 million, 109% higher than the previous year mainly because of increase in net deferred tax liability due to expiry of available tax credits and higher provision for current tax under section 113C 'Alternative Corporate Tax' of the Income Tax Ordinance, 2001.

The results of the above translated into earnings per share of Rs. 7.13 as compared to Rs. 6.61 for the previous year.

## FINANCIAL POSITION ANALYSIS

Total equity improved by 2,589.9 million due to net profit of Rs. 2,880 million and transfer of incremental depreciation from surplus on revaluation of property, plant and equipment amounting to Rs 207.54 million partially offset by distribution of interim dividend on ordinary shares amounting to Rs. 497.68 million.

Total long term debt decreased by Rs. 763.42 million due to repayments amounting to Rs. 2,911.61 million partially offset by new financing amounting to Rs. 2,148.19 million.

Short term borrowings showed an increase of Rs. 425.64 million due to surge in operating activity.

Contingencies, comprising of bonds and guarantees, increased by Rs. 913.39 million primarily due to surge in operating activity.

Financial commitments stood at Rs. 1,980.37 million at the close of 2015 in respect of ujjrah payments and letters of credit for import of stores, spares parts and raw material showing an increase of Rs. 532.62 million due to investment in plant and machinery.

Capital expenditure during the year amounted to Rs. 1,912 million.

The Group disbursed interest free loans to dealers amounting to Rs. 688 million for renovation of showrooms.

Trade debts increased by Rs. 576.51 million as a direct result of increase in turnover.

The Group's asset base thus recorded a net increase of Rs. 3,622.61 million to Rs. 36,149.28 million.

# Financial and Operational Review

## LIQUIDITY MANAGEMENT

### Liquidity Position

The Group's liquid assets comprise short term investments and cash and bank balances which stood at an aggregate of Rs. 663.211 million at the close of 2015 recording an improvement of Rs. 301.5 million over the previous year mainly because of funds injected by sponsors of the Company. During the year, the sponsors of the Company injected Rs. 1,575.25 million which will be converted into ordinary shares through right issue expected to be made in the ensuing year.

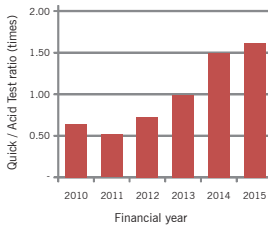
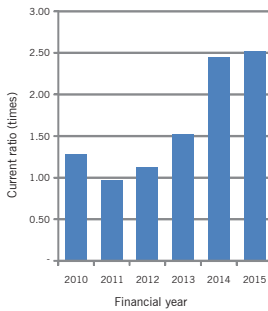
### Liquidity management

The Group continuously aims to maintain a strong liquidity position through an effective management system to ensure availability of sufficient working capital. The Board of Directors has built an appropriate liquidity management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity 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.

### Repayment of debts and recovery of losses

The Group external long term debt stood at Rs. 8,103.72 million at the close of 2015 recording a net decrease of Rs. 763.42 million.

Short term borrowings showed an increase of Rs. 425.64 million due to surge in operating activity.



PEL is in the process of finalizing re-profiling exercise based on mutual agreement to be made amongst the existing investors for redemption/settlement of outstanding preference shares.

Further, debt equity swap arrangement between PEL and National Bank of Pakistan ('NBP') for conversion of Private Placed Term Finance Certificates of Rs. 1,650 million has been withdrawn. A new redemption plan is yet to be agreed and finalized between PEL and NBP. PEL has proposed to redeem the said issue in eight equal quarterly installments commencing from January 2021.

Cash flow projections for the future indicate availability of sufficient funds for timely repayment of external debts as well as for retention for sustained profitability.

## CASH FLOWS AND FINANCING ARRANGEMENTS

### Cashflow Analysis

Net cash generated from operating activities amounted to Rs. 2,064.58 million, after adjustment of interest/mark-up payments of Rs. 1,682.5 million and income tax payments of Rs. 436.98 million.

Net cash used in investing activities amounted to Rs. 2,537.39 million comprising payments for capital expenditure of Rs. 1,878.37 million, long term deposits of Rs. 96.98 million and long term advances of Rs. 688 million partially offset by proceeds from disposal of property, plant and equipment amounting to Rs. 125.95 million.

Net cash generated from financing activities amounted to Rs. 710.41 million comprising proceeds from sponsors of Rs. 1,575.25 million partially offset by net decrease in long term and short term debt of Rs. 371.263 million and dividend payments amounting to Rs. 493.58 million.

### Financing arrangements

The Board of Directors has built an appropriate liquidity management framework for the management of the Group's short, medium and long-term funding and liquidity requirements.

The Group's long term debt and short term borrowings at the close of 2015 stood at Rs. 8,103.72 million and Rs. 4,668.9 million respectively. Un-availed borrowing facilities at the close of 2015 amounted to Rs. 1,705 million.

## CAPITAL STRUCTURE

PEL's capital structure comprises of Rs. 4,431 million of share capital with net worth of Rs. 13,616 million, which improved by 23.49% over the previous year.

Long term debt (excluding current maturities) stood at Rs. 6,127.07 million at the close of 2015 with a debt-equity ratio of 30.55% as compared to 36.25% in 2014.

The Board of Directors in their meeting held on January 04, 2016 as resolved to issue 25% right shares which have been fully subscribed. The management believes that PEL's capital structure after the right issue will be adequate.

## DIVIDEND AND APPROPRIATIONS

During the year, PEL distributed cash dividend on ordinary shares at Rs. 1.25 per ordinary share as interim dividend.

## RELATIONSHIP BETWEEN RESULTS AND OBJECTIVES

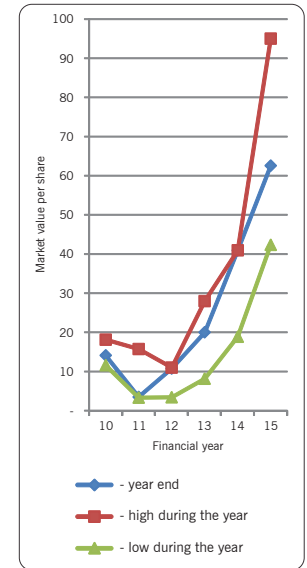
The year 2015 has been a successful year for PEL in terms of meeting or exceeding business objectives.

PEL achieved the highest ever sales of Rs. 29,323.35 million primarily due to strong growth throughout the product base fueled by enhanced and improved product portfolio, brand expansion, diminishing competition and reasonable order uplift of power division including WAPDA and Private sectors.

## MARKET SHARE INFORMATION

The Company is listed on Pakistan Stock Exchange (PSE) which is a large and liquid stock exchange, offering orderly and reliable market prices for its investors.

As at December 31, 2015, the market capitalization of PEL's shares stood at Rs. 24.9 billion, up by 52.8% from previous year. PEL's share traded at an average of Rs. 68.94 per share, market price experienced fluctuations, principally caused by market psychology, speculative investors and material events occurring during the year, between Rs. 42.33 and Rs. 94.97 per share. Total trading volume during the year was 3,021.599 million shares recording 132.21% growth from the previous year.



## THE GROUP'S PROSPECTS

Continued focus on consumer needs with improved product quality and after sale service, research and development, cost economization and efficiency improvement will provide adequate support to the management's projection of sustained profitability and return to shareholders.

The financial as well as non-financial measures in this context are presented below:

### Financial measures

The management uses a mix of factors and variables to project the Group's targets, majority of which are beyond the control of the management, including external factors such as currency fluctuations, government levies, power curtailments etc., while the others can be monitored and their impact minimized.

The management is continuously focused on cost optimization and efficiency improvement through research and development in order to sustain profitability and return to shareholders.

### Non-financial measures

The Group's non-financial performance measures include the following areas:

- Improved product quality and after sale service
- Frequent and meaningful engagements with key stakeholders
- Satisfaction of employees
- Transparency, accountability and good governance
- Safe occupational environment
- Responsible Corporate Citizenship



# Financial and Operational Review

## SEGMENTAL REVIEW OF BUSINESS PERFORMANCE

An operating segment is a component of an entity:

- 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),
- 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
- for which discrete financial information is available.

Information about the Group's reportable segments as at the reporting date is as follows:

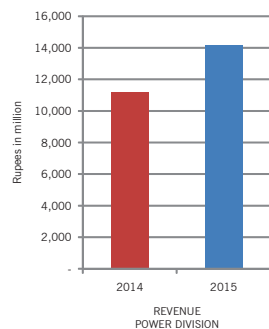
Segments	Nature of business
Power Division	Manufacturing and distribution of Transformers, Switch Gears, Energy Meters, Power Transformers and Engineering, Procurement and Construction Contracting (EPC).
Appliances Division	Manufacturing, assembling and distribution of Refrigerators, Air conditioners, Deep Freezers, Microwave ovens, Washing Machines and other Home Appliances.

### Power Division

Power division recorded 26% growth in revenue to Rs. 14,140.45 million in comparison with previous year resulting in profit before tax of Rs. 1,481.15 million for the year, up by 53.45% from the previous year. A summary of operating results of power division is presented below:

Rupees in millions

	2015	2014	YoY (%)
Revenue	14,140	11,216	26.01
Finance cost	818	919	(10.99)
Profit before tax	1,481	965	53.45

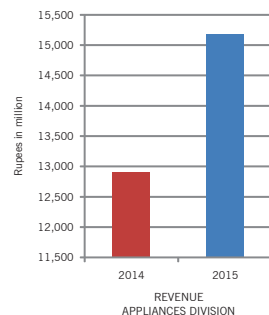


### Appliances Division

Appliances division recorded 17.61% growth in revenue to Rs.15,183 million in comparison with previous year resulting in profit before tax of Rs. 2,199 million for the year, up by 31.52% from the previous year. A summary of operating results of appliances division is presented below:

Rupees in millions

	2015	2014	YoY (%)
Revenue	15,183	12,909	17.61
Finance cost	847	973	(12.95)
Profit before tax	2,199	1,672	31.52



## SUBSEQUENT EVENTS

The Board of Directors in their meeting held on January 04, 2016 has resolved to issue one right ordinary share for every four ordinary shares already held.

There were no other major events subsequent to the reporting period that may require material adjustment to or disclosure in the financial statements.

# Pattern of Shareholding

FORM 34

## THE COMPANIES ORDINANCE 1984 (Section 236(1) and 464) PATTERN OF SHAREHOLDING

1. Incorporation Number	0000802
2. Name of the Company	PAK ELEKTRON LIMITED
3. Pattern of holding of the shares held by the shareholders as at	31-12-2015

4.	Number of shareholders	Shareholding		Total shares held
		From	To	
	845	1	100	24,975
	1,797	101	500	765,872
	1,424	501	1,000	1,346,366
	2,641	1,001	5,000	7,326,229
	713	5,001	10,000	5,639,522
	250	10,001	15,000	3,247,205
	157	15,001	20,000	2,891,054
	94	20,001	25,000	2,222,832
	64	25,001	30,000	1,853,995
	47	30,001	35,000	1,554,971
	40	35,001	40,000	1,540,724
	34	40,001	45,000	1,462,865
	48	45,001	50,000	2,363,810
	20	50,001	55,000	1,060,353
	16	55,001	60,000	947,749
	15	60,001	65,000	944,026
	14	65,001	70,000	955,919
	13	70,001	75,000	964,224
	12	75,001	80,000	939,716
	12	80,001	85,000	1,004,325
	5	85,001	90,000	440,609
	5	90,001	95,000	466,911
	18	95,001	100,000	1,793,900
	8	100,001	105,000	819,783
	7	105,001	110,000	758,200
	3	110,001	115,000	339,500
	4	115,001	120,000	469,222
	5	120,001	125,000	625,000
	4	125,001	130,000	512,000
	1	130,001	135,000	131,000
	1	135,001	140,000	140,000
	2	140,001	145,000	289,947
	9	145,001	150,000	1,348,000
	2	150,001	155,000	306,500
	2	160,001	165,000	327,000
	4	165,001	170,000	671,500
	2	170,001	175,000	347,000
	1	175,001	180,000	178,000
	2	180,001	185,000	370,000
	4	185,001	190,000	755,340
	1	190,001	195,000	191,500
	8	195,001	200,000	1,591,500
	2	200,001	205,000	401,001
	1	210,001	215,000	211,500
	6	215,001	220,000	1,307,490
	2	220,001	225,000	450,000
	1	225,001	230,000	230,000
	3	230,001	235,000	702,000
	3	235,001	240,000	719,500
	3	240,001	245,000	733,000



## Pattern of Shareholding

4.	Number of shareholders	Shareholding		Total shares held
		From	To	
	2	245,001	250,000	500,000
	1	250,001	255,000	253,000
	1	255,001	260,000	260,000
	1	270,001	275,000	275,000
	2	275,001	280,000	555,500
	3	280,001	285,000	846,500
	4	295,001	300,000	1,196,000
	1	310,001	315,000	312,841
	1	315,001	320,000	319,500
	1	320,001	325,000	325,000
	1	325,001	330,000	330,000
	2	335,001	340,000	674,500
	2	370,001	375,000	745,300
	2	380,001	385,000	761,115
	2	395,001	400,000	800,000
	3	410,001	415,000	1,234,500
	1	415,001	420,000	417,500
	1	430,001	435,000	434,500
	1	440,001	445,000	443,500
	1	445,001	450,000	450,000
	1	450,001	455,000	455,000
	1	455,001	460,000	458,000
	1	460,001	465,000	461,000
	1	475,001	480,000	480,000
	1	485,001	490,000	486,850
	2	490,001	495,000	989,116
	3	495,001	500,000	1,500,000
	1	520,001	525,000	525,000
	1	525,001	530,000	526,000
	1	535,001	540,000	539,900
	2	545,001	550,000	1,100,000
	1	560,001	565,000	562,800
	1	565,001	570,000	568,000
	1	585,001	590,000	586,000
	2	590,001	595,000	1,185,820
	1	595,001	600,000	599,000
	1	600,001	605,000	603,500
	1	605,001	610,000	609,500
	2	615,001	620,000	1,234,000
	1	645,001	650,000	650,000
	1	670,001	675,000	675,000
	1	690,001	695,000	695,000
	1	715,001	720,000	720,000
	1	740,001	745,000	740,947
	1	780,001	785,000	784,500
	1	795,001	800,000	800,000
	1	810,001	815,000	812,000
	1	815,001	820,000	817,000
	2	820,001	825,000	1,644,100
	1	830,001	835,000	834,000
	1	840,001	845,000	842,000
	1	885,001	890,000	885,630
	1	890,001	895,000	894,500
	2	895,001	900,000	1,800,000
	1	900,001	905,000	901,000
	1	950,001	955,000	951,700
	1	995,001	1,000,000	1,000,000
	1	1,020,001	1,025,000	1,025,000
	1	1,095,001	1,100,000	1,100,000
	1	1,130,001	1,135,000	1,134,000
	1	1,160,001	1,165,000	1,165,000
	1	1,195,001	1,200,000	1,200,000
	1	1,235,001	1,240,000	1,239,500
	2	1,275,001	1,280,000	2,554,020

4.	Number of shareholders	Shareholding		Total shares held
		From	To	
	1	1,280,001	1,285,000	1,281,000
	1	1,295,001	1,300,000	1,298,000
	1	1,300,001	1,305,000	1,300,500
	1	1,355,001	1,360,000	1,357,000
	1	1,495,001	1,500,000	1,500,000
	1	1,700,001	1,705,000	1,700,500
	1	1,760,001	1,765,000	1,764,000
	1	1,770,001	1,775,000	1,770,500
	1	1,795,001	1,800,000	1,800,000
	1	2,070,001	2,075,000	2,074,735
	1	2,125,001	2,130,000	2,127,440
	1	2,145,001	2,150,000	2,149,870
	1	2,395,001	2,400,000	2,399,000
	1	3,235,001	3,240,000	3,238,000
	1	3,360,001	3,365,000	3,364,300
	1	3,375,001	3,380,000	3,379,219
	1	3,400,001	3,405,000	3,400,194
	1	3,765,001	3,770,000	3,768,715
	1	3,835,001	3,840,000	3,837,000
	1	3,990,001	3,995,000	3,992,600
	1	4,015,001	4,020,000	4,018,500
	1	4,405,001	4,410,000	4,408,500
	1	4,920,001	4,925,000	4,925,000
	1	5,100,001	5,105,000	5,102,700
	1	5,470,001	5,475,000	5,472,442
	1	6,455,001	6,460,000	6,457,500
	1	7,095,001	7,100,000	7,100,000
	1	11,790,001	11,795,000	11,790,030
	1	12,510,001	12,515,000	12,511,950
	1	81,780,001	81,785,000	81,783,627
	1	99,920,001	99,925,000	99,924,572
	<b>8,492</b>			<b>398,145,188</b>

### CLASSIFICATION OF ORDINARY SHARES BY CATEGORIES AS AT DECEMBER 31, 2015

Categories of Shareholders	No. of Shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	9	211,937,778	53.2313
Associated Companies, undertakings and related party	-	-	-
NIT and ICP	3	5,474,128	1.3749
Banks Development Financial Institutions Non Banking Financial Institution	22	11,955,316	3.0028
Insurance Companies	13	8,397,213	2.1091
Modarabas and Mutual Funds	55	34,945,300	8.7770
General Public	8192	70,324,742	17.6631
Others (to be specified)			
Pension Funds	10	5,767,947	1.4487
Other Companies	26	2,729,299	0.6855
Investment Companies	3	727,000	0.1826
Joint Stock Companies	117	16,460,294	4.1342
Foreign Companies	42	29,426,171	7.3908
	<b>8492</b>	<b>398,145,188</b>	<b>100.0000</b>

# Pattern of Shareholding

## CATEGORIES OF SHAREHOLDING REQUIRED UNDER CODE OF CORPORATE GOVERNANCE (CCG) AS ON DECEMBER 31, 2015

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties			
Mutual Funds			
1	CDC - TRUSTEE ABL INCOME FUND (CDC)	443,500	0.1114
2	CDC - TRUSTEE ABL STOCK FUND (CDC)	821,500	0.2063
3	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT (CDC)	7,500	0.0019
4	CDC - TRUSTEE AKD INDEX TRACKER FUND - (CDC)	38,700	0.0097
5	CDC - TRUSTEE AL MEEZAN MUTUAL FUND (CDC)	1,025,000	0.2574
6	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	550,000	0.1381
7	CDC -TRUSTEE AL-AMEEN SHARIAH STOCK FUND (CDC)	4,925,000	1.2370
8	CDC - TRUSTEE ALFALAH GHP ALPHA FUND (CDC)	461,000	0.1158
9	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND (CDC)	281,000	0.0706
10	CDC - TRUSTEE ALFALAH GHP STOCK FUND (CDC)	842,000	0.2115
11	CDC - TRUSTEE ALFALAH GHP VALUE FUND (CDC)	281,500	0.0707
12	CDC -TRUSTEE APF-EQUITY SUB FUND (CDC)	30,000	0.0075
13	CDC -TRUSTEE APIF - EQUITY SUB FUND (CDC)	40,000	0.0100
14	CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT (CDC)	822,600	0.2066
15	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND (CDC)	200,000	0.0502
16	CDC - TRUSTEE ATLAS STOCK MARKET FUND (CDC)	500,000	0.1256
17	CDC -TRUSTEE FAYSAL INCOME & GROWTH FUND - MT (CDC)	539,900	0.1356
18	CDC -TRUSTEE FAYSAL SAVING GROWTH FUND - MT (CDC)	3,364,300	0.8450
19	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND (CDC)	50,000	0.0126
20	CDC - TRUSTEE FIRST HABIB INCOME FUND (CDC)	1,764,000	0.4431
21	CDC - TRUSTEE FIRST HABIB INCOME FUND - MT (CDC)	13,600	0.0034
22	CDC - TRUSTEE FIRST HABIB STOCK FUND (CDC)	110,000	0.0276
23	CDC - TRUSTEE HBL - STOCK FUND (CDC)	1,298,000	0.3260
24	CDC - TRUSTEE HBL IPF EQUITY SUB FUND (CDC)	70,000	0.0176
25	CDC - TRUSTEE HBL MULTI - ASSET FUND (CDC)	167,000	0.0419
26	CDC - TRUSTEE KSE MEEZAN INDEX FUND (CDC)	195,500	0.0491
27	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND (CDC)	275,000	0.0691
28	CDC - TRUSTEE MCB PAKISTAN ISLAMIC STOCK FUND (CDC)	150,000	0.0377
29	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND (CDC)	1,500,000	0.3767
30	CDC - TRUSTEE MEZAN BALANCED FUND (CDC)	599,000	0.1504
31	CDC - TRUSTEE MEZAN ISLAMIC FUND (CDC)	6,457,500	1.6219
32	CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND (CDC)	586,000	0.1472
33	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - I (CDC)	239,500	0.0602
34	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II (CDC)	244,500	0.0614
35	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND (CDC)	812,000	0.2039
36	CDC - TRUSTEE NAFA MULTI ASSET FUND (CDC)	216,000	0.0543
37	CDC - TRUSTEE NAFA STOCK FUND (CDC)	1,700,500	0.4271
38	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND (CDC)	112,500	0.0283
39	CDC - TRUSTEE PICIC INCOME FUND - MT (CDC)	951,700	0.2390
40	CDC - TRUSTEE PIML ISLAMIC EQUITY FUND (CDC)	162,000	0.0407
41	CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND (CDC)	201,000	0.0505
42	CDC - TRUSTEE PIML VALUE EQUITY FUND (CDC)	155,000	0.0389
43	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND (CDC)	417,500	0.1049
44	CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND (CDC)	30,000	0.0075
45	CDC-TRUSTEE HBL ISLAMIC STOCK FUND (CDC)	319,500	0.0802
46	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND (CDC)	191,500	0.0481
47	CDC-TRUSTEE PAK. INT. ELEMENT ISLAMIC ASSET ALLOCATION FUND (CDC)	75,000	0.0188
48	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND (CDC)	450,000	0.1130
49	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND (CDC)	80,000	0.0201
50	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND (CDC)	100,000	0.0251
51	TRUSTEE PAK QATAR FAMILY TAKAFUL LIMITED AGGRESSIVE FUND (CDC)	25,000	0.0063
52	TRUSTEE PAK QATAR FAMILY TAKAFUL LIMITED BALANCED FUND (CDC)	25,000	0.0063

Sr. No.	Name	No. of Shares Held	Percentage
Directors, CEO and their Spouse and Minor Children			
1	MR. M. NASEEM SAIGOL (CDC)	99,924,572	25.0975
2	MR. M. AZAM SAIGOL (CDC)	2,127,440	0.5343
3	MR. MUHAMMAD MURAD SAIGOL	9,937	0.0025
4	MR. MUHAMMAD ZEID YOUSUF SAIGOL	11,799,967	2.9637
5	MR. HAROON AHMED KHAN	9,937	0.0025
6	SYED MANZAR HASSAN	1,633	0.0004
7	MR. MUNAF IBRAHIM	12,511,950	3.1426
8	MRS. AMBER HAROON SAIGOL W/O M. AZAM SAIGOL SAIGOL (CDC)	81,783,627	20.5412
9	MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL (CDC)	3,768,715	0.9466
Executives			
Public Sector Companies & Corporations			
Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds			
		26,148,476	6.5676
Shareholders holding five percent or more voting interest in the listed company			
1	MR. M. NASEEM SAIGOL (CDC)	99,924,572	25.0975
2	MR. AMBER HAROON SAIGOL W/O M. AZAM SAIGOL SAIGOL (CDC)	81,783,627	20.5412
All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:			

Sr. No.	Name	Sale	Purchase
1	MR. M. NASEEM SAIGOL (CDC)	18,000,000	-



# Human Capital



Human Capital is considered as one of most valuable resource at PEL. With significant contributions towards the growth and success of PEL, Human Capital remains one the most important areas of focus as PEL endeavors to ensure acquisition of top talent and provision of best employee development programs, healthy and safe work environment and market commensurate compensation packages.

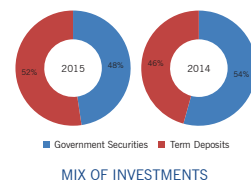
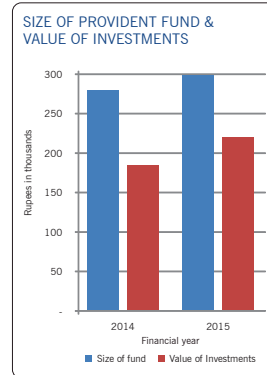
## SUCCESSION PLANNING

In its quest of the Top Talent, PEL has formulated a comprehensive succession plan which includes performance evaluation and appropriate training requirements for development of potential and prospective future leaders. The succession plan allows PEL to ensure availability of competent personnel in each department.

## RETIREMENT BENEFITS

PEL has put in place a retirement benefit plan for its employees, in the form of an approved funded contributory provident fund "Pak Elektron Limited Employees Provident Fund Trust". All employees who have completed a minimum qualifying period of service as defined under the trust are eligible. Equal monthly contributions are made by PEL and employees in accordance with the scheme, to cover the obligation.

Size of the fund as December 31, 2015 stood at Rs. 298.48 million growing by 6.68% as compared to the previous year. Investments of the fund at the close of 2015 are valued at 220.38 million showing an increase of 19.71% over 2014.



Human Capital is considered as one of most **valuable resource** at PEL, with significant contributions towards the **growth** and **success** of PEL.



# Risks and Opportunities

## KEY SOURCES OF UNCERTAINTY

Further, the preparation of financial statements in accordance with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are disclosed in note 2.4 to the annexed financial statements.

## RISK EXPOSURE AND MANAGEMENT

PEL's activities expose it to a variety of risks which are subject to difference levels of uncertainty against which PEL has implemented effective mitigating strategies.

These risks include:

- Strategic risks

- Commercial risks
- Operational risks
- Financial risks
- Reputation risks
- Compliance risks
- Political/ Economic risks.

These risks can emanate from a number of factors including but not limited to uncertainties in financial markets, project failures, legal liabilities, credit risk, accidents and disasters as well as deliberate aggressive actions from an adversary, or uncertain or unpredictable events.

### Risk Governance Structure

PEL's risk management policies are established to identify and analyze the risks faced by PEL, 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 PEL's activities. PEL, 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 PEL's risk management framework. The Board is responsible for developing and monitoring PEL's risk management policies.

The Audit Committee oversees how management monitors compliance with PEL's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by PEL. 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.

The Human Resource & Remuneration Committee focuses on risks in its area of oversight. This includes succession planning with a view to ensure availability of talented functionaries in each area of critical company operations as well as assessment of compensation programs to ensure that they do not escalate corporate risk.

## MATERIALITY APPROACH

Matters are considered to be material, if they, individually or in aggregate, are expected to significantly affect the performance and profitability of the Company.

Powers of the Board of Directors and the management of PEL have been defined with reference to, and in compliance with relevant regulatory framework, the Articles of Association of PEL, guidelines and frameworks issued by professional bodies and best practices.

Determination of materiality levels, other than those provided under the law, is judgemental and varies between organizations.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formal and implemented policies and procedures.

Materiality levels are reviewed on a periodic basis and updated as required.

## IDENTIFIED RISKS AND MITIGATING STRATEGIES

Strategic Risks These risks are associated with operation within a particular industry.		
Identified Risk	Risk level	Mitigating Strategy
Technological shift may render PEL's production process and products obsolete	Moderate	Regular balancing, modernization and replacement carried out at all production facilities in order to ensure state of the art production plants utilizing latest technology resulting in cost efficiencies and improved products.
Commercial Risks These risks stem from commercial substance of the Company		
Identified Risk	Risk level	Mitigating Strategy
Strong market competition lowering demand for PEL's products	Low	PEL holds a considerable market share and has continued focus on sustaining and maintaining its market share through offering new and improved products and effective marketing strategies
Operational Risks These risks are associated with operational and administrative matters		
Identified Risk	Risk level	Mitigating Strategy
Turnover of personnel at critical positions may affect smooth running of operations	Low	PEL has formulated a comprehensive succession plan which includes performance evaluation and appropriate training requirements for development of potential and prospective future leaders.
Breach of IT Security may affect operations and cause financial loss	Low	Adequate IT controls are in place to prevent unauthorized data access to confidential information. Regular IT audits and trainings are conducted to monitor IT controls.
Accidents and disasters, natural or by deliberate actions, may disrupt operations	Low	PEL has put in place a comprehensive Disaster Recovery and Business Continuity Plan which has been implemented at all locations and PEL's staff is fully trained and equipped to recover from any disruption.  Further strict and standard operating procedures are in place and implemented together with employee trainings, operational discipline and regular safety audits.
Reputation Risks These risks originate from the Company's dealing with stakeholders		
Identified Risk	Risk level	Mitigating Strategy
Loss of customer confidence in PEL brand adversely affecting sales	Low	Continued focus on new and improved products and state of the art after sales services to customers
Compliance Risks These risks are associated with laws and regulations applicable to the Company		
Identified Risk	Risk level	Mitigating Strategy
Breach of law resulting fines, penal action or suspension of business operations	Low	Monitoring of latest updates in regulatory framework is carried out to prevent in breach of law. Expert legal advice is obtained before taking any critical decision.



# Risks and Opportunities

## Financial Risks

These include credit risk (risk of loss if a counter-party to a financial instrument fails to meet its contractual obligations), liquidity risk (risk that the Company will not be able to meet its financial obligations when they fall due) and market risk (risk of changes in fair value of financial instruments due to changes in interest rates, equity prices and foreign exchange rates).

Identified Risk	Risk level	Mitigating Strategy
Default by customers causing financial loss	Low	PEL 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 majority of sales to customers are made on specific terms. Customer credit risk is managed by each business unit subject to PEL'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.
Liquidity shortfall resulting in inability to make payments as the fall due	Moderate	The 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 PEL's short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed 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.
Increase in interest rates resulting in high interest costs	Low	PEL manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the management calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

## Political/Economical Risks

This risks emanate from the political and economic environment of the region in which the Company operates

Identified Risk	Risk level	Mitigating Strategy
Volatile law and order situation affecting economy	Low	This risk is beyond control and cannot be mitigated through internal strategies.

WINNERS recognize their LIMITATIONS  
but focus on their STRENGTHS

### STRENGTHS

- Product diversification
- Sufficient production capacity to absorb the increase in volumes
- Technical Collaboration with international reputed organizations
- Latest Technologies
- Excellent labour skills to execute Power Division orders
- Focused Research and Development strategy
- Strong country wide dealers network
- Strong, efficient and broad after sales network

### WEAKNESSES

- The Company has high financial leverage.

### OPPORTUNITIES

- Government has plans to upgrade existing electricity infrastructure resulting into more orders for Power Division.
- A major competitor is winding up its operations from Pakistan. Its market share will be available.
- Appliances market is showing growth.
- Local industry preferential protection in international tenders

### THREATS

- Availability of sufficient working capital
- Law and order situation and political disturbance in the country
- Dependence on WAPDA/DISCOs Financial health
- Devaluation of Pak Rupee
- Change in regulatory frame work

We recognize our weaknesses and stay aware of threats, and focus on making efforts to convert them into strengths and opportunities.

# Corporate Governance

PEL complies with mandatory requirements of the Code of Corporate Governance and makes every effort to adopt other best practices voluntarily with a view to achieve transparency and good governance.

## DIRECTORS' COMPLIANCE STATEMENT UNDER THE CODE OF CORPORATE GOVERNANCE

As required by the Code of Corporate Governance, the Directors are pleased to make their compliance statement as follows:

- The financial statements, prepared by the management of the company, present its state of affairs fairly, 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.

## COMPOSITION OF THE BOARD OF DIRECTORS

In order to ensure transparency, good governance and smooth functioning of the Company's operations, the Company has implemented the regulatory framework in terms of qualification, experience and composition of the Board of Directors as well as awareness of the Board responsibilities. The Board comprises 10 directors effectively representing shareholders' interests. There are 6 non-executive directors including 1 independent director and 3 directors nominated by holders of special interest under Section 182 of the Companies Ordinance, 1984.

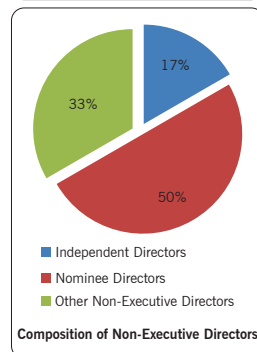
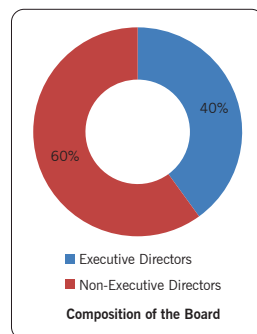
All directors are highly qualified and experienced and come from varied discipline, which enables the Board to carry out effective and efficient decision making. Detailed profile of each member of the Board is presented in 'Governance Section'.

## COMPOSITION OF AUDIT COMMITTEE

The Audit Committee comprises of 4 members out of whom 3 members are non-executive, including the chairman of the committee and 1 independent director. 1 member is a Fellow Chartered Accountant from The Institute of Chartered Accountants of Pakistan providing significant financial and accounting insight to the proceedings of Audit Committee.

## COMPOSITION OF HR AND REMUNERATION COMMITTEE

The HR and Remuneration Committee comprises of 4



members out of whom 3 members are non-executive, including the chairman of the committee.

## MEETINGS OF THE BOARD

The Board of Directors meets at least four times every year as required by the regulatory framework. Special meetings are also called to discuss and decide on important matters as and when required.

The Board met 5 times during the year. The notices, along with agenda, were circulated in a timely manner.

The decisions taken by the Board were clearly documented in the

minutes of meetings maintained by the Company Secretary and were circulated to all directors for endorsement within the stipulated time and were approved by the Board in subsequent meetings.

All Board Meetings held during the year had the requisite quorum as prescribed by Code of Corporate Governance and were also attended by the Chief Financial Officer and Company Secretary.

Name of Directors	Attendance
Mr. M. Naseem Saigol	4
Mr. M. Azam Saigol	2
Mr. M. Murad Saigol	5
Mr. M. Zeid Yousuf Saigol	3
Mr. Haroon Ahmad Khan (resigned on March 31, 2016)	5
Syed Manzar Hassan	5
Mr. Khalid Siddiq Trimizey	3
Syed Zubair Ahmed Shah (resigned on March 31, 2016)	4
Mr. Wajahat A. Baqai	1
Mr. Khadim Hussain (resigned on April 24, 2015)	1
Mr. Usman Shahid (appointed on April 24, 2015)	3
Mr. Akbar Hasan Khan (resigned on March 31, 2016)	4
Mr. Munaf Ibrahim (resigned on March 31, 2016)	2
Mr. Asad Ullah Khawaja (appointed on March 31, 2016)	-
Sheikh Muhammad Shakeel (appointed on March 31, 2016)	-

## BOARD MEETINGS HELD OUTSIDE PAKISTAN

No Board Meetings were held outside Pakistan during the year.

## ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Each member of the Board is fully aware of his responsibilities as an individual member as well as the responsibilities of all members together as a board.

The Board actively participates in all major decisions of the Company including appointment approval of capital expenditure budgets, investments, issuance of equity and debt capital, related party transactions and appointment of key personnel.

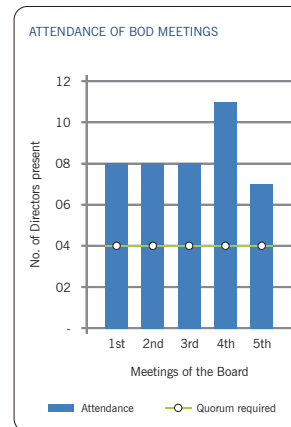
The Board also monitors the Company's operations by approval of financial statements, review of internal and external audit observations, if any and recommendation of dividend.

The Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit Department which continuously monitors adherence to Company Policies.

## CHANGES TO THE BOARD

During the year, one of our fellow directors, Mr. Khadim Hussain appointed under Section 182 of the Companies Ordinance, 1984 by National Bank of Pakistan was replaced by Mr. Usman Shahid.

We would like to record our



appreciation for the invaluable Contributions made by Mr. Khadim Hussain and welcome Mr. Usman Shahid on the Board. We are positive that this change will bring new vision and spirit to the Company and the members will continue to work cohesively as a team and generate new ideas for the Company's progress.

## DIRECTORS' REMUNERATION

There are formal and transparent procedures for fixing the remuneration of directors and no director is involved in deciding his own remuneration. Remuneration levels are kept at a reasonable level in order to attract and retain directors, however, it is ensured that these are not kept at level that could compromise independence.

# Corporate Governance

## OFFICE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The office of Chairman and that of the Chief Executive Officer of the Company are held separately, as part of the Company's governance structure, with clear division of roles and responsibilities.

## ROLES AND RESPONSIBILITIES THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman acts as the head of the Board and is responsible for assessing and making recommendations regarding effectiveness of the Board and ensuring effective role of the Board in fulfilling all its responsibilities and has the power to set agendas, give directions and sign the minutes of Board meetings.

The Chief Executive Officer is an executive director who also acts as the head of the Company's management and implements the policies delegated by the Board within the limits prescribed.

The main responsibilities of the Chief Executive Officer include:

- Safeguarding the Company's assets
- Creation of shareholder value
- Identification of potential diversification/investment projects
- Implementation of projects approved by the Board
- Ensuring effective functioning of the internal control system
- Identifying risks and designing mitigation strategies

- Development of human capital and good investors' relations
- Compliance with regulations and best practices.

## ANNUAL EVALUATION OF BOARD'S PERFORMANCE

PEL has put in place a comprehensive mechanism for undertaking annual evaluation of the performance of the Board of Directors in accordance with the requirement of the Code of Corporate Governance.

The mechanism evaluates the performance of the Board on the following parameters:

- Board composition, organization and scope
- Board functions and responsibilities
- Monitoring of Company's performance

Evaluation forms and checklists are circulated to all members of the Board and each member is required to submit the same duly filled to the Company Secretary.

The results are consolidated and discussed in the next meeting to formulate a strategy for improvement in Board's performance.

## CEO PERFORMANCE REVIEW BY THE BOARD

As required by law, the appointment of CEO is approved by the Board of Directors for period of 3 years.

Performance of the CEO is reviewed annually with regard to his roles and responsibilities, including those assigned by statute.

CEO's achievements for the year

2015 are evidenced by growth in revenue and profitability.

## FORMAL ORIENTATION AT INDUCTION

New members of the Board are taken through a detailed orientation process at the time of induction. The orientation process involves a familiarization program which mainly features the following:

- Vision, mission, core values and strategies and stakeholders.
- Significant policies
- Summary of financial position
- Risks exposure and management
- Critical performance indicators
- Roles and responsibilities of director under the statute
- Expectations from the Board
- Facets of business including strategic plans, forecasts, minutes of past meetings and litigations.

## DIRECTORS' TRAINING PROGRAM

The following directors have obtained certification under the Directors' Training Program from SECP approved institutes in accordance with requirements of the Code of Corporate Governance:

1. Mr. Murad Sagol
2. Muhammad Zeid Yousuf Saigol
3. Sheikh Muhammad Shakeel

Certifications of the remaining members of the Board are expected to be completed in 2016.

## ETHICS AND COMPLIANCE

At PEL, high level of ethical behaviour in all aspects of business conduct and decision making is ensured. In compliance with the Code of Corporate Governance, Code of Conduct and ethical principles have been formulated and disseminated to all employees. Proper systems and controls are in place for identification and redress of grievances arising as a result of any unethical practice.

## CONFLICT OF INTEREST AMONG MEMBERS OF THE BOARD

In order to avoid known or perceived conflicts of interests, PEL has employed, in addition to compliance of regulatory requirements, a formal Code of Business Ethics, for formal disclosure of vested interests if any.

While all the directors exercise their due rights of participation in Board proceedings, which are generally undertaken through consensus, concerns of the Board members on any agenda point are duly noted in the minutes of the proceedings for further evaluation of actual existence in addition to quantification of any conflict of interest before finalization of any agenda point.

## IT GOVERNANCE POLICY

Keeping in view the impact of information technology on shareholders' value and returns, information technology governance at PEL provides advice, oversight and contributes to the overall strategic decision making by the management. PEL is focused on implementing the best and latest IT technologies and infrastructure to enable efficient and timely decision

making, in addition to economizing on the costs related to operating and decision making processes.

PEL's IT Governance Model encompasses:

- Strategic planning and administration of IT infrastructure including capital expenditure need assessment and cost evaluation.
- Risk management includes risk identification, probability, severity, and the mitigation plan.
- The adoption of new ideas and techniques to accelerate the performance in terms of productivity and cost control.
- Efficient and economic delivery of IT services.
- Identification of key processes for value addition.
- Provision of critical reports and dash boards for decision making.

## WHISTLE BLOWING POLICY

PEL ensures accountability and integrity in conduct, by devising a transparent and effective whistle blowing mechanism for sounding of alerts against deviations from policies, controls, applicable regulations, or violation of the code of professional ethics / conduct.

The Whistle Blowing Policy is applicable to all employees, management and the Board and extends to every individual associated with the Company including contractors, suppliers, business partners and shareholders etc., who can participate effectively and in confidentiality, without fear of reprisal or repercussions. The

employees are required to report concerns directly to immediate supervisors, except where, reporting to supervisors is impracticable, in which case, the level may be raised to the senior management.

The purpose of this policy is to encourage all stakeholders to raise questions and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

The Policy covers unethical conduct, offence, breach of law or failure to comply with legal obligations and possible fraud / corruption. Due emphasis has also been placed on health, safety and environmental risks. Inappropriate or malicious reporting leading to wrongful convictions have been specifically forbidden, with clear definition of consequences for the persons making wrongful accusations.

No material incidence was reported to the Audit Committee during the year regarding improprieties in financial, operating, legal or other matters. All minor events requiring management's attention were duly addressed with dissemination of messages across the Company for avoidance of such incidents in the future.

## HUMAN RESOURCE MANAGEMENT POLICY & SUCCESSION PLANNING

PEL attracts the finest talent for induction in all functions of the Company and ensures provision of a conducive environment to stimulate performance, in addition to market commensurate remuneration to retain quality

# Corporate Governance

workforce, and developing and refining their abilities for prospective leadership roles.

The Company also ensures availability of competent personnel in each department through a comprehensive Succession Plan, carried out in terms of an individual's potential, qualification, period of service and professional attitude amongst other criteria. The succession policy is updated periodically in line with the Company's requirements and career development objectives.

## SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

PEL is committed to act responsibly towards the community and environment for our mutual benefit as PEL believes that the success of the Company emanates from the development of the community. Our Social and Environmental practices have been elaborated in the section relating to 'Corporate Social Responsibility', with the following distinct features:

- Community investment & welfare schemes
- Rural development programmes
- Corporate Social Responsibility
- Environmental protection measures
- Occupational health & safety
- Business ethics & anti-corruption measures
- Consumer protection measures
- Energy conservation
- Industrial relations
- Employment of special persons

- National cause donations
- Contribution to National Exchequer

## INVESTORS' GRIEVANCE POLICY

The Company believes in allowing full access to all shareholders including potential investors, to call for information or detail on Company operations, in addition to details relating to his/her specific investment, dividend distribution or circulation of regulatory publications by the Company, with endeavours for prompt provision of information or resolution of query/grievance in accordance with the statutory guidelines.

Investor grievances are managed centrally by the Corporate Affairs Department, through an effective grievance management mechanism for handling of investor queries and complaints, through the following key measures:

- Increasing the investor's awareness relating to modes for filing of queries handling of investor grievances in a timely manner
- Grievances are handled honestly and in good faith by PEL employees and without prejudice
- Any grievances requiring attention of the management or the Board of Directors, are escalated to the appropriate levels with full facts of the case, for judicious settlement of the grievance
- Investigations are also carried out to inquire whether the cause of the grievance was a weakness in the system or negligence/willful act on part of any employee

- Appropriate remedial action is taken immediately to ensure avoidance in the future.

## STAKEHOLDERS' ENGAGEMENT

The development of sustained stakeholder relationships is paramount to the performance of any company. From short term assessments to longer term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Company.

The frequency of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, contractual obligations or on requirements basis.

Page 24 of the Annual Report 2015 elaborates on the mode of engagement in addition to the impact of each of the following stakeholders on Company's operations:

- Institutional Investors / Shareholders
- Customers and Suppliers
- Banks and other lenders
- Media
- Regulators
- Analysts
- Employees
- Local community and general public

## INVESTORS' SECTION ON PEL WEBSITE

Detailed Company information regarding financial highlights, investor information, share pattern/value and other requisite

information specified under the relevant regulations, has been placed on the corporate website of the Company, www.pel.com.pk, which is updated on regular basis.

## POLICY FOR SAFETY OF RECORDS

The Company has established a policy for preservation of records in line with good governance practice.

These records include books of account, documentation pertaining to secretarial, legal, contractual, taxation and other matters, which have been archived where needed, in a well preserved and secure manner.

The main objectives this policy are:

- To ensure that the Company's records are created, managed, retained and disposed off in an effective and efficient manner;
- To ensure preservation of the Company's records of permanent value to support both protection of privacy and freedom of information;
- To ensure that information is held as long as required to meet legal, administrative, operational and other requirements of the Company.

These objectives are achieved through implementation of access controls, on-site and off-site backups, determination of responsibilities for all Company departments for safeguarding of their respective records and implementing mechanism for reporting of breach of security or damage of record to the management.

## ISSUES RAISED AT LAST AGM

No issues were raised at the last AGM held on April 27, 2015.

## TRADING IN SHARES BY DIRECTORS AND EXECUTIVES

Mr. M. Naseem Saigol sold 18,000,000 shares of PEL during the year. Besides this, no other trading was conducted by the directors, executives and their spouses and minor children.

No trading was conducted by directors, executives, their spouses and minor children in the shares of PEL during the year.

## REVIEW OF RELATED PARTY TRANSACTIONS

Details of all related party transactions are placed before the Audit Committee and upon recommendations of the Audit Committee, the same are placed before the Board for review and approval in accordance with requirements of the Code of Corporate Governance.

## INTERIM FINANCIAL REPORTING

Periodic financial statements of the Company during the year 2015 were circulated to directors, duly endorsed by the CEO and the Chief Financial Officer. Quarterly financial statements of the Company, were approved, published and circulated to shareholders within one month of closing date, while half yearly financial statements were reviewed by external auditors of the Company, approved by the Board, published and circulated to shareholders within the permitted time of two months after the period end.

## AUDITORS

Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have completed the annual audit of PEL for the year ended December 31, 2015 and have issued an unqualified report.

They will retire at the conclusion of the forthcoming AGM, and being eligible, have offered themselves for reappointment for the year ending December 31, 2016.

The Board of Directors on the suggestion of the Audit Committee has recommended their re-appointment as auditors of the PEL for the year ending December 31, 2016 at a fee to be mutually agreed.



# Information Technology



Information Technology has grown to permeate the business world, affecting how companies make and market their products as well as how people communicate and accomplish their jobs. The need for IT governance has also become pivotal towards organization sustenance and growth.

At PEL, IT Governance provides a framework that is aimed at IT strategy about IT infrastructure, risks management, deployment of new techniques and ideas as well as delivery of IT services in an efficient and economical way.

PEL remains focused on continuous exploration of best technologies and infrastructure, to enable efficient and timely decision making, in addition to economizing on the cost related to operating and decision making process.

## REVIEW OF BUSINESS CONTINUITY AND DISASTER RECOVERY PLANNING BY THE BOARD

PEL has implemented an effective Disaster Recovery System, for sustained business operations in the event of a disruption or disaster.

### Business Continuity Planning

Recognizing the critical importance of technological dominance, extreme competition and sustained/continued business operations, PEL has undertaken measures to enhance its capacity to survive against disruptions/calamities.

Business Continuity Planning instills employee satisfaction, inculcates confidence of customers as well as investors in business and helps protect PEL's image, brand and reputation.

### Disaster Recovery Planning

As part of BCP, a Disaster Recovery site (DR) has been established to further strengthen the availability of IT/Oracle services in case of a disaster.

The site hosts backup servers for shifting of services during a disaster. A comprehensive set of policies and procedures, including responsibilities and actions to recover computer, communications and network environment in the event of an unexpected interruption, have been implemented to ensure a hassle free movement of data from primary site to DR site.

### Safety and security of IT record

Safety and security of IT records is ensured through effective implementation of the Company's policy for Safety of Records, which has been elaborated on page 73.



# Corporate Social Responsibility

Every citizen is responsible for putting the smile curl upon the lips of deprived ones. Euphoria finds its way back to us when we spread joy. The satisfaction of heart upon spreading optimism is priceless. As without a sense of caring there can be no sense of community.

PEL is committed towards playing its part in bringing positive changes in the society and bridging the gap between where the community stands now and where it should be.

## CORPORATE/SOCIAL RESPONSIBILITY INITIATIVES

PEL has a long term affiliation with work towards fulfilling the needs of the underprivileged class of community. A few of social welfare initiatives taken by PEL in 2015 can be glimpsed below:

### Career Counseling at TCF schools

PEL in collaboration with TCF, took the initiative to provide

career counseling for school going children by participating in "Rahbar Program". Our employees volunteered and enthusiastically participated in "Rahbar sessions". Each volunteer was assigned to mentor a group of 5-7 students in a particular school for the entire duration of the program.

Volunteers were engaged for 7 consecutive Saturdays in various sessions with students. These programs provided a platform to professionals from the business world to interact with school youngsters and guide them towards a prosperous professional career.

PEL also arranged a corporate Exposure Trip for two TCF schools to help the students understand the significance of engineering in everyday life. The students were introduced with different disciplines of engineering during their tour in production halls of Switchgear and Deep Freezers by tenured engineers.

### Women Empowerment

International Women's Day was celebrated at PEL as a gesture to show that PEL highly endorses the idea of women empowerment. Moreover, its purpose was to engage the dynamic talents of female staff in productive accomplishments of workforce. Worthy guest speakers, Miss Andleeb Abbas (Owner of FranklinConey Pakistan and CEO IMS Knowledge), Mrs. Samreen Hasan (GM Finance Shapes), Miss Asma Arslan (Creative Group Head Red Communication Arts) and Mrs. Mehreen Syeda (Production and Planning Engineer PEL) were invited to share experiences from their respective trajectories of success. These motivational talks perked up the female staff and inspired them to never let go off their dreams. As it was a day to encourage women, the female employees were also invited to speak their hearts out and share



# Corporate Social Responsibility

their concerns regarding their employment. They pointed out the lack of Transportation facility and a Day Care Center as their major concern being working women.

## Eid Drive at Fountain House

In the Holy month of Ramzan, organization wide Eid Drive was carried out for Fountain House to share the happiness with mentally challenged people on the festive occasion of Eid-ul-Fitr. Employees from different departments contributed materially in the Eid Drive. Volunteers from the company visited the Fountain Home and distributed Eid gifts and snacks, spreading happiness among 220 members. A little function was organized by Fountain house staff which encouraged the Fountain House residents to come up in front of an audience and share their hidden talents, such as recitation of Naat etc. Moreover, a donation of 2 lac rupees was given to Fountain House for its welfare by PEL.

## Education for under privileged with Care Foundation

Care foundation is one of the non-profit organizations that PEL is partnering with to contribute towards the betterment of society. PEL has always provided required funding to achieve the mission of making education accessible to underprivileged kids of the community. Every year Care Foundation arranges trips for its school children. Besides recreational activity another purpose of such trips is to broaden the horizon and knowledge of kids regarding historic places of Pakistan. PEL provided travelling facility for the trip to Jallo Park, which was highly appreciated by the students.

## Miscellaneous

We play an active role in vocational training of skilled and semi-skilled workforce through Youth Internship Program, which is conducted in collaboration with the Government of Punjab.

PEL also offers a dynamic, project-based Summer Internship Program to around 400 students each year to university students, and in doing so, is trying to bridge the gap between industry and academia. Other sponsorships include Drama Fest at Lahore University of Management Sciences (LUMS) and Film Festival in various universities like FAST-NU and Ghulam Ishaque Khan Institute, National University of Sciences and Technology (NUST). PEL is also an active member of the Management Association of Pakistan, a forum where companies can share their best practices of good corporate governance.

## ENERGY CONSERVATION

PEL recognizes the importance of efficient use of limited energy resources and responsible use of energy resources remains a priority at PEL.

PEL has also developed an Energy Information System to help identify energy losses at PEL's production units and those associated with PEL's products. The system helps addressing abnormalities in the system and enables PEL to defined benchmarks for energy consumption per product thereby improving energy consumption at PEL's production units

## ENVIRONMENTAL PROTECTION MEASURES

PEL strives for environmental

protection through adoption of cleaner technologies and processes.

Third party inspections of transformer oil storage tanks are carried out to ensure that the risk of spillage is minimized and all oil containing reservoirs are fit for storage.

## MITIGATING THE ADVERSE IMPACT OF INDUSTRIAL EFFLUENTS

There are no industrial effluents at PEL's plants that might adversely impact the environment.

## COMMUNITY INVESTMENT & WELFARE

Keeping in perspective the need for motivational packages, PEL has introduced an innovative form of compensation to its employees. On an annual basis, Lucky Draw is held for all the employees of PEL who have been with the company for a minimum duration of five years. Ten lucky individuals are selected to perform the noble cause of Hajj and their entire expenses in this regard are borne by PEL.

## CONSUMER PROTECTION MEASURES

The requirement for protection of consumer rights and interests is greatly valued at PEL. For this, an effective system has been put in place to ensure the consumer interests are safeguarded.

Our extensive dealer network ensures that our products are available throughout the country. Well trained officers employed at established and strategically located regional offices handle customers complaints and simultaneously provide guidance



Business has a Responsibility to give back to the Community.



# Corporate Social Responsibility

to consumers. Customers are provided business related information regularly so that they remain abreast with latest products. Regular customer satisfaction surveys are conducted to gain customer feedback.

## PRODUCT QUALITY ASSURANCE PROCEDURES

PEL continues to be a quality conscious manufacturer with quality checks at incoming, in-process and final stages.

The Company has implemented an extensive and effective quality assurance system for its products, as detailed in 'Market Overview' section.

## INDUSTRIAL RELATIONS

PEL recognizes importance of good and positive relations with its employees and has put in place an effective system to ensure that a mutual beneficial relationship is maintained. Salient features of this system include providing conducive working environment, appropriate pay packages, rewards for performance with discrimination and special incentives for maintenance of industrial peace.

## EMPLOYMENT OF SPECIAL PERSONS

PEL considers it a social and moral responsibility to accommodate special persons and ensure that there are ample opportunities for their hiring and retention.

Special efforts are made for training and development of special persons to enable them to compete with others and to provide equal incentives for career growth and development

without discrimination.

## OCCUPATIONAL HEALTH AND SAFETY

At PEL we are committed to maintaining a safe and healthy working environment for our employees.

The Quality, Health, Safety and Environment (QHSE) department of PEL is always striving to improve the work environment by taking regular measures. Some of these measures taken during the year are as follows;

### Cultural Drives

Several awareness sessions were conducted in which workers were educated about how to tackle undesired situations at workplace. The basic purpose was to inculcate the importance and accentuate company-wide culture of quality processes along with healthy and safe environment and motivate workers to work together for its achievement. It was emphasized that healthy and safe work environment is created by avoiding unsafe acts by every individual - one small mistake can lead to disasters.

### Preparing for Emergency Situations

Awareness sessions are frequently held internally by QHSE department in collaboration with Rescue 1122 trainers. During these sessions lectures are delivered about how to provide first aid and safety precautions in case of fire, unconsciousness, cardiac arrest and so forth along with practical demonstration.

### Load Testing of Overhead Cranes

Load testing helps in ensuring proper balance of instruments followed by Non-Destructive

Activities. Deteriorated parts of overhead cranes can be hazardous for the employees. Thus, the QHSE department carried out first phase of load testing inspection of overhead cranes through an independent third party.

## BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

PEL ensures ethical compliance with all regulatory and governing bodies while conducting its operations. The Company has formulated a number of policies including Code of Conduct, Whistle Blowing Policy and Sexual Harassment. Effective implementation of these policies is continuously monitored to ensure fairness and honesty in all business practices and activities, by all PEL functions.

## NATIONAL CAUSE DONATIONS

PEL makes generous donations for national cause on a regular basis.

## CONTRIBUTION TO NATIONAL EXCHEQUER

During the year 2015, PEL contributed Rs. 4,055 million to national exchequer in the form of government levies.

## RURAL DEVELOPMENT PROGRAMS

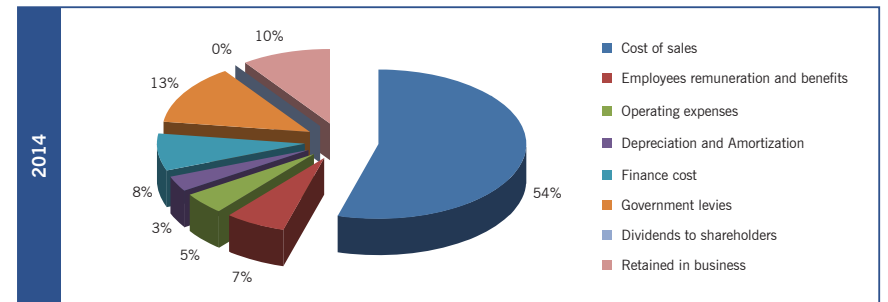
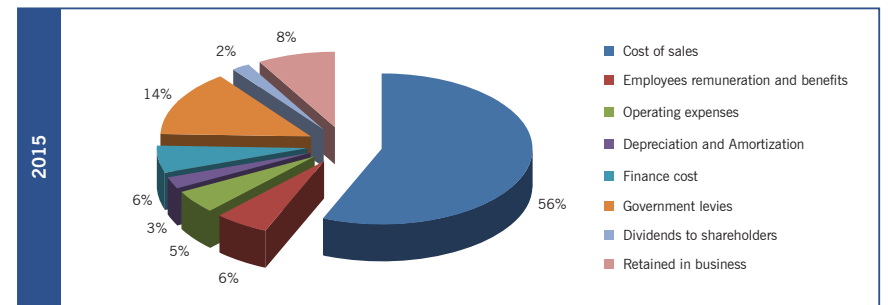
PEL has undertaken establishing a girls' school near Luliani in coordination with a charitable trust by the name of Care Foundation. This will be followed by establishing more schools in other rural areas of the country.

## STATEMENT OF VALUE ADDITION

Rupees in thousands	2015		2014	
<b>Wealth Generated</b>				
Contract Revenue	1,965,455	6.92%	2,842,117	12.27%
Sale of Goods	26,398,744	92.95%	20,293,072	87.59%
Other income	35,868	0.13%	32,483	0.14%
<b>Total Wealth Generated</b>	<b>28,400,067</b>	<b>100.00%</b>	<b>23,167,672</b>	<b>100.00%</b>

## Wealth Distributed

Cost of sales	16,026,136	56.43%	12,613,266	54.44%
Employees remuneration and benefits	1,644,484	5.79%	1,515,747	6.54%
Operating expenses	1,388,402	4.89%	1,114,824	4.81%
Depreciation and Amortization	745,429	2.62%	756,416	3.26%
Finance cost	1,660,430	5.85%	1,890,478	8.16%
Government levies	4,055,165	14.28%	3,035,472	13.10%
Dividends to shareholders	497,682	1.75%	-	0.00%
Retained in business	2,382,339	8.39%	2,241,469	9.67%
<b>Total Wealth Distributed</b>	<b>28,400,067</b>	<b>100.00%</b>	<b>23,167,672</b>	<b>100.00%</b>





## Forward Looking Statement

The revival of growth that started in FY14 has accelerated in FY15. Factors contributing to this momentum in growth include the reform initiatives, commitment to calibrated fiscal and monetary management and an overall improvement in macroeconomic situation. The impact of these factors was strengthened by a steep decline in oil prices, rise in foreign exchange buffers, growth in foreign remittances of USD 18.4 billion (USD 15.8 billion - FY14) and proceeds from privatization. Before the present government took office, the ratings of S&P and Moody's were B- with stable outlook and Caa1 with negative outlook, respectively. Both credit rating agencies have upgraded their ratings from stable to positive.

FY15 registered some remarkable achievements: i) Inflation hit the lowest levels of previous years ii) The policy rate decelerated at below 7 percent was the lowest in last 42 years iii) Grading by international rating agencies improved iv) Historical agreement with Chinese Government on China Pak Economic Corridor v) Improved reviews of IMF vi) Decline in unemployment rate from 6.2 to 6.0 percent.

Pakistan's economic growth is expected to further pick up due to

China-Pakistan Economic Corridor (CPEC) which is likely to be the main propeller of economic growth, followed by energy sector projects. Initiation of projects under CPEC worth USD46bn and significant draw down under the 'early harvest project' program worth USD28bn over CY16-CY18 is expected to pave the way for a notable jump in FDI in following years. In addition to core CPEC related FDI, increasing development activity in the country will likely attract further investment from both other multilateral agencies and regional countries. In this regard, recent deals/MoUs initiated include: i) Pakistan-Qatar LNG deal worth USD 16bn ii) Signing of agreement with UAE to setup an oil refinery worth USD 500 million and iii) Signing of agreement with Russia to setup gas pipeline worth USD2.0bn, can be perceived as a start to revived confidence of foreign investors in Pakistan. Moreover, with Pakistan GDP expected to surpass 5.0% over the next three years, growing economic activity will further support the uptrend in FDI.

Hence the improvement in macroeconomic indicators coupled with growing consumer prosperity, corroborates

management's conviction that appliances business shall grow in the future. Appliance division is not only growing market share of its existing products but also aims to expand its product range. The division is also actively focusing on consumer needs with improved product quality, aesthetics, brand equity and after sale service.

Government's initiatives in the energy sector in light of recent energy deals signed, policies for IPPs and above all, CPEC will create a pool of opportunities for PEL's power products and your Company is well positioned to grab these opportunities. The Company is also actively supporting Government's efforts to overcome the energy crises by offering related and improved products as per the Government's requirement. EPC Division is also on a growth track due to the increase in housing Sector schemes and upgrading of grid stations.

M. Murad Saigol  
Chief Executive Officer  
Lahore  
March 31, 2016

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# Corporate Governance

# Statement of Compliance

## with best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Rule 5.19 under Rule Book of Pakistan Stock Exchange Limited 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 of Corporate Governance (CCG) 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:

Category	Names
Independent Director	Mr. Asad Ullah Khawaja Mr. Munaf Ibrahim* Syed Zubair Ahmad Shah*
Executive Director	Mr. M. Naseem Saigol Mr. M. Murad Saigol Mr. M. Zeid Yousuf Saigol Syed Manzar Hassan Haroon Ahmad Khan*
Non-Executive Director	Mr. M. Azam Saigol Mr. Wajahat A. Baqai Sheikh Muhamamd Shakeel Mr. Usman Shahid Mr. Khalid Siddiq Tirmizey Mr. Khadim Hussain** Mr. Akbar Hasan Khan*

\* resigned on March 31, 2016

\*\* resigned on April 24, 2015

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the CCG.

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 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 that stock exchange.
4. One casual vacancy occurred in the Board on 24 April 2015 was filled up by the Board of Directors on the same day.
5. The Company has prepared a "Code of Conduct" and has ensured 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, other executive and non-executive directors, have been taken by the Board/shareholders.
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 and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one training program 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 Director's report for this year has been prepared in compliance with the requirements of the CCG 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 CCG.

15. The Board has formed an audit committee. It comprises of 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.
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 CCG. 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. Its comprises 4 members, of whom 3 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.
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 ICAP, 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 ICAP.

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 to the announcement of interim/final results, and business decisions, 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  
March 31, 2016

M. Muard Saigol  
Chief Executive Officer



# Review Report to the Members

## on the Statement of Compliance with best practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Pak Elektron Limited (the Company)** for the year ended **31 December 2015** to comply with the Rule Book of Pakistan Stock Exchange Limited (formerly known as Karachi, Lahore and Islamabad Stock Exchanges), where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not. Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2015.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
*Chartered Accountants*

Engagement Partner: **ZUBAIR IRFAN MALIK**

Date: **MARCH 31, 2016**  
Place: **LAHORE**

**Consolidated  
Financial Statements**

## Auditors' Report to the Members

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, 2015 and the related consolidated profit and loss account/ 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 Pak Elektron Limited and its subsidiary company namely PEL Marketing (Private) Limited for the year ended December 31, 2015. 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 and accordingly included such test 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, 2015 and the results of its operations for the year then ended.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
*Chartered Accountants*

Engagement Partner: **ZUBAIR IRFAN MALIK**

Date: **MARCH 31, 2016**  
Place: **LAHORE**

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# CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

Rupees in thousands	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital	6	6,000,000	6,000,000
Issued, subscribed and paid-up capital	7	4,431,029	4,431,029
Capital reserve	8	1,293,858	1,293,858
Accumulated profit		7,891,437	5,301,554
<b>TOTAL EQUITY</b>		<b>13,616,324</b>	11,026,441
<b>ADVANCES AGAINST ISSUE OF ORDINARY SHARES</b>	9	<b>1,575,252</b>	-
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	10	<b>4,804,200</b>	4,568,357
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital	11	3,879,209	4,826,469
Long term finances	12	2,186,511	2,442,807
Liabilities against assets subject to finance lease	13	61,349	74,715
Deferred taxation	14	2,261,892	2,394,344
Deferred income	15	42,900	45,158
		<b>8,431,861</b>	9,783,493
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	815,179	881,429
Accrued interest/mark-up		260,904	500,528
Short term borrowings	17	4,668,901	4,243,261
Current portion of non-current liabilities	18	1,976,655	1,523,155
		<b>7,721,639</b>	7,148,373
<b>TOTAL LIABILITIES</b>		<b>16,153,500</b>	16,931,866
<b>CONTINGENCIES AND COMMITMENTS</b>	19		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,149,276</b>	32,526,664

The annexed notes from 1 to 60 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

Rupees in thousands	Note	2015	2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	20	15,509,612	14,466,890
Intangible assets	21	338,321	344,008
Long term investments	22	8,906	63,890
Long term deposits	23	289,784	192,808
Long term advances	24	571,991	-
		<b>16,718,614</b>	15,067,596
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	25	793,379	462,140
Stock in trade	26	6,181,986	6,316,868
Trade debts	27	7,700,373	7,123,859
Due against construction work in progress - unsecured, considered good	28	1,023,647	1,004,864
Short term advances	29	913,881	829,649
Short term deposits and prepayments	30	1,331,229	853,209
Other receivables		390,118	187,730
Short term investments	31	85,524	21,596
Advance income tax	32	432,838	319,067
Cash and bank balances	33	577,687	340,086
		<b>19,430,662</b>	17,459,068
<b>TOTAL ASSETS</b>		<b>36,149,276</b>	32,526,664

SYED MANZAR HASSAN  
Director

## CONSOLIDATED PROFIT AND LOSS ACCOUNT/STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

Rupees in thousands	Note	2015	2014
<b>Revenue</b>	34	<b>29,323,348</b>	24,125,716
Sales tax and discount	34	(4,201,081)	(3,607,686)
<b>Revenue - net</b>		<b>25,122,267</b>	20,518,030
Cost of sales	35	(17,688,038)	(14,208,775)
<b>Gross profit</b>		<b>7,434,229</b>	6,309,255
Other income	36	<b>35,868</b>	32,483
Distribution cost	37	(1,331,075)	(1,089,521)
Administrative and general expenses	38	(758,487)	(689,570)
Other expenses	39	(187,582)	(113,604)
		(2,277,144)	(1,892,695)
<b>Operating profit</b>		<b>5,192,953</b>	4,449,043
Finance cost	40	(1,665,305)	(1,892,828)
		<b>3,527,648</b>	2,556,215
<b>Share of loss of associate</b>	22.1.1	<b>(13,485)</b>	(10,924)
<b>Profit before taxation</b>		<b>3,514,163</b>	2,545,291
Taxation	41	(634,142)	(303,822)
<b>Profit after taxation</b>		<b>2,880,021</b>	2,241,469
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>2,880,021</b>	2,241,469
<b>Earnings per share - basic and diluted</b>	42	<b>7.13</b>	6.61

The annexed notes from 1 to 60 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

SYED MANZAR HASSAN  
Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

Rupees in thousands	Note	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	43	<b>4,184,062</b>	(566,184)
Payments for:			
Interest/markup on borrowings		(1,682,503)	(2,747,954)
Income tax		(436,978)	(170,064)
<b>Net cash generated from/(used in) operating activities</b>		<b>2,064,581</b>	(3,484,202)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,878,365)	(386,819)
Purchase of intangible assets		-	(234)
Proceeds from disposal of property, plant and equipment		125,949	15,744
Long term deposits		(96,976)	(73,131)
Long term advances		(688,000)	-
Acquisition of short term investments		-	(50,219)
Proceeds from disposal of short term investments		-	-
<b>Net cash used in investing activities</b>		<b>(2,537,392)</b>	(494,659)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Advances against issue of ordinary shares		1,575,252	-
Redemption of redeemable capital		(674,491)	-
Long term finances obtained		2,062,633	1,850,000
Repayment of long term finances		(2,147,266)	(272,790)
Proceeds from sale and lease back activities		52,068	100,000
Repayment of liabilities against assets subject to finance lease		(89,847)	(45,826)
Net increase in short term borrowings		425,640	345,301
Proceeds from issue of ordinary shares		-	2,064,458
Dividend paid		(493,577)	-
<b>Net cash generated from financing activities</b>		<b>710,412</b>	4,041,143
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>237,601</b>	62,282
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>340,086</b>	277,804
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	44	<b>577,687</b>	340,086

The annexed notes from 1 to 60 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

SYED MANZAR HASSAN  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

Rupees in thousands	Note	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	Total equity
<b>Balance as at January 01, 2014</b>		3,130,689	529,740	2,885,041	6,545,470
<b>Comprehensive income</b>					
Profit after taxation		-	-	2,241,469	2,241,469
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		-	-	2,241,469	2,241,469
<b>Incremental depreciation</b>	10	-	-	175,044	175,044
<b>Transaction with owners</b>					
Issue of bonus ordinary shares	7.1.1	268,111	(268,111)	-	-
Issue of right ordinary shares	7.1.2	1,032,229	1,032,229	-	2,064,458
		1,300,340	764,118	-	2,064,458
<b>Balance as at December 31, 2014</b>		4,431,029	1,293,858	5,301,554	11,026,441
<b>Balance as at January 01, 2015</b>		4,431,029	1,293,858	5,301,554	11,026,441
<b>Comprehensive income</b>					
Profit after taxation		-	-	2,880,021	2,880,021
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		-	-	2,880,021	2,880,021
<b>Incremental depreciation</b>	10	-	-	207,544	207,544
<b>Transaction with owners</b>					
Interim dividend on ordinary shares @ Rs. 1.25 per share		-	-	(497,682)	(497,682)
<b>Balance as at December 31, 2015</b>		4,431,029	1,293,858	7,891,437	13,616,324

The annexed notes from 1 to 60 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

SYED MANZAR HASSAN  
Director

## NOTES TO AND FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 1 REPORTING ENTITY

The Group comprises of the following;

#### Parent Company

Pak Elektron Limited

#### Subsidiary Company

PEL Marketing (Private) Limited

#### 1.1 Pak Elektron Limited - Parent Company

Pak Elektron Limited ('the Parent Company' or 'PEL') 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 PEL is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. PEL is currently listed on Pakistan Stock Exchange Limited. The principal activity of PEL is manufacturing and sale of electrical capital goods and domestic appliances.

PEL is currently organized into two main operating divisions - Power Division and Appliances Division. PEL'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, deep freezers, air conditioners, microwave ovens, washing machines and other home appliances.

#### 1.2 PEL Marketing (Private) Limited - Subsidiary Company

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

### 2 BASIS OF PREPARATION

#### 2.1 Consolidated financial statements

These financial statements are the consolidated financial statements of the Group comprising Pak Elektron Limited, the Parent Company and PEL Marketing (Private) Limited, the Subsidiary Company.

A parent is an entity that has one or more subsidiaries

A subsidiary is an entity in which the Parent Company directly or indirectly controls, beneficially owns or holds more than fifty percent of the voting securities or otherwise has the power to elect and/or appoint more than fifty percent of its directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment is eliminated against the Parent Company's share in the net assets of the Subsidiary Company.

Inter-company transactions, balances and unrealized gains/losses on transactions between the Parent and Subsidiary have been eliminated. Accounting policies of the Subsidiary Company are same as those of the Parent Company to ensure consistency in accounting treatments of like transactions.

#### 2.2 Statement of compliance

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

#### 2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amounts, certain assets at recoverable amounts, monetary assets and liabilities denominated in foreign currency measured at spot exchange rates and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.



## 2.4 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

### 2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The Group reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Group expects to derive from that item.

### 2.4.2 Recoverable amount and impairment

The management of the Group reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

#### 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.

#### Trade 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.

#### Investments

The Group reviews the carrying amounts of its investments in equity securities for possible indications of impairment. Indicators considered include financial position/credit rating of the investee entity and changes in values of investment by reference to active market, if any.

### 2.4.3 Revaluation of property, plant and equipment

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

### 2.4.4 Taxation

The Group takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

### 2.4.5 Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Group would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

### 2.4.6 Net realizable values

The Group reviews the net realizable values of stock in trade to assess any diminution in the respective carrying amounts. Net realizable value is determined with reference to estimated selling prices less estimated costs necessary to make the sale.

## 2.5 Functional currency

These consolidated financial statements have been prepared in Pak Rupees which is the Group's functional currency.

## 3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR

The following new/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Group or their application does not have any material impact on the financial statements of the Group other than presentation and disclosures

### **IFRS 10 - Consolidated Financial Statements (2011)**

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

### **IFRS 11 - Joint Arrangements (2011)**

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

### **IFRS 12 - Disclosure of Interests in Other Entities (2011)**

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

### **IFRS 13 - Fair Value Measurement (2011)**

The standard establishes a single framework for measuring fair value where that is required by other standards.

### **Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 - Employee benefits)**

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

### **Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)**

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

### **Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)**

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

### **Annual Improvements 2010-2012**

Annual Improvements 2010-2012 cycle makes changes to the following standards:

**IFRS 2 - Share Based Payment:** Amends the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

**IFRS 3 - Business Combinations:** Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**IFRS 8 - Operating Segments:** Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets reported regularly.

**IFRS 13 - Fair Value Measurement:** Clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is still available.

**IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets:** Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**IAS 24 - Related Party Disclosures:** Clarifies how payment to entities providing management services are to be disclosed.

### **Annual Improvements 2011-2013**

Annual Improvements 2011-2013 cycle makes changes to the following standards:

**IFRS 1 - First-time Adoption of International Financial Reporting Standards:** Clarifies which versions of IFRSs can be used on initial adoption.

**IFRS 3 - Business Combinations:** Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13 - Fair Value Measurement:** Clarifies the scope of portfolio exception.

**IAS 40 - Investment Property:** Clarifies the interrelationship with IFRS 3 - Business Combinations when classifying property as investment property or owner-occupied property.

#### 4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Group.

	<b>Effective date (annual periods beginning on or after)</b>
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 - Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures)	Deferred Indefinitely
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Annual Improvements 2012-2014 cycle	January 01, 2016
IFRS 9 - Financial Instruments: Classification and Measurement (2014)	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts (2014)	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 - Leases (2016)	January 01, 2019

The Group intends to adopt these new/revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Group's financial statements other than in presentation/disclosures.

#### **IFRS 9 - Financial Instruments: Classification and Measurement (2014)**

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.

- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

#### **IFRS 15 - Revenue from Contracts with Customers (2014)**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when or as the entity satisfies a performance obligation.

Adoption of this IFRS 15 may result in material adjustment to carrying amounts of contract revenue, expenses, assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

#### **IFRS 16 - Leases (2016)**

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

#### **Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)**

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

#### 5 SIGNIFICANT ACCOUNTING POLICIES

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

##### 5.1 Property, plant and equipment

##### 5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, leasehold land, buildings and plant and machinery. Freehold land, buildings and plant and machinery are measured at revalued amounts less accumulated depreciation and accumulated impairment losses, if any. Leasehold land is measured at historical cost. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

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 operating fixed assets have different useful lives, they are recognized as separate items.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Group and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Group recognizes depreciation in profit or loss by applying reducing balance method, with the exception of computer hardware and allied items, which are depreciated using straight line method, over the useful life of each operating fixed asset using rates specified in note 20 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of changes in equity.

#### 5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

#### 5.2 Intangible assets

##### 5.2.1 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.

##### 5.2.2 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.

##### 5.2.3 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.

#### 5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held for capitalization are classified as property, plant and equipment through capital work in progress.

#### 5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Moving average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

#### 5.5 Employee benefits

##### 5.5.1 Short-term employee benefits

The Group recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

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

##### 5.5.2 Post-employment benefits

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 or loss.

#### 5.6 Financial instruments

##### 5.6.1 Recognition

A financial instrument is recognized when the Group becomes a party to the contractual provisions of the instrument.

##### 5.6.2 Classification

The Group classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Group determines the classification of its financial assets and liabilities at initial recognition.

###### (a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

###### (b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Group manages such assets and evaluates their performance based on their fair value in accordance with the Group's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

###### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Assets in this category are presented as non-current assets except for maturities less than twelve months from the reporting date, where these are presented as current assets.

###### (d) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

##### 5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

**5.6.4 De-recognition**

Financial assets are de-recognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Group's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

**5.6.5 Off-setting**

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

**5.7 Ordinary share capital**

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

**5.8 Preference share capital**

Preference share capital is recognized as equity in accordance with the interpretation of the provision of the Companies Ordinance, 1984, including those pertaining to implied classifications of preference shares.

**5.9 Loans and borrowings**

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

**5.10 Investments in equity securities****Investments in associates**

Investments in associates are accounted for 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 in other quoted equity securities**

These on initial recognition, are designated as 'investments at fair value through profit or loss' and are recognized at cost. Subsequent to initial recognition, these are measured at fair value. Gains and losses arising from changes in fair value are recognized in profit or loss.

**5.11 Investments in debt securities**

Investments in debt securities with fixed or determinable payments and fixed maturity that the Group has positive intention and ability to hold are classified as 'held-to-maturity investments'. These are recognized initially at fair value plus transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of investment on an effective interest basis.

**5.12 Finance leases**

Leases in terms of which the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

**5.13 Ijarah transactions**

Ujarah payments under an Ijarah are recognized as an expense in the profit or loss 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.

**5.14 Trade and other payables****5.14.1 Financial liabilities**

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

**5.14.2 Non-financial liabilities**

These, both on initial recognition and subsequently, are measured at cost.

**5.15 Provisions and contingencies**

Provisions are recognized when the Group has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

**5.16 Trade and other receivables****5.16.1 Financial assets**

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

**5.16.2 Non-financial assets**

These, both on initial recognition and subsequently, are measured at cost.

**5.17 Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

- Revenue from different sources is recognized as follows:
- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.
- Interest income is recognized using effective interest method.
- Dividend income is recognized when right to received payment is established.
- Contract revenue relating to long term construction contracts are recognized as revenue 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.

**5.18 Comprehensive income**

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.



**5.19 Contract costs**

Contract costs relating to long term construction contracts are recognized as expenses by reference to stage of completion of contract activity at the reporting 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.

**5.20 Borrowing costs**

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

**5.21 Income tax**

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

**5.21.1 Current taxation**

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

**5.21.2 Deferred taxation**

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**5.22 Government grants**

Government grants that compensate the Group for expenses or losses already incurred are recognized in profit or loss in the period in which these are received and are deducted in reporting the relevant expenses or losses. Grants relating to property, plant and equipment are recognized as deferred income and an amount equivalent to depreciation charged on such assets is transferred to profit or loss.

**5.23 Earnings per share ('EPS')**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Parent Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**5.24 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are carried at cost.

**5.25 Foreign currency transactions and balances**

Transactions in foreign currency are translated to the functional currency of the Group using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

**5.26 Impairment****5.26.1 Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**5.26.2 Non-financial assets**

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

**5.27 Dividend distribution to ordinary shareholders**

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Group's financial statements in the year in which the dividends are approved by the Group's shareholders.

**5.28 Basis of allocation of common expenses**

Distribution, administrative and finance cost are allocated to PEL Marketing (Private) Limited ('PMPL') on the basis of percentage of operating fixed assets used by PMPL, under the interservices agreement between PEL & PMPL.

**5.29 Warranty costs**

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

**5.30 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 Chief Executive Officer 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 Chief Executive Officer 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.

## 6 AUTHORIZED CAPITAL

2015		2014	
Number of shares		Rupees in thousands	
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000
62,500,000	62,500,000	'A' class preference shares of Rs. 10 each	625,000
37,500,000	37,500,000	'B' class preference shares of Rs. 10 each	375,000
100,000,000	100,000,000		1,000,000
600,000,000	600,000,000		6,000,000

## 7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015		2014	
Number of shares		Rupees in thousands	
<b>Ordinary shares of Rs. 10 each</b>			
273,214,754	273,214,754	Issued for cash	2,732,148
Issued for other than cash:			
137,500	137,500	- against machinery	1,375
408,273	408,273	- against acquisition of PEL Appliances Limited	4,083
6,040,820	6,040,820	- against conversion of preference shares	60,408
118,343,841	118,343,841	- as fully paid bonus shares	1,183,439
398,145,188	398,145,188		3,981,453
<b>'A' class preference shares of Rs. 10 each</b>			
44,957,592	44,957,592	Issued for cash	449,576
443,102,780	443,102,780		4,431,029

### 7.1 Reconciliation between ordinary shares in issue as at the beginning and end of the year is as follows:

Number of shares	Note	2015	2014
As at beginning of the year		398,145,189	268,111,239
Issue of bonus ordinary shares	7.1.1	-	26,811,124
Issue of right ordinary shares	7.1.2	-	103,222,826
As at end of the year		398,145,189	398,145,189

7.1.1 During the year, PEL issued nil (2014: 26,811,124) fully paid bonus ordinary shares at 10 ordinary shares for every 100 ordinary shares already held. The issue was made entirely out of capital reserve. See note 8.

7.1.2 During the year, PEL issued nil (2014: 103,222,826) right ordinary shares at 35 ordinary shares for every 100 ordinary shares already held, at Rs. 20 per ordinary share, including a premium of Rs. 10 per share.

### 7.2 'A' class preference shares

#### 7.2.1 Current status of original issue

PEL, in the December 2004, issued 'A' class preference shares to various institutional investors amounting to Rs. 605 million against

authorized share capital of this class amounting to Rs. 625 million. In January 2010, PEL sent out notices to all preference shareholders seeking conversion of outstanding preference shares into ordinary shares of PEL in accordance with the option available to the investors under the original terms of the issue. As at the reporting date outstanding balance of preference shares amounts to Rs. 449.58 million representing investors who did not opt to convert their holdings into the ordinary shares of PEL. Subsequently, PEL offered re-profiling of preference shareholders to these remaining investors. See note 7.2.2.

The Securities and Exchange Commission of Pakistan ('SECP') issued order to Pakistan Stock Exchange Limited (formerly Lahore Stock Exchange Limited) 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 stay order against the said order of SECP and also directed the exchange not to delist the shares. The matter is pending adjudication to date.

#### 7.2.2 Re-profiling of preference shares

PEL offered re-profiling of shares to preference shareholders, who did not convert their preference shares into ordinary shares in response to the conversion notices issued by PEL. The investors to the instrument have, in principle, agreed to the Re-profiling Term Sheet and commercial terms and conditions therein. SECP has allowed PEL to proceed with the re-profiling subject to fulfillment of legal requirements. The legal documentation was prepared and circulated amongst the concerned investors which was endorsed by the said investors except for National Bank of Pakistan, as a result of which the original time frame for re-profiling has lapsed. PEL is in the process of finalising another reprofiling exercise based on mutual agreement to be made amongst the existing investors.

#### 7.2.3 Accumulated preference dividend

As at reporting date an amount of approximately Rs. 256.259 million (2014: Rs. 213.549 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 under process reprofiling exercise.

As per the opinion of the Group'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.

#### 7.2.4 Classification of preference shares as equity

Preference shares have been classified and treated as part of equity on the following basis:

- These shares were issued under the provisions of section 85 of the Companies Ordinance, 1984 ('the Ordinance') read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The issue was duly approved by the shareholders of PEL in general meeting.
- Return of allotment was filed under section 73(1) of the Ordinance.
- PEL may be required, under the revised terms of reprofiling, to create a Capital Redemption Reserve Fund in accordance with section 85 of the Ordinance.
- The requirements of the Ordinance take precedence over the requirements of International Financial Reporting Standards.

Further, the matter regarding the classification of redeemable preference shares as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan ('ICAP'). ICAP has advised the Securities and Exchange Commission of Pakistan ('SECP') to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Financial Reporting Standards. Pending the decision of SECP in this matter, the preference share capital has been classified as equity in these financial statements.

## 8 CAPITAL RESERVE

This represents premium on issue of ordinary shares. The movement during the year is as follows:

Rupees in thousands	Note	2015	2014
As at beginning of the year		1,293,858	529,740
Recognized during the year	7.1.2	-	1,032,229
Issue of bonus shares	7.1.1	-	(268,111)
As at end of the year		1,293,858	1,293,858

8.1 This represents premium on issue of right ordinary shares recognized under Section 83(1) of the Companies Ordinance, 1984. See note 7.1.2.

8.2 This represents amount of premium applied by PEL in paying up ordinary shares issued as fully paid bonus shares in accordance with Section 83(2)d of the Companies Ordinance, 1984. See note 7.1.1.

**9 ADVANCE AGAINST ISSUE OF ORDINARY SHARES**

These represent advances received against issue of right ordinary shares which are expected to be issued in the ensuing year subject to the relevant corporate and regulatory approvals.

Rupees in thousands	2015	2014
<b>10 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		
As at beginning of the year	4,568,357	4,612,256
Surplus recognized during the year	-	-
Incremental depreciation transferred to accumulated profits	(305,212)	(261,259)
Incremental depreciation for the year	97,668	86,215
Deferred taxation	(207,544)	(175,044)
Other adjustments		
Deferred tax adjustment attributable to changes in proportion of income taxation under final tax regime	379,354	-
Deferred tax adjustment attributable to changes in tax rates	64,033	131,145
	443,387	131,145
As at end of the year	4,804,200	4,568,357

**11 REDEEMABLE CAPITAL - SECURED**

These represent interest/mark-up/profit based debt securities issued to institutional and other investors. The details are as follows:

Description	2015 Rupees in thousands	2014 Rupees in thousands	Pricing	Security	Arrangements and repayment
Sukuk Funds	257,143	514,286	Three months KIBOR plus 1.75% per annum (2014: Three months KIBOR plus 1.75% per annum) subject to floor and cap of 10% and 25% respectively.	Charge on present and future operating fixed assets of PEL.	These were issued for the purpose of refinancing of existing machinery with diminishing musharaka facility. Later, PEL entered into restructuring arrangement, whereby, the outstanding principal was deferred till June 2015 with the outstanding liability payable in six equal quarterly installments commencing from June 2015.
Sukuk Funds	939,375	1,100,000	Three months KIBOR plus 1% per annum (2014: Three months KIBOR plus 1% per annum) subject to floor and cap of 8% and 16% respectively.	Charge on present and future operating fixed assets of PEL.	These were issued for the purpose of refinancing of existing machinery with diminishing musharaka facility. Later, PEL entered into restructuring arrangement, whereby, the outstanding principal was deferred till June 2015 with the outstanding liability payable in sixteen equal quarterly installments commencing from June 2015.
Private Placed Term Finance Certificates	782,738	850,000	Six months KIBOR plus 3% per annum (2014: Six months KIBOR plus 3% per annum).	Charge on present and future operating fixed assets of PEL.	These were issued for the purpose of financing the capacity expansion program of PEL. Later, PEL entered into restructuring arrangement, whereby, the outstanding principal was deferred till June 2015 with the outstanding liability payable in fifty two stepped-up monthly installments commencing from June 2015.
Private Placed Term Finance Certificates	2,976,229	3,165,690	Three months KIBOR plus 2% per annum (2014: Three months KIBOR plus 2% per annum).	Charge on present and future operating fixed assets of PEL.	These were issued on conversion of long term finances and short term borrowings under a broad restructuring agreement between PEL and National bank of Pakistan. Under the arrangement, the issue, to the extent of share of NBP in the issue of Rs. 1,650 million, was to be converted into ordinary and preference shares of PEL to the extent of Rs. 500 million and Rs. 1,150 million respectively, with the remaining issue to be redeemed in twenty four equal quarterly installments with the first redemption due in March 2015. The aforementioned conversion agreement between PEL and National Bank of Pakistan (NBP) has been withdrawn. Following the withdrawal of debt equity swap arrangement, a new redemption plan is yet to be agreed and finalised between PEL and NBP. PEL has proposed to redeem the said issue in eight equal quarterly installments commencing from January 2021.
Total	4,955,485	5,629,976			
Current portion presented under current liabilities	(1,076,274)	(693,507)			
	3,879,209	4,936,469			

**12 LONG TERM FINANCES - SECURED**

These represent long term finances utilized under interest/mark-up/profit arrangements from banking companies and financial institutions. The details are as follows:

Description	2015 Rupees in Thousands	2014 Rupees in Thousands	Pricing	Security	Arrangements and repayment
Term Finance	375,000	450,000	Three months KIBOR plus 3% per annum (2014: Three months KIBOR plus 3% per annum).	Charge over operating fixed assets and receivables PEL, mortgage of PEL's land and personal guarantees sponsoring directors of PEL.	This finance was obtained from Pak Libya Holdings Company (Private) Limited for meeting operational expenses of PEL. Later, PEL entered into restructuring arrangement, whereby, the outstanding principal was deferred till May 2015 with the outstanding liability payable in eighteen equal quarterly installments commencing from May 2015.

Description	2015 Rupees in Thousands	2014 Rupees in Thousands	Pricing	Security	Arrangements and repayment
Term Finance	192,662	467,037	One month KIBOR plus 3.5% per annum (2014: One month KIBOR plus 3.5% per annum).	Charge over operating fixed assets and receivables PEL, mortgage of PEL's land and building and ten over balances in collection accounts and installment reserve accounts.	The finance was obtained from consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited for long term working capital requirements of PEL and has been rescheduled twice after the disbursement. As per the latest arrangement, the finance is repayable in forty eight equal monthly installments starting September 2012.
Term Finance	221,739	273,913	Six months KIBOR plus 3% (2014: six months KIBOR plus 3%) per annum.	Charge on present and future operating fixed assets of PEL.	The finance was obtained from Faysal Bank Limited on conversion of short term borrowings. The finance is repayable in twenty three equal quarterly installments commencing from June 2014.
Term Finance	183,333	200,000	Three months KIBOR plus 3% (2014: three months KIBOR plus 3%) per annum.	Charge on present and future current assets of PEL.	The finance was obtained from Summit Bank Limited on conversion of short term borrowings into long term debt. The finance is repayable in twelve equal quarterly installments commencing from September 2015.
Term Finance	-	1,661,110	Three months KIBOR plus 0.85% (2014: Three months KIBOR plus 0.85%) per annum.	Bank guarantee of Rs. 1,850 million and personal guarantees of sponsoring directors of PEL.	The finance was obtained from NIB Bank Limited for settlement of long term finances obtained from NBP. The finance was repayable in twenty eight stepped-up quarterly installments commencing from April 2014, however the Group has fully repaid the finance during the year.
Term Finance	50,000	50,000	Three months KIBOR plus 1% per annum (2014: Three months KIBOR plus 1% per annum).	Charge over present and future current assets of PEL, mortgage of PEL's land and building.	The finance was obtained from Silk Bank Limited for the purpose of financing capital expenditure. The finance is repayable in bullet on or before March 31, 2016.
Term Finance	500,000	-	Three months KIBOR plus 3% per annum.	Charge over present and future current assets of PEL.	The finance has been obtained from Saudi Pak Industrial and Agricultural Investment Company Limited, for the purpose of long term working capital requirements. The finance is repayable in three semi annual installments commencing from June 2017.
Demand Finance	1,494,693	-	Three months KIBOR plus 2.25% per annum.	Charge over present and future current assets of the Company and personal guarantees of sponsoring directors of PEL.	The finance has been obtained from National Bank of Pakistan for settlement of long term finances obtained from NIB Bank Limited. The finance is repayable in twenty three equal quarterly installments commencing from September 2015.
Total	3,017,427	3,102,060			
Current portion presented under current liabilities	(830,916)	(659,253)			
	2,186,511	2,442,807			

Rupees in thousands	Note	2015	2014
<b>13 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
Present value of minimum lease payments	13.1 & 13.2	130,812	135,110
Current portion presented under current liabilities	13.1 & 13.2	(69,463)	(60,395)
		61,349	74,715

**13.1** These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months to one year KIBOR plus 2% to 5.5% per annum (2014: six months to one year KIBOR plus 2% to 5.8% per annum). Lease rentals are payable monthly over a tenor ranging from 3 to 4 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Group. The Group also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

**13.2** The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

Rupees in thousands	Note	2015	2014
Not later than one year		81,501	75,379
Later than one year but not later than five years		66,733	83,599
<b>Total future minimum lease payments</b>		<b>148,234</b>	<b>158,978</b>
Finance charge allocated to future periods		(17,422)	(23,868)
<b>Present value of future minimum lease payments</b>		<b>130,812</b>	<b>135,110</b>
Not later than one year	18	(69,463)	(60,395)
Later than one year but not later than five years		61,349	74,715

**14 DEFERRED TAXATION**

Deferred tax liability on taxable temporary differences	14.1	2,962,104	3,625,677
Deferred tax asset on deductible temporary differences	14.1	(700,212)	(1,231,333)
		2,261,892	2,394,344

**14.1 Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

Rupees in thousands	2015			
	As at January 01	Recognized in profit or loss	Recognized on balance sheet	As at December 31
<b>Deferred tax liabilities</b>				
Operating fixed assets - owned	3,603,031	(226,816)	(443,387)	2,932,828
Operating fixed assets - leased	22,646	6,630	-	29,276
	3,625,677	(220,186)	(443,387)	2,962,104
<b>Deferred tax assets</b>				
Provisions	(115,144)	(18,598)	-	(133,742)
Unused tax losses and credits	(1,116,189)	549,719	-	(566,470)
	(1,231,333)	531,121	-	(700,212)
	2,394,344	310,935	(443,387)	2,261,892

Rupees in thousands	2014			
	As at January 01	Recognized in profit or loss	Recognized on balance sheet	As at December 31
<b>Deferred tax liabilities</b>				
Operating fixed assets - owned	3,984,329	(250,153)	(131,145)	3,603,031
Operating fixed assets - leased	100,531	(77,885)	-	22,646
	4,084,860	(328,038)	(131,145)	3,625,677
<b>Deferred tax assets</b>				
Provisions	(228,426)	113,282	-	(115,144)
Unused tax losses and credits	(1,429,587)	313,398	-	(1,116,189)
	(1,658,013)	426,680	-	(1,231,333)
	2,426,847	98,642	(131,145)	2,394,344

14.2 Deferred tax has been recognized using tax rate of 32% (2014: 33%) of temporary differences.

Rupees in thousands	2015	2014
<b>15 DEFERRED INCOME</b>		
As at beginning of the year	45,158	47,535
Recognized in profit or loss	(2,258)	(2,377)
As at end of the year	42,900	45,158

15.1 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 PEL for the purpose of phasing out ODS at the Refrigerator and Chest Freezer Plant of PEL. The total grant-in-aid of USD 1,367,633 (Rs. 91,073,838) comprises the capital cost of the project included in fixed assets amounting to USD 1,185,929 (Rs. 79,338,650) and grant recoverable in cash of USD 181,704 (Rs. 11,735,188) being the incremental operating cost for six months.

The grant received 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. 2.258 million (2014: Rs. 2.377 million) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

Rupees in thousands	Note	2015	2014
<b>16 TRADE AND OTHER PAYABLES</b>			
Trade creditors - unsecured		318,331	338,771
Foreign bills payable - secured	16.1	61,553	83,140
Accrued liabilities		156,887	185,245
Advances from customers - unsecured		54,691	108,885
Employees' provident fund		10,234	8,574
Compensated absences		24,740	22,813
Advance against contracts	46	4,312	7,685
Workers' Profit Participation Fund	16.2	102,223	65,004
Workers' Welfare Fund	16.3	71,993	47,137
Unclaimed dividend		4,105	-
Other payables - unsecured		6,110	14,175
		815,179	881,429

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

Rupees in thousands	Note	2015	2014
<b>16.2 Workers' Profit Participation Fund</b>			
As at beginning of the year		65,004	24,676
Interest on fund utilized by the Group	40	4,875	2,350
Charged to profit or loss for the year	39	102,223	65,004
Paid during the year		(69,879)	(27,026)
As at end of the year		102,223	65,004

16.2.1 Interest on fund utilized by the Group has been recognized at 13.22% (2014: 12.5%) per annum.

Rupees in thousands	Note	2015	2014
<b>16.3 Workers' Welfare Fund</b>			
As at beginning of the year		47,137	9,377
Charged to profit or loss for the year	39	71,993	47,137
Paid/adjusted during the year		(47,137)	(9,377)
As at end of the year		71,993	47,137

Rupees in thousands	Note	2015	2014
<b>17 SHORT TERM BORROWINGS</b>			
<b>Secured</b>			
Short term finances utilized under interest/mark-up arrangements from			
- banking companies	17.1	3,704,952	3,890,293
- non banking finance companies	17.2	130,000	230,000
		3,834,952	4,120,293
<b>Unsecured</b>			
Short term finances utilized under interest/mark-up arrangements from			
- non banking finance companies	17.3	748,349	-
Book overdraft	17.5	85,600	122,968
		4,668,901	4,243,261



- 17.1** These facilities have been obtained from various banking companies for working capital requirements and carry interest/mark-up at rates ranging from 8.35% to 13.11% (2014: 11.90% to 13.72%) per annum. These facilities are secured by pledge / hypothecation of raw materials and components, work-in-process, finished goods, machinery, spare parts, charge over book debts, shares of public companies and personal guarantees of the sponsoring directors of PEL. These facilities are generally for a period of one year and renewed at the end of the period.
- 17.2** These facilities have been obtained from NBFCs for purchase of raw material and carry mark-up at rates ranging from 9.33% to 12.43% (2014: 11.33% to 12.43%) per annum. This facility is secured by charge over operating fixed assets of the PEL and personal guarantees of the directors of PEL.
- 17.3** This represent finances obtained against issue of commercial paper to non-banking finance companies and carry mark-up at three months KIBOR plus 2.5% per annum. These are issued at discounted value and redeemable at face value.
- 17.4** The aggregate un-availed short term borrowing facilities as at the reporting date amounts to Rs. 1,705 million (2014: Rs. 940 million).
- 17.5** This represents cheques issued by the Group in excess of balances at bank which have been presented for payments in the subsequent period.

Rupees in thousands	Note	2015	2014
<b>18 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Redeemable capital	11	1,076,276	803,507
Long term finances	12	830,916	659,253
Liabilities against assets subject to finance lease	13	69,463	60,395
		<b>1,976,655</b>	1,523,155

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

**19.1.1** Various banking and insurance companies have issued guarantees on behalf of the Group as detailed below:

Rupees in thousands	2015	2014
Tender bonds	453,543	623,922
Performance bonds	2,036,786	1,444,751
Advance guarantees	1,272,820	698,430
Custom guarantees	73,253	130,800
Foreign guarantees	101,295	126,404

**19.1.2** The Group may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Group, in case the Group defaults.

Rupees in thousands	2015	2014
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### 19.2 Commitments

**19.2.1** Commitments under irrevocable letters of credit for import of stores, spare parts and raw material

**19.2.2** Commitments under ijarah contracts

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

Rupees in thousands	2015	2014
- payments not later than one year	55,237	7,488
- payments later than one year	82,906	11,252
	<b>138,143</b>	18,740

## 20 PROPERTY, PLANT AND EQUIPMENT

	2015		2014		Net book value as at December 31
	As at January 01	As at December 31	As at January 01	As at December 31	
	COST / REVALUED AMOUNT		DEPRECIATION		
	As at January 01	As at December 31	For the year	Adjustment	As at December 31
	Rupees in thousands		Rupees in thousands		
<b>Assets owned by the Group</b>					
Leasehold land	13,256	13,256	-	-	13,256
Freehold land	539,232	539,232	-	-	539,232
Building on leasehold land	1,754,247	1,754,247	58,484	-	1,111,324
Building on freehold land	2,750,800	2,750,800	108,821	-	2,068,161
Plant and machinery	14,707,948	16,360,186	512,498	(2,281)	11,314,918
Office equipment and fixtures	183,914	189,293	8,754	(1,997)	81,848
Computer hardware and allied items	101,825	116,135	10,759	(4,956)	20,919
Vehicles	115,313	146,050	8,352	3,223	54,864
	20,166,535	21,863,199	707,668	(6,011)	15,204,422
<b>Assets subject to finance lease</b>					
Plant and machinery	100,000	152,068	6,643	-	142,925
Vehicles	140,628	145,048	25,431	(13,897)	45,930
	240,628	297,116	32,074	(13,897)	242,043
	20,407,163	22,166,315	739,742	(19,908)	15,446,465
<b>Capital work in progress</b>					
Building on freehold land	51,812	54,795	-	-	54,795
Plant and machinery	7,931	8,352	-	-	8,352
	59,743	63,147	-	-	63,147
	20,466,906	22,229,462	739,742	(19,908)	15,509,612

	2014										
	COST / REVALUED AMOUNT					DEPRECIATION					Net book value as at December 31
	As at January 01	Additions	Disposals	Transfers	As at December 31	Rate %	For the year	Adjustment	As at December 31		
Rupees in thousands											
<b>Assets owned by the Group</b>											
Leasehold land	13,256	-	-	-	13,256	-	-	-	-	13,256	
Freshhold land	539,232	-	-	-	539,232	-	-	-	-	539,232	
Building on leasehold land	1,754,247	-	-	-	1,754,247	5	61,562	-	584,439	1,169,808	
Plant and machinery	2,750,800	-	-	(65,147)	2,750,800	5	459,269	114,549	573,818	2,176,982	
Office equipment and fixtures	14,432,508	330,587	-	-	14,707,948	5	4,023,066	527,511	(15,426)	10,172,797	
Computer hardware and allied items	180,176	3,738	-	-	183,914	10	91,623	9,065	-	100,688	
Vehicles	90,913	10,912	-	-	101,825	30	82,503	6,910	-	89,413	
	129,712	4,877	(19,276)	-	115,313	20	79,715	9,337	(9,441)	35,702	
	19,890,844	350,114	(19,276)	(65,147)	20,166,535		5,259,053	728,934	(24,867)	14,203,415	
<b>Assets subject to finance lease</b>											
Plant and machinery	70,000	-	-	30,000	100,000	5	9,194	2,753	(9,447)	2,500	
Vehicles	86,748	53,880	-	-	140,628	20	14,855	19,541	-	34,396	
	156,748	53,880	-	30,000	240,628		24,049	22,294	(9,447)	36,896	
	20,047,592	403,994	(19,276)	(25,147)	20,407,163		5,283,102	751,228	(34,314)	14,407,147	
<b>Capital work in progress</b>											
Building on freshhold land	49,534	2,278	-	-	51,812	-	-	-	-	51,812	
Plant and machinery	4,036	3,895	-	-	7,931	-	-	-	-	7,931	
	53,570	6,173	-	-	59,743	-	-	-	-	59,743	
	20,101,162	410,167	(19,276)	(25,147)	20,466,906		5,283,102	751,228	(34,314)	14,466,890	

20.1 Property, plant and equipment includes fully depreciated assets of Rs. 80,975 million (2014: Rs. 80,993 million) which are still in use of the Group.

20.2 Disposal of operating fixed assets

Particulars	2015					
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal
	Rupees in thousands					
<b>Plant and machinery</b>						
Cabinet foaming fixture	10,871	136	10,735	10,184	(551)	Negotiation
Refrigerant charging system	2,911	24	2,887	2,645	(242)	Negotiation
Vacuum thermoforming machine	20,464	85	20,379	18,893	(1,486)	Negotiation
Deep freezer copper coiling machine	6,394	27	6,367	6,108	(259)	Negotiation
CR and GI sitting	9,369	-	9,369	8,804	(565)	Negotiation
Gantry crane	18,992	-	18,992	16,516	(2,476)	Negotiation
Plastic injection moulds	6,152	451	5,701	6,142	441	Negotiation
Cabinet thermoforming mould	2,341	163	2,178	2,337	159	Negotiation
Automatic strapping machine	706	49	657	804	147	Negotiation
Moisture and temperature controlling device	1,877	108	1,769	1,874	105	Negotiation
Foaming plug	312	14	298	312	14	Negotiation
Micro ohm meter	1,296	59	1,237	1,294	57	Negotiation
Oil break down tester	1,151	53	1,098	1,149	51	Negotiation
Wire cut machine	1,423	59	1,364	1,421	57	Negotiation
Micro mole electric discharge machine	1,548	65	1,483	1,545	62	Negotiation
Air chiller	2,511	94	2,417	2,507	90	Negotiation
Cabinet foaming mould	5,912	222	5,690	5,903	213	Negotiation
Cabinet foaming mould	968	36	932	967	35	Negotiation
Water heater and teflon hose	1,007	38	969	1,006	37	Negotiation
Rotary vacuum pump	7,073	206	6,867	7,062	195	Negotiation
Stone crusher	1,081	27	1,054	1,079	25	Negotiation
Pneumatic self burning welding machine	4,524	113	4,411	4,517	106	Negotiation
Air chiller	2,292	38	2,254	2,288	34	Negotiation
Magnetic inserting machine	4,380	55	4,325	4,373	48	Negotiation
Rotary screw compressors	2,266	19	2,247	2,262	15	Negotiation
Screw air compressor	1,231	10	1,221	1,229	8	Negotiation
	119,052	2,151	116,901	113,221	(3,680)	
<b>Office equipment and fixtures</b>						
UPS, fans, ovens and other items	866	701	165	272	107	Negotiation
Refrigerators	417	340	77	128	51	Negotiation
Photocopier & fax machine	449	363	86	144	58	Negotiation
Air conditioners	602	496	106	175	69	Negotiation
Various mobiles	495	97	398	-	(398)	Negotiation
	2,829	1,997	832	719	(113)	
<b>Computer hardware and allied items</b>						
Computers and monitors	4,325	4,325	-	194	194	Negotiation
Printers scanners and allied items	631	631	-	28	28	Negotiation
	4,956	4,956	-	222	222	
<b>Vehicles</b>						
Suzuki Alto	673	467	206	452	246	As Per Company Policy
Suzuki Cultus	819	593	226	161	(65)	As Per Company Policy
Toyota Corolla	1,434	979	455	398	(57)	As Per Company Policy
Suzuki Mehran	657	192	465	522	57	Insurance Claim
Toyota Corolla	127	-	127	261	134	As Per Company Policy
Toyota Corolla	1,414	798	616	644	28	As Per Company Policy
Suzuki Alto	826	414	412	442	30	As Per Company Policy
Suzuki Mehran	645	329	316	240	(76)	As Per Company Policy
Toyota Cotolla	129	-	129	1,076	947	As Per Company Policy
Suzuki Mehran	645	329	316	240	(76)	As Per Company Policy
Toyota Corolla	138	-	138	290	152	As Per Company Policy
Suzuki Cultus	909	903	6	212	206	As Per Company Policy
Toyota Corolla	127	76	51	283	232	As Per Company Policy
Toyota Corolla	184	-	184	444	260	As Per Company Policy
Honda city	1,397	819	578	628	50	As Per Company Policy
Toyota Corolla	1,626	845	781	714	(67)	As Per Company Policy
Suzuki Cultus	1,040	485	555	602	47	As Per Company Policy
Toyota Corolla	129	-	129	261	132	As Per Company Policy
Suzuki Sprinter	69	48	21	69	48	As Per Company Policy
Honda Civic	171	-	171	344	173	As Per Company Policy
Honda Civic VTI	1,963	1,265	698	539	(159)	As Per Company Policy
Toyota Corolla	138	-	138	282	144	As Per Company Policy
Suzuki Mehran	645	347	298	386	88	As Per Company Policy
Suzuki Mehran	663	357	306	125	(181)	As Per Company Policy
Suzuki Cultus	87	-	87	216	129	As Per Company Policy
Suzuki Mehran	612	308	304	224	(80)	As Per Company Policy
Suzuki Swift	1,176	572	604	568	(36)	As Per Company Policy
Honda City	129	-	129	352	223	As Per Company Policy
Various Motor Cycles	815	548	267	812	545	As Per Company Policy
	19,387	10,674	8,713	11,787	3,074	
	146,224	19,778	126,446	125,949	(497)	



Rupees in thousands	Note	2015	2014
<b>22 LONG TERM INVESTMENTS</b>			
Investment in associate	22.1	8,906	8,150
Other investment	22.2	-	55,740
		<b>8,906</b>	63,890

22.1 This represent investments in ordinary shares of Kohinoor Power Company Limited, an associate. The investment has been accounted for using equity method. The particulars of investment are as follows:

	2015	2014
2,910,600 (2014: 2,910,600) ordinary shares of Rs. 10 each		
Percentage of ownership interest	<b>23.10%</b>	23.10%

Rupees in thousands	2015	2014
Cost of investment	54,701	54,701
Share of post acquisition (loss)/profits - <i>net of dividend received</i>	(1,356)	12,129
	<b>53,345</b>	66,830
Accumulated impairment	(44,439)	(58,680)
	<b>8,906</b>	8,150

#### 22.1.1 Extracts of financial statements of associated company

The assets and liabilities of Kohinoor Power Company Limited as at the reporting date and related revenue and profit for the year then ended based on the un-audited financial statements for the year ended December 31, 2015 are as follows:

Rupees in thousands	2015	2014
Assets	200,330	233,207
Liabilities	3,590	10,476
Revenue	-	-
Loss for the year	58,376	47,291
Share of loss	13,485	10,924
Market value per share (Rupees)	3.06	2.80

22.2 This represents investment in convertible preference shares issued by Silk Bank Limited ('the Issuer') maturing on March 26, 2016. These shares are convertible into ordinary shares of the Issuer at the conversion ratio of 1:1 at the end of the tenor. The Group has the option to put these shares for sale at a strike price of Rs. 3.7 per share at the end of the tenor. The Issuer is entitled to exercise call option, which is exercisable in full or in parts at any time after one year of issue. The investment has been classified as 'held-to-maturity investment' and has been carried at amortized cost measured using an effective interest rate of 13.96% per annum. The details are as follows:

Rupees in thousands	Note	2015	2014
<b>Silk Bank Limited - Unquoted</b>			
17,698,489 preference shares of Rs. 2.5 each			
As at beginning of the year		55,740	-
Acquired during of the year		-	50,219
Amortization for the year	36	9,744	5,521
Transferred to current assets	31	(65,484)	-
As at end of the year		-	55,740

Rupees in thousands	Note	2015	2014
<b>23 LONG TERM DEPOSITS</b>			
Financial institutions	23.1	29,262	3,226
Utility companies and regulatory authorities	23.2	75,978	70,863
Customers	23.3	184,544	118,719
		<b>289,784</b>	192,808

23.1 These represent security deposits against Ijarah financing.

23.2 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

23.3 These have been deposited with various customers against EPC and other contracts and are refundable on completion of project in accordance with term of contracts. Due to uncertainties regarding dates of refund of these deposits, these have been carried at cost.

Rupees in thousands	Note	2015	2014
<b>24 LONG TERM ADVANCES</b>			
Face value of deposits		688,000	-
Less: unamortized notional interest	24.2	(116,009)	-
As at end of the year		<b>571,991</b>	-

24.1 These advances have been made to various customers against renovation of show rooms for long term. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost which has been determined using a discount rate of 10.72%, being the average effective borrowing rate of the Group.

Rupees in thousands	Note	2015	2014
<b>24.2 Unamortized notional interest</b>			
As at beginning of the year		-	-
Recognized during the year	37.2	116,009	-
Amortization for the year		-	-
As at end of the year		<b>116,009</b>	-

#### 25 STORES, SPARES AND LOOSE TOOLS

Stores	94,002	82,979
Spares	662,115	335,247
Loose tools	53,968	60,620
	<b>810,085</b>	478,846
Provision for slow moving and obsolete items	(16,706)	(16,706)
	<b>793,379</b>	462,140

25.1 There are no spare parts held exclusively for capitalization as at the reporting date.



Rupees in thousands	2015	2014
<b>26 STOCK IN TRADE</b>		
Raw material		
- in stores	2,815,016	3,151,231
- in transit	1,126,577	1,048,547
Provision for slow moving and obsolete items	(22,447)	(18,424)
	3,919,146	4,181,354
Work in process	1,143,657	1,262,830
Finished goods	1,125,190	877,488
Provision for slow moving and obsolete items	(6,007)	(4,804)
	1,119,183	872,684
	<b>6,181,986</b>	<b>6,316,868</b>

26.1 Entire stock in trade is carried at cost being lower than net realizable value.

26.2 Stock in trade to the extent of Rs. 1,630 million (2014: Rs. 1,874 million) is pledged as security with providers of debt finances.

Rupees in thousands	Note	2015	2014
<b>27 TRADE DEBTS - UNSECURED</b>			
Considered good			
- against sale of goods		6,205,873	5,930,297
- against execution of contracts		1,494,500	1,193,562
		7,700,373	7,123,859
Considered doubtful	27.2	343,603	256,484
		8,043,976	7,380,343
Impairment allowance for doubtful debts	38	(343,603)	(256,484)
		<b>7,700,373</b>	<b>7,123,859</b>

27.1 These include retention money for contracts in progress amounting to Rs. 774.205 million (2014: Rs. 426.451 million) held by the customers in accordance with contract terms.

Rupees in thousands	Note	2015	2014
<b>27.2 Movement in impairment allowance</b>			
As at beginning of the year		256,484	440,082
Recognized during the year		87,119	103,568
Written off during the year		-	(287,166)
As at end of the year		<b>343,603</b>	<b>256,484</b>

#### 28 DUE AGAINST CONSTRUCTION WORK IN PROGRESS - UNSECURED, CONSIDERED GOOD

This represents unbilled revenue from construction work in progress.

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Rupees in thousands	Note	2015	2014
<b>29 SHORT TERM ADVANCES</b>			
Advances to suppliers and contractors - <i>unsecured</i>			
- considered good		748,382	769,150
- considered doubtful		25,108	22,863
Impairment allowance for doubtful advances	29.1	(25,108)	(22,863)
		748,382	769,150
Advances to employees - <i>unsecured</i>			
- considered good	29.2	165,499	60,499
- considered doubtful		1,449	1,449
Impairment allowance for doubtful advances		(1,449)	(1,449)
		165,499	60,499
		<b>913,881</b>	<b>829,649</b>

#### 29.1 Movement in impairment allowance

As at beginning of the year	22,863	153,255
Recognized during the year	2,245	3,500
Written off during the year	-	(133,892)
As at end of the year	<b>25,108</b>	<b>22,863</b>

#### 29.2 These include advances for

- purchases	37,055	13,850
- expenses	100,269	36,899
- traveling	22,730	2,705
- others	5,445	7,045
	<b>165,499</b>	<b>60,499</b>

#### 30 SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits		
- considered good	420,371	292,929
- considered doubtful	5,379	5,379
Impairment allowance for doubtful deposits	(5,379)	(5,379)
	420,371	292,929
Margin deposits	718,891	499,781
Prepayments	70,554	46,211
Letters of credit	121,413	14,288
	<b>1,331,229</b>	<b>853,209</b>

#### 31 SHORT TERM INVESTMENTS

Investments in listed equity securities	31.1	20,040	21,596
Investment in debt securities	22.2	65,484	-
		<b>85,524</b>	<b>21,596</b>

31.1 These represent investments in listed equity securities classified as 'financial assets at fair value through profit or loss'. The details are as follows:

Rupees in thousands	Note	2015	2014
<b>Standard Chartered Bank (Pakistan) Limited</b>			
915,070 (2014: 915,070) ordinary shares of Rs. 10 each Market value: Rs. 21.9 (2014: Rs. 23.6) per share			
As at beginning of the year		21,596	22,785
Changes in fair value	39	(1,556)	(1,189)
As at end of the year		20,040	21,596
<b>32 ADVANCE INCOME TAX</b>			
Advance income tax/income tax refundable		754,689	524,247
Provision for taxation	41	(321,851)	(205,180)
		432,838	319,067
<b>33 CASH AND BANK BALANCES</b>			
Cash in hand		9,557	9,689
Cash at banks		568,130	330,397
		577,687	340,086
<b>34 REVENUE</b>			
Contract revenue	46	1,965,455	2,842,117
Sale of goods			
- local		22,887,803	19,566,090
- exports		4,470,090	1,717,509
		29,323,348	24,125,716
Sales tax and excise duty		(3,241,932)	(2,617,159)
Trade discounts		(959,149)	(990,527)
		(4,201,081)	(3,607,686)
		25,122,267	20,518,030
<b>35 COST OF SALES</b>			
Finished goods at the beginning of the year		877,488	385,437
Cost of goods manufactured	35.1	16,381,065	12,752,448
Finished goods at the end of the year		(1,125,190)	(877,488)
Cost of goods sold		16,133,363	12,260,397
Contract cost	46	1,554,675	1,948,378
		17,688,038	14,208,775

Rupees in thousands	Note	2015	2014
<b>35.1 Cost of goods manufactured</b>			
Work-in-process at beginning of the year		1,262,830	1,043,870
Raw material and components consumed		14,015,138	10,752,331
Direct wages		586,556	540,346
Factory overheads:			
- salaries, wages and benefits		380,213	344,051
- traveling and conveyance		20,501	19,069
- electricity, gas and water		308,188	344,381
- repairs and maintenance		48,023	45,490
- vehicles running and maintenance		23,115	21,517
- insurance		25,523	29,340
- depreciation	20.3	689,446	705,924
- amortization of intangible assets	21	5,687	5,188
- provision for obsolete and slow moving stock	26	5,226	4,012
- carriage and freight		25,216	21,165
- erection and testing		120,523	126,057
- other factory overheads		8,537	12,537
		1,660,198	1,678,731
		17,524,722	14,015,278
Work-in-process at end of the year		(1,143,657)	(1,262,830)
		16,381,065	12,752,448

35.2 These include charge in respect of employees retirement benefits amounting to Rs. 32.64 million (2014: Rs. 37.47 million).

Rupees in thousands	Note	2015	2014
<b>36 OTHER INCOME</b>			
<b>Gain on financial instruments</b>			
Reversal of impairment loss on long term investments	22	14,241	10,779
Amortization of held-to-maturity investments	22.2	9,744	5,521
		23,985	16,300
<b>Other income</b>			
Gain on disposal of property, plant and equipment	20.2	-	5,909
Amortization of grant-in-aid	15	2,258	2,377
Others		9,625	7,897
		11,883	16,183
		35,868	32,483
<b>37 DISTRIBUTION COST</b>			
Salaries and benefits	37.1	317,605	285,723
Traveling and conveyance		61,013	52,568
Rent, rates and taxes		48,288	43,993
Electricity, gas, fuel and water		18,693	17,155
Repairs and maintenance		7,616	7,166
Vehicles running and maintenance		42,693	38,639
Printing and stationery		8,035	7,270
Postage, telegrams and telephones		17,432	15,965
Entertainment and staff welfare		27,061	24,940
Advertisement and sales promotion		182,892	150,680
Insurance		9,086	6,949
Freight and forwarding		319,131	292,386
Contract and tendering		5,402	530
Warranty period services		122,466	113,015
Others		143,662	32,542
		1,331,075	1,089,521

37.1 These include charge in respect of employees retirement benefits amounting to Rs. 13.31 million (2014: Rs. 18.26 million).

37.2 These include notional interest expense amounting to Rs. 116.009 million (Rs. nil) on long term advances. (See note 24.2).

Rupees in thousands	Note	2015	2014
<b>38 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	38.1	360,110	345,627
Traveling and conveyance		32,847	17,359
Rent, rates and taxes		28,395	29,108
Ujrah payments		23,264	3,590
Legal and professional		30,698	28,927
Electricity, gas and water		30,610	32,931
Auditor's remuneration	38.2	4,057	4,057
Repairs and maintenance		12,609	12,974
Vehicles running and maintenance		12,955	14,327
Printing, stationery and periodicals		4,392	4,854
Postage, telegrams and telephones		9,666	8,536
Entertainment and staff welfare		13,665	13,561
Advertisement		10,385	9,217
Insurance		10,365	8,837
Provision for doubtful debts, advances and security deposits		89,364	107,068
Depreciation	20.3	50,296	45,304
Others		34,809	3,293
		<b>758,487</b>	<b>689,570</b>

38.1 These include charge in respect of employees retirement benefits amounting to Rs. 19.54 million (2014: Rs. 27.11 million).

Rupees in thousands	Note	2015	2014
<b>38.2 Auditor's remuneration</b>			
Annual statutory audit		2,800	2,800
Half yearly review		600	600
Review report under Code of Corporate Governance		430	430
Out of pocket expenses		227	227
		<b>4,057</b>	<b>4,057</b>

### 39 OTHER EXPENSES

#### Loss on financial instruments

Loss due to changes in fair value of short term investments 31 1,556 1,189

#### Others

Loss on sale and lease back activities		2,936	274
Workers' Profit Participation Fund	16.2	102,223	65,004
Workers' Welfare Fund	16.3	71,993	47,137
Loss on disposal of property, plant and equipment		497	-
Others		8,377	-
		<b>186,026</b>	<b>112,415</b>
		<b>187,582</b>	<b>113,604</b>

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Rupees in thousands	Note	2015	2014
<b>40 FINANCE COST</b>			
Interest / mark-up on borrowings:			
redeemable capital		541,925	631,031
long term finances		281,483	428,518
liabilities against assets subject to finance lease		20,009	14,395
short term borrowings		599,462	719,912
		<b>1,442,879</b>	<b>1,793,856</b>
Interest on Workers' Profit Participation Fund	16.2	4,875	2,350
Bank charges and commission		217,551	96,622
		<b>1,665,305</b>	<b>1,892,828</b>
<b>41 TAXATION</b>			
Provision for taxation	32 & 41.1		
for current year		321,851	205,180
for prior years		1,356	-
		<b>323,207</b>	<b>205,180</b>
Deferred taxation			
adjustment attributable to origination and reversal of temporary differences		319,458	98,642
adjustment attributable to changes in tax rates	14.1	(8,523)	-
		<b>310,935</b>	<b>98,642</b>
		<b>634,142</b>	<b>303,822</b>

41.1 Provision for current tax for year ended December 31, 2015 has been made in accordance with section 113C 'Alternative Corporate Tax' of the Income Tax Ordinance, 2001 ('the Ordinance'). Numerical reconciliation between average effective tax rate and applicable tax rate is follows:

	Unit	2015
Profit before taxation	Rupees	3,514,163
Provision for taxation	Rupees	634,142
Average effective tax rate	%	18.05
Tax effects of:		
Income taxable under final tax regime	%	3.26
Admissible deductions, loss and tax credits	%	5.19
Adjustment for prior years	%	(0.04)
Deferred taxation	%	(8.85)
Others	%	(0.61)
Applicable tax rate	%	17.00

Provision for current tax for year ended December 31, 2014 was made in accordance with section 113 'Minimum tax on the income of certain persons' of the Ordinance. There is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented for the year ended December 31, 2014.

41.2 Assessments upto tax year 2015 have been finalized under the relevant provisions of the Ordinance.

41.3 The Finance Act 2015 introduced Tax on Undistributed Profits vide newly inserted section 5A to the Ordinance whereby, tax at the rate of 10% of undistributed profits exceeding one hundred percent of paid-up capital, was imposed on public companies that derive profits in a tax year but do not distribute a certain amount of profit as cash dividend within six months of the end of the year.

No provision for tax on undistributed reserves has been made for the year ended December 31, 2015 in these financial statements as the time frame allowed for payment of dividend has not elapsed and accordingly the Group is not liable to tax on undistributed reserves as at December 31, 2015 in accordance with guidance given by the Institute of Chartered Accountants of Pakistan vide its Circular no. 6 of 2015.

Further the undistributed reserves of the PEL as at December 31, 2014 did not exceed its paid-up capital and accordingly, no tax was payable on undistributed reserves.

	Unit	2015	2014
<b>42 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
<b>Earnings</b>			
Profit after taxation	Rupees '000'	2,880,021	2,241,469
Preference dividend for the year	Rupees '000'	(42,710)	(42,710)
Profit attributable to ordinary shareholders	Rupees '000'	2,837,311	2,198,759
<b>Shares</b>			
Weighted average number of ordinary shares for the purpose of diluted earnings per share	No. of shares	398,145,189	332,418,652
<b>Earnings per share</b>			
Basic and diluted	Rupees	7.13	6.61

**42.1** As per the opinion of the Group's legal counsel, the provision for dividend at 9.5% per annum, under the original terms of issue of preference shares, will prevail on account of preference dividend.

**42.2** There is no diluting effect on the basic earnings per share of the Group as the conversion rights pertaining to outstanding preference shares, under the original terms of issue, are no longer exercisable.

**42.3** The effect of issue of ordinary and preference shares on conversion of redeemable capital, as referred to in note 11, has not been considered for the purpose of calculation of earnings per share as the said issue is subject to various legal and regulatory approvals which are pending as at the reporting date.

	Rupees in thousands	Note	2015	2014
<b>43 CASH GENERATED FROM OPERATIONS</b>				
Profit before taxation			3,514,163	2,545,291
Adjustments for non-cash and other items				
Interest/mark-up on borrowings			1,442,879	1,793,856
Notional interest			116,009	-
Loss/(gain) on disposal of property, plant and equipment			497	(5,909)
Amortization of grant-in-aid			(2,258)	(2,377)
Amortization of intangible assets			5,687	5,188
Amortization of held-to-maturity investments			(9,744)	(5,521)
Share of loss of associate			13,485	10,924
Loss on sale and lease back activities			2,936	274
Reversal of impairment loss on long term investments			(14,241)	(10,779)
Changes in fair value of financial assets at fair value through profit or loss			1,556	1,189
Provision for doubtful debts, advances and security deposits			89,364	107,068
Provision for obsolete and slow moving stock			5,226	4,012
Depreciation			739,742	751,228
			2,391,138	2,649,153
			5,905,301	5,194,444
Changes in working capital				
Stores, spares and loose tools			(331,239)	(176,369)
Stock in trade			129,656	(2,437,501)
Trade debts			(663,633)	(1,556,114)
Due against construction work in progress			(18,783)	(583,856)
Advances			(86,477)	(380,014)
Trade deposits and short term prepayments			(478,020)	(400,154)
Other receivables			(202,388)	(162,441)
Trade and other payables			(70,355)	(64,179)
			(1,721,239)	(5,760,628)
<b>Cash generated from operations</b>			<b>4,184,062</b>	<b>(566,184)</b>

	Rupees in thousands	Note	2015	2014
<b>44 CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances		33	577,687	340,086
			577,687	340,086

#### 45 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Group's perspective comprise associated companies and undertakings, key management personnel and post employment benefit plan. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes the Chief Executive and Directors of the Parent Company.

Transactions with key management personnel are limited to payment of short term and post employment benefits, advances against issue of ordinary shares and dividend payments. The Group in the normal course of business carries out various transactions with its subsidiary and associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

Details of transactions and balances with related parties are as follows:

	Rupees in thousands	Note	2015	2014
<b>45.1 Transactions with related parties</b>				
<b>Nature of relationship</b>				
Provident Fund Trust			65,490	82,840
Associated companies and undertakings			173,851	117,048
Key management personnel			42,677	39,779
		51	2,395	2,039
Directors and sponsors			237,797	-
<b>45.2 Balances with related parties</b>				
<b>Nature of relationship</b>				
Provident Fund Trust			10,234	8,574
Key management personnel			3,618	22,311
Directors and sponsors			1,575,252	-
<b>46 LONG TERM CONSTRUCTION CONTRACTS</b>				
Contract revenue for the year		34	1,965,455	2,842,117
Cost incurred to date			5,936,020	6,874,008
Contract costs for the year		35	1,554,675	1,948,378
Gross profit realized to date			1,576,439	2,134,153
Advances against contracts		16	4,312	7,685
Retention money receivable			774,205	426,451
Gross amount due from customers			1,743,942	908,959
Gross amount due to customers			11,342	79,749
Estimated future costs to complete projects in progress		46.1	303,236	154,223

**46.1** 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.

## 47 FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments by class and category are as follow:

Rupees in thousands	2015	2014
<b>47.1 Financial assets</b>		
<i>Cash in hand</i>	9,557	9,689
<i>Loans and receivables</i>		
Long term deposits	260,522	189,582
Long term advances	688,000	-
Trade debts	7,700,373	7,123,859
Due against construction work in progress	1,023,647	1,004,864
Short term advances	5,445	7,045
Short term deposits	1,144,641	798,089
Other receivables	390,118	187,730
Cash at banks	568,130	330,397
	<b>11,780,876</b>	<b>9,641,566</b>
<i>Financial assets at fair value through profit or loss</i>		
Short term investments	20,040	21,596
<i>Held-to-maturity investments</i>		
Long term investments	-	55,740
Short term investments	65,484	-
	<b>65,484</b>	<b>55,740</b>
	<b>11,875,957</b>	<b>9,728,591</b>
<b>47.3 Financial liabilities</b>		
<i>Financial liabilities at amortized cost</i>		
Redeemable capital	4,955,485	5,629,976
Long term finances	3,017,427	3,102,060
Liabilities against assets subject to finance lease	130,812	135,110
Trade creditors - unsecured	318,331	338,771
Foreign bills payable - secured	61,553	83,140
Accrued liabilities	156,887	185,245
Employees' provident fund	10,234	8,574
Compensated absences	24,740	22,813
Unclaimed dividend	4,105	-
Other payables - unsecured	6,110	14,175
Accrued interest/mark-up	260,904	500,528
Short term borrowings	4,668,901	4,243,261
	<b>13,615,489</b>	<b>14,263,653</b>

## 48 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Group.

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 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.

The Group's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Group and the manner in which such risks are managed is as follows:

### 48.1 Credit risk

Credit risk is the risk of financial loss to the Group, if the counterparty to a financial instrument fails to meet its obligations.

#### 48.1.1 Maximum exposure to credit risk

The gross carrying amount of financial assets, other than cash in hand, represents maximum exposure to credit risk. The maximum exposure to credit risk as at the reporting date is as follows:

Rupees in thousands	Note	2015	2014
<i>Loans and receivables</i>			
Long term deposits	23	260,522	189,582
Long term advances	24	688,000	-
Trade debts	27	8,043,976	7,380,343
Due against construction work in progress	28	1,023,647	1,023,647
Short term advances	29	5,445	7,045
Short term deposits	30	1,144,641	798,089
Cash at banks	33	717,352	381,837
		<b>11,883,583</b>	<b>9,780,543</b>
<i>Financial assets at fair value through profit or loss</i>			
Short term investments	31	20,040	21,596
<i>Held-to-maturity investments</i>			
Long term investments		-	55,740
Short term investments	22.2	65,484	-
		<b>65,484</b>	<b>55,740</b>
		<b>11,969,107</b>	<b>9,857,879</b>

#### 48.1.2 Concentration of credit risk

There is no concentration of credit risk geographically. Maximum exposure to credit risk by type of counter-party is as follows:

Rupees in thousands	Note	2015	2014
Customers		9,940,167	8,522,709
Banking companies and financial institutions		1,947,517	1,257,262
Others		81,423	77,908
		<b>11,969,107</b>	<b>9,857,879</b>

#### 48.1.3 Credit quality and impairment

The manner in which the Group assesses the credit quality of its financial assets depends on the type of counter-party. The Group conducts different types of transactions with the following counter-parties.

##### (a) Customers

Customers are counter-parties to trade debts, long term security deposits for contracts in progress, long term advances to dealers, due against contract work in progress and retention money for contracts in progress.

These, with the exception of trade debts and long term advances to dealers, do not carry any significant credit risk. Long term advances to dealers are neither past due nor impaired. The ageing analysis of trade debts as at reporting date is as follows:



Rupees in thousands	2015		2014	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
Not yet due and past due by 1 year	7,217,346	-	6,505,769	-
1 to 2 years	462,923	-	397,520	-
2 to 3 years	211,553	191,449	256,483	35,913
More than 3 years	152,154	152,154	220,571	220,571
	<b>8,043,976</b>	<b>343,603</b>	7,380,343	256,484

There is no single significant customer in the trade debts of the Group. The maximum exposure to credit risk for trade debts as at the reporting date by type of customer is:

Rupees in thousands	2015	2014
General customers	6,198,172	6,403,492
Corporate customers	1,845,804	976,851
	<b>8,043,976</b>	7,380,343

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.

**(b) Banking companies and financial institutions**

Banking companies and financial institutions are counter-parties to security/margin deposits, bank balances and investments in preference shares. The Group limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have reasonably high credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

**(c) Others**

These include employees of the company who are counter parties to advances and utility companies and regulatory authorities who are counter parties to long term security deposits. These do not carry any significant credit risk.

**48.1.4 Collateral held**

The Group does not hold any collateral to secure its financial assets.

**48.1.5 Credit risk management**

As mentioned in note 48.1.3 to the financial statements, the Group's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. 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 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.

**48.2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

**48.2.1 Exposure to liquidity risk**

The following is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

Rupees in thousands	2015				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
Redeemable capital	4,955,485	6,243,828	1,464,522	4,779,306	-
Long term finances	3,017,427	3,602,551	1,069,353	2,464,714	68,484
Liabilities against assets subject to finance lease	130,812	148,234	81,501	66,733	-
Short term borrowings	4,668,901	4,700,026	4,700,026	-	-
Accrued interest/mark-up	260,904	260,904	260,904	-	-
Trade and other payables	318,331	357,493	357,493	-	-
	<b>13,351,860</b>	<b>15,313,036</b>	<b>7,933,799</b>	<b>7,310,753</b>	<b>68,484</b>

Rupees in thousands	2014				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
Redeemable capital	5,629,976	7,102,324	3,100,060	3,730,361	271,903
Long term finances	3,102,060	3,955,360	981,744	2,533,391	440,225
Liabilities against assets subject to finance lease	135,110	158,978	75,379	83,599	-
Short term borrowings	4,243,261	4,270,713	4,270,713	-	-
Accrued interest/mark-up	500,528	500,528	500,528	-	-
Trade and other payables	338,771	652,718	652,718	-	-
	<b>13,949,706</b>	<b>16,640,621</b>	<b>9,581,142</b>	<b>6,347,351</b>	<b>712,128</b>

**48.2.2 Liquidity risk management**

The 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. As referred to in note 17.4 the Group has additional undrawn facilities of Rs. 1,705 million (2014: Rs. 940 million) at its disposal to further reduce liquidity risk.

**48.3 Market risk**

**48.3.1 Currency risk**

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency.

**(a) Exposure to currency risk**

The Group's exposure to currency risk as at the reporting date is as follows:

Rupees in thousands	2015	2014
<b>Financial liabilities</b>		
Foreign bills payable	61,553	83,140
<b>Financial assets</b>		
Net exposure	61,553	83,140

Foreign currency commitments outstanding at year end amounted to Rs. 1.842 million (2014: Rs. 1.429 million) relating to letters of credit for import of stores, spare parts and raw material.

**(b) Exchange rates applied during the year**

All foreign currency balances are denominated in United States Dollars (USD). Spot exchange rates applied are as follows:

Rupees in thousands	2015	2014
Rupees per USD	104.80	100.20

**(c) Sensitivity analysis**

A five percent appreciation in Pak Rupee against foreign currencies would have increased profit for the year by Rs. 3.078 million (2014: Rs. 4.116 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

**(d) Currency risk management**

The Group manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

**48.3.2 Interest rate risk**

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

**(a) Interest/mark-up bearing financial instruments**

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Group's interest/mark-up bearing financial instruments as at the reporting date are as follows:

Rupees in thousands	2015	2014
<b>Fixed rate instruments</b>	-	-
<b>Variable rate instruments</b>		
Financial liabilities	12,687,025	12,987,439

**(b) Fair value sensitivity analysis for fixed rate instruments**

The Group does not have any fixed rate financial instruments.

**(c) Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 126.870 million (2014: Rs. 129.874 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

**(d) Interest rate risk management**

The Group manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

**48.3.3 Price risk**

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Group is exposed to price risk in respect of its investments in equity securities. However, the risk is minimal as these investments are held for strategic purposes rather than trading purposes. The Group does not actively trade in these investments.

**49 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

**49.1 Assets and liabilities measured at fair value**

The Group measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of financial instruments measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

Financial instruments	Hierarchy	Valuation techniques and key inputs	2015	2014
Rupees in thousands				
<b>Financial assets at fair value through profit or loss</b>				
Investments in quoted equity securities	Level 1	Quoted bid prices in an active market	20,040	21,596

**49.2 Assets and liabilities not measured at fair value**

The management considers the carrying amount of all assets and liabilities not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

**50 CAPITAL 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 which is debt divided by total capital employed. Debt comprises long term finances, redeemable capital and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity (as shown in the balance sheet plus advances against issue of ordinary shares and surplus on revaluation of property, plant and equipment) plus debt. 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 the reporting date are as follows:

Rupees in thousands	Unit	2015	2014
Total debt	Rupees '000	8,103,724	8,867,146
Total equity	Rupees '000	19,995,776	15,594,798
Total capital employed		28,099,500	24,461,944
Gearing ratio	% age	28.84	36.25

The Group is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

## 51 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

Rupees in thousands	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
Remuneration	6,511	6,511	30,686	27,124	206,045	164,131
House rent	565	565	1,749	2,016	48,887	39,478
Utilities	330	330	1,182	2,061	22,448	14,724
Bonus	-	-	-	-	38,751	19,594
Post employment benefits	-	-	2,395	2,039	19,551	15,466
<b>Reimbursable expenses</b>						
Motor vehicles expenses	214	134	986	586	23,208	19,050
Medical expenses	-	-	454	452	12,264	10,585
	<b>7,620</b>	<b>7,540</b>	<b>37,452</b>	<b>34,278</b>	<b>371,154</b>	<b>283,028</b>
Number of persons	1	1	4	4	170	131

51.1 Chief executive, directors and executives have been provided with free use of the Group's vehicles.

## 52 SEGMENT INFORMATION

An operating segment is a component of an entity:

- 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),
- 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
- for which discrete financial information is available.

Information about the Group's reportable segments as at the reporting date is as follows:

Segments	Nature of business
Power Division	Manufacturing and distribution of Transformers, Switch Gears, Energy Meters, Power Transformers and Engineering, Procurement and Construction Contracting.
Appliances Division	Manufacturing, assembling and distribution of Refrigerators, Air conditioners, Deep Freezers, Microwave ovens, Washing Machines and other Home Appliances.

Rupees in thousands	Power Division		Appliances Division		Total	
	2015	2014	2015	2014	2015	2014
Revenue	14,140,453	11,216,551	15,182,895	12,909,165	29,323,348	24,125,716
Finance cost	818,131	919,223	847,174	973,605	1,665,305	1,892,828
Depreciation and amortization	365,260	372,374	380,169	384,042	745,429	756,416
Segment profit before tax	1,481,149	965,245	2,198,969	1,672,091	3,680,118	2,637,336
Segment assets	20,193,421	16,891,493	15,178,096	12,826,329	35,371,517	29,717,822

Rupees in thousands	2015	2014
<b>52.1 Reconciliation of segment profit</b>		
Total profit for reportable segments	3,680,118	2,637,336
Un-allocated other expenses	(165,955)	(92,045)
Profit before taxation	<b>3,514,163</b>	<b>2,545,291</b>
<b>52.2 Reconciliation of segment assets</b>		
Total assets for reportable segments	35,371,517	29,717,822
Other corporate assets	777,759	2,808,842
Total assets	<b>36,149,276</b>	<b>32,526,664</b>
<b>52.3 Information about major customers</b>		
Revenue derived from Multan Electric Power Company	2,566,562	1,359,994

## 53 EMPLOYEES PROVIDENT FUND TRUST

The following information is based on the un-audited financial statements of the Pak Elektron Limited Employees Provident Fund Trust for the year ended December 31, 2015.

	2015	2014
Size of the fund - total assets	Rupees '000' 298,477	279,784
Cost/fair value of investments	Rupees '000' 220,388	184,100
Percentage of investments made	% age 73.84	65.80

The break-up of investments is as follows:

	2015		2014	
	Rupees in thousands	% age	Rupees in thousands	% age
Government securities	105,000	47.64	100,000	54.32
Deposit accounts with commercial banks	115,388	52.36	84,100	45.68
	<b>220,388</b>	<b>100.00</b>	<b>184,100</b>	<b>100.00</b>

## 54 RE-CLASSIFICATIONS

For better presentation, following reclassifications have been made during the year.

- Retention money for contracts in progress amounting at Rs. 774.205 million (2014: Rs. 426.451 million) was re-classified from 'short term advances' to 'trade debts'.
- Unbilled revenue for construction work in progress amounting at Rs. 1,023.647 million (2014: Rs. 1,004.864 million) was re-classified from 'trade debts' to 'due against construction work in progress'.

**55 PLANT CAPACITY AND ACTUAL PRODUCTION**

		2015		2014	
	Unit	Annual production capacity	Actual production during the year	Annual production capacity	Actual production during the year
Transformers/Power Transformers	MVA	6,500	4,171	5,000	3,097
Switch gears	Nos.	12,000	8,311	9,000	6,258
Energy meters	Nos.	1,700,000	320,875	1,700,000	579,237
Air conditioners	Tonnes	90,000	40,953	90,000	9,712
Refrigerators/deep freezers	Cfts.	5,500,000	4,520,052	5,000,000	4,152,270
Microwave ovens	Litres	700,000	389,809	700,000	236,391

55.1 Under utilization of capacity is mainly attributable to consumer demand.

**56 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on March 31, 2016 by the Board of Directors of the Parent Company.

**57 NUMBER OF EMPLOYEES**

Total number of employees of the Group as at the reporting date are 6,191 (2014: 6,119). Average number of persons employed by the Group during the year are 6,383 (2014: 6,087).

**58 RECOVERABLE AMOUNTS AND IMPAIRMENT**

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

**59 EVENTS AFTER THE REPORTING PERIOD**

59.1 The Board of Directors in their meeting held on January 04, 2016 has resolved to issue one right ordinary share for every four ordinary shares already held.

59.2 There are no other significant events after the reporting period which may require adjustment and/or disclosure in these financial statements.

**60 GENERAL**

60.1 Figures have been rounded off to the nearest thousands.

60.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year with the exception of those referred in note 54.

**M. MURAD SAIGOL**  
Chief Executive Officer

**SYED MANZAR HASSAN**  
Director

# Separate Financial Statements

## Auditors' Report to the Members

We have audited the annexed balance sheet of **PAK ELEKTRON LIMITED** ("the Company") as at December 31, 2015 and the related profit and loss account/statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - 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, 2015 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
*Chartered Accountants*

Engagement Partner: **ZUBAIR IRFAN MALIK**

Date: **MARCH 31, 2016**  
Place: **LAHORE**

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## BALANCE SHEET

### AS AT DECEMBER 31, 2015

Rupees in thousands	Note	2015	2014
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital	6	6,000,000	6,000,000
Issued, subscribed and paid-up capital	7	4,431,029	4,431,029
Capital reserve	8	1,293,858	1,293,858
Accumulated profit		5,258,423	3,876,195
<b>TOTAL EQUITY</b>		<b>10,983,310</b>	9,601,082
<b>ADVANCES AGAINST ISSUE OF ORDINARY SHARES</b>	9	<b>1,575,252</b>	-
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	10	<b>4,804,200</b>	4,568,357
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital	11	3,879,209	4,826,469
Long term finances	12	2,186,511	2,442,807
Liabilities against assets subject to finance lease	13	61,349	74,715
Deferred taxation	14	1,804,911	2,048,938
Deferred income	15	42,900	45,158
		<b>7,974,880</b>	9,438,087
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	730,201	817,486
Accrued interest/mark-up		260,904	500,528
Short term borrowings	17	4,668,901	4,240,947
Current portion of non-current liabilities	18	1,976,655	1,523,155
		<b>7,636,661</b>	7,082,116
<b>TOTAL LIABILITIES</b>		<b>15,611,541</b>	16,520,203
<b>CONTINGENCIES AND COMMITMENTS</b>	19		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,974,303</b>	30,689,642

The annexed notes from 1 to 59 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

Rupees in thousands	Note	2015	2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	20	15,509,612	14,466,890
Intangible assets	21	338,321	344,008
Long term investments	22	9,006	63,990
Long term deposits	23	289,784	192,808
		<b>16,146,723</b>	15,067,696
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	24	793,379	462,140
Stock in trade	25	5,485,816	6,140,170
Trade debts - unsecured	26	5,583,326	5,446,690
Due against construction work in progress - unsecured, considered good	27	1,023,647	1,004,864
Short term advances - unsecured	28	913,881	829,649
Short term deposits and prepayments	29	1,331,229	853,209
Other receivables - unsecured, considered good		390,118	187,730
Short term investments	30	85,524	21,596
Advance income tax	31	793,282	387,963
Cash and bank balances	32	427,378	287,935
		<b>16,827,580</b>	15,621,946
<b>TOTAL ASSETS</b>		<b>32,974,303</b>	30,689,642

SYED MANZAR HASSAN  
Director

## PROFIT AND LOSS ACCOUNT/STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

Rupees in thousands	Note	2015	2014
<b>Revenue</b>	33	<b>23,355,652</b>	18,522,117
Sales tax and discount	33	(3,252,765)	(2,617,159)
<b>Revenue -net</b>		<b>20,102,887</b>	15,904,958
Cost of sales	34	(16,126,536)	(12,707,604)
<b>Gross profit</b>		<b>3,976,351</b>	3,197,354
Other income	35	22,383	21,704
Distribution cost	36	(394,017)	(334,004)
Administrative and general expenses	37	(428,092)	(418,108)
Other expenses	38	(154,434)	(87,455)
		(976,543)	(839,567)
<b>Operating profit</b>		<b>3,022,191</b>	2,379,491
Finance cost	39	(1,118,806)	(1,161,062)
<b>Profit before taxation</b>		<b>1,903,385</b>	1,218,429
Taxation	40	(231,019)	8,869
<b>Profit after taxation</b>		<b>1,672,366</b>	1,227,298
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>1,672,366</b>	1,227,298
<b>Earnings per share - basic and diluted</b>	41	<b>4.09</b>	3.56

The annexed notes from 1 to 59 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

SYED MANZAR HASSAN  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2015

Rupees in thousands	Note	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	42	<b>2,864,469</b>	(1,337,868)
Payments for:			
Interest/markup on borrowings		(1,151,382)	(2,019,898)
Income tax		(436,978)	(170,065)
<b>Net cash generated from/(used in) operating activities</b>		<b>1,276,109</b>	(3,527,831)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,878,365)	(386,819)
Purchase of intangible assets		-	(234)
Proceeds from disposal of property, plant and equipment		125,949	15,744
Long term deposits made		(96,976)	(73,131)
Acquisition of short term investments		-	(50,219)
<b>Net cash used in investing activities</b>		<b>(1,849,392)</b>	(494,659)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Advances against issue of ordinary shares		1,575,252	-
Redemption of redeemable capital		(674,491)	-
Long term finances obtained		2,062,633	1,850,000
Repayment of long term finances		(2,147,266)	(272,790)
Proceeds from sale and lease back activities		52,068	100,000
Repayment of liabilities against assets subject to finance lease		(89,847)	(45,826)
Net increase in short term borrowings		427,954	355,095
Proceeds from issue of ordinary shares		-	2,064,458
Dividend paid		(493,577)	-
<b>Net cash generated from financing activities</b>		<b>712,726</b>	4,050,937
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>139,443</b>	28,447
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>287,935</b>	259,488
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	43	<b>427,378</b>	287,935

The annexed notes from 1 to 59 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

SYED MANZAR HASSAN  
Director

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED DECEMBER 31, 2015

Note	Issued subscribed and paid-up capital	Capital reserve	Accumulated profit	Total equity
<b>Balance as at January 01, 2014</b>	3,130,689	529,740	2,473,853	6,134,282
<b>Comprehensive income</b>				
Profit after taxation	-	-	1,227,298	1,227,298
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	1,227,298	1,227,298
<b>Incremental depreciation</b>	10	-	175,044	175,044
<b>Transaction with owners</b>				
Issue of bonus ordinary shares	7.1.1 268,111	(268,111)	-	-
Issue of right ordinary shares	7.1.2 1,032,229	1,032,229	-	2,064,458
	1,300,340	764,118	-	2,064,458
<b>Balance as at December 31, 2014</b>	4,431,029	1,293,858	3,876,195	9,601,082
<b>Balance as at January 01, 2015</b>	4,431,029	1,293,858	3,876,195	9,601,082
<b>Comprehensive income</b>				
Profit after taxation	-	-	1,672,366	1,672,366
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	1,672,366	1,672,366
<b>Incremental depreciation</b>	10	-	207,544	207,544
<b>Transaction with owners</b>				
Interim dividend on ordinary shares @ Rs. 1.25 per share	-	-	(497,682)	(497,682)
<b>Balance as at December 31, 2015</b>	4,431,029	1,293,858	5,258,423	10,983,310

The annexed notes from 1 to 59 form an integral part of these financial statements.

M. MURAD SAIGOL  
Chief Executive Officer

SYED MANZAR HASSAN  
Director

## NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2015

#### 1 REPORTING ENTITY

Pak Elektron Limited (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 Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of electrical capital goods and domestic appliances.

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, deep freezers, air conditioners, microwave ovens, washing machines and other home appliances.

#### 2 BASIS OF PREPARATION

##### 2.1 Separate financial statements

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 and presented separately.

##### 2.2 Statement of compliance

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

##### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment at revalued amounts, certain assets at recoverable amounts and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

##### 2.4 Judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

##### 2.4.1 Depreciation method, rates and useful lives of property, plant and equipment

The Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

##### 2.4.2 Recoverable amount and impairment

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

##### 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.

##### Trade 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.

### **Investments**

The Company reviews the carrying amounts of its investments in equity securities for possible indications of impairment. Indicators considered include financial position and credit rating of the investee entity and changes in values of investment by reference to active market, if any.

#### **2.4.3 Revaluation of property, plant and equipment**

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

#### **2.4.4 Taxation**

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

#### **2.4.5 Provisions**

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

#### **2.4.6 Net realizable values**

The Company reviews the net realizable values of stock in trade to assess any diminution in the respective carrying amounts. Net realizable value is determined with reference to estimated selling prices less estimated costs necessary to make the sale.

#### **2.5 Functional currency**

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

### **3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.**

The following new/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

#### **IFRS 10 - Consolidated Financial Statements (2011)**

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

#### **IFRS 11 - Joint Arrangements (2011)**

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

#### **IFRS 12 - Disclosure of Interests in Other Entities (2011)**

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

#### **IFRS 13 - Fair Value Measurement (2011)**

The standard establishes a single framework for measuring fair value where that is required by other standards.

#### **Defined Benefit Plans: Employee Contributions (Amendments to IAS 19 - Employee benefits)**

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

#### **Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities)**

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

#### **Investment Entities (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statement)**

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

### **Annual Improvements 2010-2012**

Annual Improvements 2010-2012 cycle makes changes to the following standards:

**IFRS 2 - Share Based Payment:** Amends the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

**IFRS 3 - Business Combinations:** Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**IFRS 8 - Operating Segments:** Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets reported regularly.

**IFRS 13 - Fair Value Measurement:** Clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is still available.

**IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets:** Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**IAS 24 - Related Party Disclosures:** Clarifies how payment to entities providing management services are to be disclosed.

### **Annual Improvements 2011-2013**

Annual Improvements 2011-2013 cycle makes changes to the following standards:

**IFRS 1 - First-time Adoption of International Financial Reporting Standards:** Clarifies which versions of IFRSs can be used on initial adoption.

**IFRS 3 - Business Combinations:** Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13 - Fair Value Measurement:** Clarifies the scope of portfolio exception.

**IAS 40 - Investment Property:** Clarifies the interrelationship with IFRS 3 - Business Combinations when classifying property as investment property or owner-occupied property.

### **4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.**

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	<b>Effective date (annual periods beginning on or after)</b>
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 - Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures)	Deferred Indefinitely
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Annual Improvements 2012-2014 cycle	January 01, 2016

**Effective date  
(annual periods beginning  
on or after)**

IFRS 9 – Financial Instruments: Classification and Measurement (2014)	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019

The Company intends to adopt these new/revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

**IFRS 9 – Financial Instruments: Classification and Measurement (2014)**

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**IFRS 15 – Revenue from Contracts with Customers (2014)**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when or as the entity satisfies a performance obligation.

Adoption of this IFRS 15 may result in material adjustment to carrying amounts of contract revenue, expenses, assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**IFRS 16 – Leases (2016)**

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)**

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**5 SIGNIFICANT ACCOUNTING POLICIES**

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

**5.1 Property, plant and equipment**

**5.1.1 Operating fixed assets**

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, leasehold land, buildings and plant and machinery. Freehold land, buildings and plant and machinery are measured at revalued amounts less accumulated depreciation and accumulated impairment losses, if any. Leasehold land is measured at historical cost. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

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 operating fixed assets have different useful lives, they are recognized as separate items.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method, with the exception of computer hardware and allied items, which are depreciated using straight line method, over the useful life of each operating fixed asset using rates specified in note 20 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of changes in equity.

**5.1.2 Capital work in progress**

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

**5.2 Intangible assets**

**5.2.1 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.

**5.2.2 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.

**5.2.3 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.

**5.3 Stores, spares and loose tools**

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held for capitalization are classified as property, plant and equipment through capital work in progress.



#### 5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Moving average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

#### 5.5 Employee benefits

##### 5.5.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

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

##### 5.5.2 Post-employment benefits

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 or loss.

#### 5.6 Financial instruments

##### 5.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

##### 5.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

###### (a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

###### (b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

###### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Assets in this category are presented as non-current assets except for maturities less than twelve months from the reporting date, where these are presented as current assets.

###### (d) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

#### 5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

#### 5.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

#### 5.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

#### 5.8 Preference share capital

Preference share capital is recognized as equity in accordance with the interpretation of the provision of the Companies Ordinance, 1984, including those pertaining to implied classifications of preference shares.

#### 5.9 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

#### 5.10 Investments in equity securities

##### 5.10.1 Investments in subsidiaries, associates and other un-quoted equity securities

Investments in subsidiaries, associates and other un-quoted equity securities are initially recognized at cost. Subsequent to initial recognition these are measured at cost less accumulated impairment losses, if any.

##### 5.10.2 Investments in other quoted equity securities

These on initial recognition, are designated as 'investments at fair value through profit or loss' and are recognized at cost. Subsequent to initial recognition, these are measured at fair value. Gains and losses arising from changes in fair value are recognized in profit or loss.

#### 5.11 Investments in debt securities

Investments in debt securities with fixed or determinable payments and fixed maturity that the Company has positive intention and ability to hold are classified as 'held-to-maturity investments'. These are recognized initially at fair value plus transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of investment on an effective interest basis.

#### 5.12 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

#### 5.13 Ijarah transactions

Ujrah payments under an Ijarah are recognized as an expense in the profit or loss 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.

**5.14 Trade and other payables****5.14.1 Financial liabilities**

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

**5.14.2 Non-financial liabilities**

These, both on initial recognition and subsequently, are measured at cost.

**5.15 Provisions and contingencies**

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

**5.16 Trade and other receivables****5.16.1 Financial assets**

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

**5.16.2 Non-financial assets**

These, both on initial recognition and subsequently, are measured at cost.

**5.17 Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

- Revenue from different sources is recognized as follows:
- Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer.
- Interest income is recognized using effective interest method.
- Dividend income is recognized when right to receive payment is established.
- Contract revenue relating to long term construction contracts are recognized as revenue 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.

**5.18 Comprehensive income**

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards.

**5.19 Contract costs**

Contract costs relating to long term construction contracts are recognized as expenses by reference to stage of completion of contract activity at the reporting 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.

**5.20 Borrowing costs**

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

**5.21 Income tax**

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

**5.21.1 Current taxation**

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

**5.21.2 Deferred taxation**

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**5.22 Government grants**

Government grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these are received and are deducted in reporting the relevant expenses or losses. Grants relating to property, plant and equipment are recognized as deferred income and an amount equivalent to depreciation charged on such assets is transferred to profit or loss.

**5.23 Earnings per share ('EPS')**

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 year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**5.24 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are carried at cost.

**5.25 Foreign currency transactions and balances**

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

**5.26 Impairment****5.26.1 Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**5.26.2 Non-financial assets**

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each

reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

#### 5.27 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

#### 5.28 Basis of allocation of common expenses

Distribution, administrative and finance cost are allocated to PEL Marketing (Private) Limited ('PMPL') on the basis of percentage of operating fixed assets used by PMPL, under the interservices agreement between the Company & PMPL.

#### 5.29 Warranty costs

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

#### 5.30 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 Chief Executive Officer 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 Chief Executive Officer 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.

### 6 AUTHORIZED CAPITAL

2015	2014		2015	2014
Number of shares			Rupees in thousands	
500,000,000	500,000,000	Ordinary shares of Rs. 10 each	5,000,000	5,000,000
62,500,000	62,500,000	'A' class preference shares of Rs. 10 each	625,000	625,000
37,500,000	37,500,000	'B' class preference shares of Rs. 10 each	375,000	375,000
100,000,000	100,000,000		1,000,000	1,000,000
600,000,000	600,000,000		6,000,000	6,000,000

### 7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
Number of shares			Rupees in thousands	
273,214,754	273,214,754	Ordinary shares of Rs. 10 each		
		Issued for cash	2,732,148	2,732,148
		Issued for other than cash:		
137,500	137,500	- against machinery	1,375	1,375
408,273	408,273	- against acquisition of PEL Appliances Limited	4,083	4,083
6,040,820	6,040,820	- against conversion of preference shares	60,408	60,408
118,343,841	118,343,841	- as fully paid bonus shares	1,183,439	1,183,439
398,145,188	398,145,188		3,981,453	3,981,453
		'A' class preference shares of Rs. 10 each		
44,957,592	44,957,592	Issued for cash	449,576	449,576
443,102,780	443,102,780		4,431,029	4,431,029

#### 7.1 Reconciliation between ordinary shares in issue as at the beginning and end of the year is as follows:

Number of shares	Note	2015	2014
As at beginning of the year		398,145,188	268,111,239
Issue of bonus ordinary shares	7.1.1	-	26,811,123
Issue of right ordinary shares	7.1.2	-	103,222,826
As at end of the year		398,145,188	398,145,188

7.1.1 During the year, the Company issued nil (2014: 26,811,124) fully paid bonus ordinary shares at 10 ordinary shares for every 100 ordinary shares already held. The issue was made entirely out of capital reserve. See note 8.

7.1.2 During the year, the Company issued nil (2014: 103,222,826) right ordinary shares at 35 ordinary shares for every 100 ordinary shares already held, at Rs. 20 per ordinary share, including a premium of Rs. 10 per share.

#### 7.2 'A' class preference shares

##### 7.2.1 Current status of original issue

The Company, in the December 2004, issued 'A' class preference shares to various institutional investors amounting to Rs. 605 million against authorized share capital of this class amounting to Rs. 625 million. In January 2010, the Company sent out notices to all preference shareholders seeking conversion of outstanding preference shares into ordinary shares of the Company in accordance with the option available to the investors under the original terms of the issue. As at the reporting date, the outstanding balance of preference shares amounted to Rs. 449.58 million representing investors who did not opt to convert their holdings into the ordinary shares of the Company. Subsequently, the Company offered re-profiling of preference shareholders to these remaining investors. See note 7.2.2.

The Securities and Exchange Commission of Pakistan ('SECP') issued order to Pakistan Stock Exchange Limited (formerly Lahore Stock Exchange Limited) 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 stay order against the said order of SECP and also directed the exchange not to delist the shares. The matter is pending adjudication to date.

##### 7.2.2 Re-profiling of preference shares

The Company offered re-profiling of shares to preference shareholders, who did not convert their preference shares into ordinary shares in response to the conversion notices issued by the Company. The investors to the instrument have, in principle, agreed to the Re-profiling Term Sheet and commercial terms and conditions therein. SECP has allowed the Company to proceed with the re-profiling subject to fulfillment of legal requirements. The legal documentation was prepared and circulated amongst the concerned investors which was endorsed by the said investors except for National Bank of Pakistan, as a result of which the original time frame for re-profiling has lapsed. The Company is in the process of finalising another re-profiling exercise based on mutual agreement to be made amongst the existing investors.

### 7.2.3 Accumulated preference dividend

As at reporting date, an amount of approximately Rs. 256.259 million (2014: Rs. 213.549 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 under process reprofiling exercise.

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.

### 7.2.4 Classification of preference shares as equity

Preference shares have been classified and treated as part of equity on the following basis:

- These shares were issued under the provisions of section 85 of the Companies Ordinance, 1984 ('the Ordinance') read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- The issue was duly approved by the shareholders of the Company in general meeting.
- Return of allotment was filed under section 73(1) of the Ordinance.
- The Company may be required, under the revised terms of reprofiling, to create a Capital Redemption Reserve Fund in accordance with section 85 of the Ordinance.
- The requirements of the Ordinance take precedence over the requirements of International Financial Reporting Standards.

Further, the matter regarding the classification of redeemable preference shares as either debt or equity instrument has been examined by the Institute of Chartered Accountants of Pakistan (ICAP). ICAP has advised the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Companies Ordinance, 1984, and / or to issue a clarification in order to remove the inconsistency between the Companies Ordinance, 1984 and the International Financial Reporting Standards. Pending the decision of SECP in this matter, the preference share capital has been classified as equity in these financial statements.

## 8 CAPITAL RESERVE

This represents premium on issue of ordinary shares. The movement during the year is as follows:

Rupees in thousands	Note	2015	2014
As at beginning of the year		1,293,858	529,740
Recognized during the year	7.1.2	-	1,032,229
Issue of bonus shares	7.1.1	-	(268,111)
As at end of the year		1,293,858	1,293,858

8.1 This represents premium on issue of right ordinary shares recognized under Section 83(1) of the Companies Ordinance, 1984. See note 7.1.2.

8.2 This represents amount of premium applied by the Company in paying up ordinary shares issued as fully paid bonus shares in accordance with Section 83(2)d of the Companies Ordinance, 1984. See note 7.1.1.

### 9 ADVANCE AGAINST ISSUE OF ORDINARY SHARES

These represent advances received against issue of right ordinary shares which are expected to be issued in the ensuing year subject to the relevant corporate and regulatory approvals.

Rupees in thousands

2015

2014

## 10 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

As at beginning of the year	4,568,357	4,612,256
Surplus recognized during the year	-	-
Incremental depreciation transferred to accumulated profits		
Incremental depreciation for the year	(305,212)	(261,259)
Deferred taxation	97,668	86,215
	(207,544)	(175,044)
Other adjustments		
Deferred tax adjustment attributable to changes in proportion of income taxable under final tax regime	379,354	-
Deferred tax adjustment attributable to changes in tax rates	64,033	131,145
	443,387	131,145
As at end of the year	4,804,200	4,568,357

## 11 REDEEMABLE CAPITAL - SECURED

These represent interest/mark-up/profit based debt securities issued to institutional and other investors. The details are as follows:

Description	2015 Rupees in thousands	2014 Rupees in thousands	Pricing	Security	Arrangements and repayment
Sukuk Funds	257,143	514,286	Three months KIBOR plus 1.75% per annum (2014: Three months KIBOR plus 1.75% per annum) subject to floor and cap of 10% and 25% respectively.	Charge on present and future operating fixed assets of the Company.	These were issued for the purpose of refinance of existing machinery with diminishing mushawaka facility. Later, the Company entered into restructuring arrangement, whereby, the outstanding principal was deferred till June 2015 with the outstanding liability payable in six equal quarterly instalments commencing from June 2015.
Sukuk Funds	939,375	1,100,000	Three months KIBOR plus 1% per annum (2014: Three months KIBOR plus 1% per annum) subject to floor and cap of 8% and 16% respectively.	Charge on present and future operating fixed assets of the Company.	These were issued for the purpose of refinance of existing machinery with diminishing mushawaka facility. Later, the Company entered into restructuring arrangement, whereby, the outstanding principal was deferred till June 2015 with the outstanding liability payable in sixteen equal quarterly instalments commencing from June 2015.
Private Placed Term Finance Certificates	782,738	850,000	Six months KIBOR plus 3% per annum (2014: Six months KIBOR plus 3% per annum).	Charge on present and future operating fixed assets of the Company.	These were issued for the purpose of financing the capacity expansion program of the Company. Later, the Company entered into restructuring arrangement, whereby, the outstanding principal was deferred till June 2015 with the outstanding liability payable in fifty two stepped-up monthly instalments commencing from June 2015.
Private Placed Term Finance Certificates	2,976,229	3,165,690	Three months KIBOR plus 2% per annum (2014: Three months KIBOR plus 2% per annum).	Charge on present and future operating fixed assets of the Company.	These were issued on conversion of long term finances and short term borrowings under a broad restructuring agreement between the Company and National Bank of Pakistan. Under the arrangement, the issue, to the extent of share of NSP in the issue of Rs. 1,650 million, was to be converted into ordinary and preference shares of the Company to the extent of Rs. 500 million and Rs. 1,150 million respectively, with the remaining issue to be redeemed in twenty four equal quarterly instalments with the first redemption due in March 2015. The aforementioned conversion agreed between the Company and National Bank of Pakistan (NSP) has been withdrawn. Following the withdrawal of debt equity swap arrangement, a new redemption plan is yet to be agreed and finalised between the Company and NSP. The Company has proposed to redeem the said issue in eight equal quarterly instalments commencing from January 2021.
Total	4,955,485	5,629,976			
Current portion presented under current liabilities	(1,076,276)	(803,507)			
	3,879,209	4,826,469			

## 12 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/mark-up/profit arrangements from banking companies and financial institutions. The details are as follows:

Description	2015 Rupees in thousands	2014 Rupees in thousands	Pricing	Security	Arrangements and repayment
Term Finance	375,000	450,000	Three months KIBOR plus 3% per annum (2014: Three months KIBOR plus 3% per annum).	Charge over operating fixed assets and receivables of the Company, mortgage of the Company's land and personal guarantees of sponsoring directors of the Company.	This finance was obtained from Pak Libya Holdings Company (Private) Limited for meeting operational expenses of the Company. Later, the Company entered into restructuring arrangement, whereby, the outstanding principal was deferred till May 2015 with the outstanding liability payable in eighteen equal quarterly instalments commencing from May 2015.
Term Finance	192,662	467,037	One month KIBOR plus 3.5% per annum (2014: One month KIBOR plus 3.5% per annum).	Charge over operating fixed assets and receivables of the Company, mortgage of the Company's land and building and lien over balances in collection accounts and instalment reserve accounts.	The finance was obtained from consortium of financial institutions led by Standard Chartered Bank (Pakistan) Limited for long term working capital requirements of the Company and has been restructured twice after the disbursement. As per the latest arrangement, the finance is repayable in forty eight equal monthly instalments starting September 2012.
Term Finance	221,739	273,913	Six months KIBOR plus 3% per annum (2014: six months KIBOR plus 3% per annum).	Charge on present and future operating fixed assets of the Company.	The finance was obtained from Faysal Bank Limited on conversion of short term borrowings. The finance is repayable in twenty three equal quarterly instalments commencing from June 2014.

Description	2015 Rupees in thousands	2014	Pricing	Security	Arrangements and repayment
Term Finance	183,333	200,000	Three months KIBOR plus 3% (2014: three months KIBOR plus 3%) per annum.	Charge over present and future current assets of the Company.	The finance was obtained from Summit Bank Limited on conversion of short term borrowings into long term debt. The finance is repayable in twelve equal quarterly instalments commencing from September 2015.
Term Finance	-	1,661,110	Three months KIBOR plus 0.85% (2014: Three months KIBOR plus 0.85%) per annum.	Bank guarantee of Rs. 1,800 million and personal guarantees of sponsoring directors of the Company.	The finance was obtained from NIB Bank Limited for settlement of long term finances obtained from NBP. The finance was repayable in twenty eight stepped-up quarterly instalments commencing from April 2014, however the Company has fully repaid the finance during the year.
Term Finance	50,000	50,000	Three months KIBOR plus 1% per annum (2014: Three months KIBOR plus 1% per annum).	Charge over present and future current assets of the Company, mortgage of the Company's land and building.	The finance was obtained from Silk Bank Limited for the purpose of financing capital expenditure. The finance is repayable in bullet on or before March 31, 2016.
Term Finance	500,000	-	Three months KIBOR plus 3% per annum.	Charge over present and future current assets of the Company.	The finance has been obtained from Saudi Pak Industrial and Agricultural Investment Company Limited, for the purpose of long term working capital requirements. The finance is repayable in three semi annual instalments commencing from June 2017.
Demand Finance	1,494,693	-	Three months KIBOR plus 2.25% per annum.	Charge over present and future current assets of the Company and personal guarantees of sponsoring directors of the Company.	The finance has been obtained from National Bank of Pakistan for settlement of long term finances obtained from NIB Bank Limited. The finance is repayable in twenty three equal quarterly instalments commencing from September 2015.
Total	3,017,427	3,162,060			
Current portion presented under current liabilities	(830,916)	(659,253)			
	2,186,511	2,442,807			

Rupees in thousands	Note	2015	2014
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### 13 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	13.1 & 13.2	130,812	135,110
Current portion presented under current liabilities	13.1 & 13.2	(69,463)	(60,395)
		61,349	74,715

13.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months to one year KIBOR plus 2% to 5.5% per annum (2014: one year KIBOR plus 2% to 5.8% per annum). Lease rentals are payable monthly over a tenor ranging from 3 to 4 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

13.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

Rupees in thousands	Note	2015	2014
Not later than one year		81,501	75,379
Later than one year but not later than five years		66,733	83,599
<b>Total future minimum lease payments</b>		<b>148,234</b>	<b>158,978</b>
Finance charge allocated to future periods		(17,422)	(23,868)
<b>Present value of future minimum lease payments</b>		<b>130,812</b>	<b>135,110</b>
Not later than one year	18	(69,463)	(60,395)
Later than one year but not later than five years		61,349	74,715

### 14 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	14.1	2,962,104	3,625,677
Deferred tax asset on deductible temporary differences	14.1	(1,157,193)	(1,576,739)
		1,804,911	2,048,938

### 14.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Rupees in thousands	2015			
	As at January 01	Recognized in profit or loss	Recognized on balance sheet	As at December 31
<b>Deferred tax liabilities</b>				
Operating fixed assets - owned	3,603,031	(226,816)	(443,387)	2,932,828
Operating fixed assets - leased	22,646	6,630	-	29,276
	3,625,677	(220,186)	(443,387)	2,962,104
<b>Deferred tax assets</b>				
Provisions	(115,144)	(18,955)	-	(134,099)
Unused tax losses and credits	(1,461,595)	438,501	-	(1,023,094)
	(1,576,739)	419,546	-	(1,157,193)
	2,048,938	199,360	(443,387)	1,804,911

Rupees in thousands	2014			
	As at January 01	Recognized in profit or loss	Recognized on balance sheet	As at December 31
<b>Deferred tax liabilities</b>				
Operating fixed assets - owned	3,984,329	(250,153)	(131,145)	3,603,031
Operating fixed assets - leased	100,531	(77,885)	-	22,646
	4,084,860	(328,038)	(131,145)	3,625,677
<b>Deferred tax assets</b>				
Provisions	(228,426)	113,282	-	(115,144)
Unused tax losses and credits	(1,508,432)	46,837	-	(1,461,595)
	(1,736,858)	160,119	-	(1,576,739)
	2,348,002	(167,919)	(131,145)	2,048,938

14.2 Deferred tax has been recognized using tax rate of 32% (2014: 33%) of temporary differences.

Rupees in thousands	2015	2014
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### 15 DEFERRED INCOME

As at beginning of the year	45,158	47,535
Recognized in profit or loss	(2,258)	(2,377)
As at end of the year	42,900	45,158

15.1 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 USD 1,367,633 (Rs. 91,073,838) comprises the capital cost of the project included in fixed assets amounting to USD 1,185,929 (Rs. 79,338,650) and grant recoverable in cash of USD 181,704 (Rs. 11,735,188) being the incremental operating cost for six months.

The grant received 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. 2.258 million (2014: Rs. 2.377 million) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.



Rupees in thousands	Note	2015	2014
<b>16 TRADE AND OTHER PAYABLES</b>			
Trade creditors - <i>unsecured</i>		<b>318,331</b>	338,771
Foreign bills payable - <i>secured</i>	16.1	<b>61,553</b>	83,140
Accrued liabilities		<b>117,725</b>	157,619
Advances from customers - <i>unsecured</i>		<b>42,023</b>	98,862
Employees' provident fund		<b>10,234</b>	8,574
Compensated absences		<b>24,740</b>	22,813
Advance against contracts	45	<b>4,312</b>	7,685
Workers' Profit Participation Fund	16.2	<b>102,223</b>	65,004
Workers' Welfare Fund	16.3	<b>38,845</b>	20,843
Unclaimed dividend		<b>4,105</b>	-
Other payables - <i>unsecured</i>		<b>6,110</b>	14,175
		<b>730,201</b>	817,486

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

Rupees in thousands	Note	2015	2014
<b>16.2 Workers' Profit Participation Fund</b>			
As at beginning of the year		<b>65,004</b>	24,676
Interest on fund utilized by the Company	39	<b>4,875</b>	2,350
Charged to profit or loss for the year	38	<b>102,223</b>	65,004
Paid during the year		<b>(69,879)</b>	(27,026)
As at end of the year		<b>102,223</b>	65,004

16.2.1 Interest on fund utilized by the Company has been recognized at 13.22% (2014: 12.5%) per annum.

Rupees in thousands	Note	2015	2014
<b>16.3 Workers' Welfare Fund</b>			
As at beginning of the year		<b>20,843</b>	9,377
Charged to profit or loss for the year	38	<b>38,845</b>	20,843
Paid/adjusted during the year		<b>(20,843)</b>	(9,377)
As at end of the year		<b>38,845</b>	20,843

## 17 SHORT TERM BORROWINGS

### Secured

Short term finances utilized under interest/mark-up arrangements from			
- banking companies	17.1	<b>3,704,952</b>	3,890,293
- non banking finance companies	17.2	<b>130,000</b>	230,000
		<b>3,834,952</b>	4,120,293

### Unsecured

Short term finances utilized under interest/mark-up arrangements from non banking finance companies	17.3	<b>748,349</b>	-
Bank overdraft	17.5	<b>85,600</b>	120,654
		<b>4,668,901</b>	4,240,947

17.1 These facilities have been obtained from various banking companies for working capital requirements and carry interest/mark-up at rates ranging from 8.5% to 13.11% (2014: 11.90% to 13.72%) per annum. These facilities are secured by pledge / hypothecation of raw materials and components, work-in-process, finished goods, machinery, spare parts, charge over book debts, shares of public companies 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.

17.2 These facilities have been obtained from NBFCs for purchase of raw material and carry mark-up at rates ranging from 9.33% to 12.43% (2014: 11.33% to 12.43%) per annum. This facility is secured by charge over operating fixed assets of the Company and personal guarantees of the directors of the Company.

17.3 This represent finances obtained against issue of commercial paper to non-banking finance companies and carry mark-up at three months KIBOR plus 2.5% per annum. These are issued at discounted value and redeemable at face value.

17.4 The aggregate un-availed short term borrowing facilities as at the reporting date amounts to Rs. 1,705 million (2014: Rs. 940 million).

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

Rupees in thousands	Note	2015	2014
<b>18 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>			
Redeemable capital	11	<b>1,076,276</b>	803,507
Long term finances	12	<b>830,916</b>	659,253
Liabilities against assets subject to finance lease	13	<b>69,463</b>	60,395
		<b>1,976,655</b>	1,523,155

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

19.1.1 Various banking and insurance companies have issued guarantees, letters of credit and discounted receivables on behalf of the Company as detailed below:

Rupees in thousands	2015	2014
Tender bonds	<b>453,543</b>	623,922
Performance bonds	<b>2,036,786</b>	1,444,751
Advance guarantees	<b>1,272,820</b>	698,430
Custom guarantees	<b>73,253</b>	130,800
Foreign guarantees	<b>101,295</b>	126,404

19.1.2 The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

Rupees in thousands	2015	2014
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### 19.2 Commitments

19.2.1 Commitments under irrevocable letters of credit for import of stores, spare parts and raw material

	<b>1,842,222</b>	1,429,003
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19.2.2 Commitments under ijarah contracts

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

Rupees in thousands	2015	2014
- payments not later than one year	<b>55,237</b>	7,488
- payments later than one year	<b>82,906</b>	11,252
	<b>138,143</b>	18,740

## 20 PROPERTY, PLANT AND EQUIPMENT

Rupees in thousands	2015							Net book value as at December 31			
	COST / REVALUED AMOUNT				DEPRECIATION						
	As at January 01	Additions	Disposals	Transfers	As at December 31	Rate %	As at January 01		For the year	Adjustment	As at December 31
<b>Assets owned by the Company</b>											
Leasehold land	13,256	-	-	-	-	-	13,256	-	-	-	13,256
Freehold land	539,232	-	-	-	-	-	539,232	-	-	-	539,232
Building on leasehold land	1,754,247	-	-	-	1,754,247	5	1,754,247	58,484	-	64,923	1,111,324
Building on freehold land	2,750,800	-	-	-	2,750,800	5	2,750,800	108,821	-	682,639	2,068,161
Plant and machinery	14,707,948	1,826,424	(119,052)	(55,134)	16,360,186	5	4,535,151	51,2498	(2,281)	5,045,368	11,314,818
Office equipment and fixtures	183,914	8,208	(2,829)	-	189,293	10	100,688	8,754	(1,997)	107,445	81,848
Computer hardware and allied items	101,825	19,266	(4,956)	-	116,135	30	89,413	10,759	(4,956)	95,216	20,919
Vehicles	115,313	21,063	(19,387)	29,061	146,050	20	79,611	8,352	3,223	91,186	54,864
	20,166,535	1,874,961	(146,224)	(26,073)	21,869,199		5,963,120	707,668	(6,011)	6,664,777	15,204,422
<b>Assets subject to finance lease</b>											
Plant and machinery	100,000	-	-	52,068	152,068	5	2,500	6,643	-	9,143	146,925
Vehicles	140,828	33,481	-	(29,061)	145,048	20	34,396	25,431	(13,897)	45,930	99,118
	240,828	33,481	-	23,007	297,116		36,896	32,074	(13,897)	55,073	242,043
	20,407,163	1,908,442	(146,224)	(3,066)	22,166,315		6,000,016	739,742	(19,908)	6,719,850	15,446,465
<b>Capital work in progress</b>											
Building on freehold land	51,812	2,983	-	-	54,795		-	-	-	-	54,795
Plant and machinery	7,931	421	-	-	8,352		-	-	-	-	8,352
	59,743	3,404	-	-	63,147		-	-	-	-	63,147
	20,466,906	1,911,846	(146,224)	(3,066)	22,229,462		6,000,016	739,742	(19,908)	6,719,850	15,509,612

Rupees in thousands	2014							Net book value as at December 31			
	COST / REVALUED AMOUNT				DEPRECIATION						
	As at January 01	Additions	Disposals	Transfers	As at December 31	Rate %	As at January 01		For the year	Adjustment	As at December 31
<b>Assets owned by the Company</b>											
Leasehold land	13,256	-	-	-	13,256	-	-	-	-	-	13,256
Freehold land	539,232	-	-	-	539,232	-	-	-	-	-	539,232
Building on leasehold land	1,754,247	-	-	-	1,754,247	5	522,877	61,562	-	584,439	1,169,808
Building on freehold land	2,750,800	-	-	-	2,750,800	5	459,269	114,549	-	573,818	2,176,982
Plant and machinery	14,432,508	330,587	-	(55,147)	14,707,948	5	4,023,066	52,7511	(15,426)	4,535,151	10,172,797
Office equipment and fixtures	180,176	3,738	-	-	183,914	10	91,623	9,065	-	100,688	83,226
Computer hardware and allied items	90,913	10,912	-	-	101,825	30	82,503	6,910	-	89,413	12,412
Vehicles	129,712	4,877	(19,276)	-	115,313	20	79,715	9,337	(9,441)	79,611	35,702
	19,890,844	350,114	(19,276)	(55,147)	20,166,535		5,259,053	728,934	(24,867)	5,963,120	14,203,415
<b>Assets subject to finance lease</b>											
Plant and machinery	70,000	-	-	30,000	100,000	5	9,194	2,753	(9,447)	2,500	97,500
Vehicles	85,748	53,880	-	-	140,628	20	14,855	19,541	-	34,396	106,232
	156,748	53,880	-	30,000	240,628		24,049	22,294	(9,447)	36,696	203,732
	20,047,592	403,994	(19,276)	(25,147)	20,407,163		5,283,102	751,228	(34,314)	6,000,016	14,407,147
<b>Capital work in progress</b>											
Building on freehold land	49,534	2,278	-	-	51,812		-	-	-	-	51,812
Plant and machinery	4,036	3,895	-	-	7,931		-	-	-	-	7,931
	53,570	6,173	-	-	59,743		-	-	-	-	59,743
	20,101,162	410,167	(19,276)	(25,147)	20,466,906		5,283,102	751,228	(34,314)	6,000,016	14,466,890

20.1 Property, plant and equipment includes fully depreciated assets of Rs. 80,975 million (2014: Rs. 80,993 million) which are still in use of the Company.

## 20.2 Disposal of operating fixed assets

Particulars	2015					Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal		
Rupees in thousands							
<b>Plant and machinery</b>							
Cabinet foaming fixture	10,871	136	10,735	10,184	(551)	Negotiation	Sindh Modaraba
Refrigerant charging system	2,911	24	2,887	2,645	(242)	Negotiation	Sindh Modaraba
Vacuum thermoforming machine	20,464	85	20,379	18,893	(1,486)	Negotiation	Sindh Modaraba
Deep freezer copper cooling machine	6,394	27	6,367	6,108	(259)	Negotiation	Sindh Modaraba
CR and GI slitting	9,369	-	9,369	8,804	(565)	Negotiation	Sindh Modaraba
Gantry crane	18,992	-	18,992	16,516	(2,476)	Negotiation	Sindh Modaraba
Plastic injection moulds	6,152	451	5,701	6,142	441	Negotiation	Sindh Modaraba
Cabinet thermoforming mould	2,341	163	2,178	2,337	159	Negotiation	Sindh Modaraba
Automatic strapping machine	706	49	657	804	147	Negotiation	Sindh Modaraba
Moisture and temperature controlling device	1,877	108	1,769	1,874	105	Negotiation	Sindh Modaraba
Foaming plug	312	14	298	312	14	Negotiation	Sindh Modaraba
Micro ohm meter	1,296	59	1,237	1,294	57	Negotiation	Sindh Modaraba
Oil break down tester	1,151	53	1,098	1,149	51	Negotiation	Sindh Modaraba
Wire cut machine	1,423	59	1,364	1,421	57	Negotiation	Sindh Modaraba
Micro mole electric discharge machine	1,548	65	1,483	1,545	62	Negotiation	Sindh Modaraba
Air chiller	2,511	94	2,417	2,507	90	Negotiation	Sindh Modaraba
Cabinet foaming mould	2,912	222	2,690	2,903	213	Negotiation	Sindh Modaraba
Cabinet foaming mould	968	36	932	967	35	Negotiation	Sindh Modaraba
Water heater and teflon hose	1,007	38	969	1,006	37	Negotiation	Sindh Modaraba
Rotary vacuum pump	7,073	206	6,867	7,062	195	Negotiation	Sindh Modaraba
Stone crusher	1,081	27	1,054	1,078	25	Negotiation	Sindh Modaraba
Pneumatic self burning welding machine	4,524	113	4,411	4,517	106	Negotiation	Sindh Modaraba
Air chiller	2,292	38	2,254	2,288	34	Negotiation	Sindh Modaraba
Magnetic inserting machine	4,380	55	4,325	4,373	48	Negotiation	Sindh Modaraba
Rotary screw compressors	2,266	19	2,247	2,262	15	Negotiation	Sindh Modaraba
Screw air compressor	1,231	10	1,221	1,229	8	Negotiation	Sindh Modaraba
	119,052	2,151	116,901	113,221	(3,680)		
<b>Office equipment and fixtures</b>							
UPS, fans, ovens and other items	866	701	165	272	107	Negotiation	Faisal Raza
Refrigerators	417	340	77	128	51	Negotiation	Faisal Raza
Photocopier & fax machine	449	363	86	144	58	Negotiation	Faisal Raza
Air conditioners	602	496	106	178	69	Negotiation	Faisal Raza
Various mobiles	495	97	398	-	(398)	Negotiation	Various Individuals
	2,829	1,997	832	719	(113)		
<b>Computer hardware and allied items</b>							
Computers and monitors	4,325	4,325	-	194	194	Negotiation	Ifkhar Ahmad
Printers scanners and allied items	631	631	-	28	28	Negotiation	Ifkhar Ahmad
	4,956	4,956	-	222	222		
<b>Vehicles</b>							
Suzuki Alto	673	467	206	452	246	As Per Company Policy	Aamir Nazir (employee)
Suzuki Cultus	819	593	226	161	(65)	As Per Company Policy	Arshad Ali (employee)
Toyota Corolla	1,434	979	455	398	(57)	As Per Company Policy	Tahir Arshad (employee)
Suzuki Mehran	657	192	465	522	57	Insurance Claim	IGI Insurance
Toyota Corolla	1,27	-	1,27	261	134	As Per Company Policy	Ahmad Jamshad (employee)
Toyota Corolla	1,414	798	616	644	28	As Per Company Policy	Arif Rashid Mir (employee)
Suzuki Alto	826	414	412	442	30	As Per Company Policy	Azeem Bin Talib (employee)
Suzuki Mehran	645	329	316	240	(76)	As Per Company Policy	Ehsan Hasni (employee)
Toyota Corolla	129	-	129	1,076	947	As Per Company Policy	Muzaffar Waheed (employee)
Suzuki Mehran	645	329	316	240	(76)	As Per Company Policy	Saif ul Haq Khan (employee)
Toyota Corolla	138	-	138	290	152	As Per Company Policy	Imtiaz Ahmed (employee)
Suzuki Cultus	909	903	6	212	206	As Per Company Policy	Muhammad Tariq (employee)
Toyota Corolla	127	76	51	283	232	As Per Company Policy	Mian Nazir Ahmed (employee)
Toyota Corolla	184	-	184	444	260	As Per Company Policy	Adnan Aftab (employee)
Honda city	1,397	819	578	50	(528)	As Per Company Policy	Bilal Ahmad Khan (employee)
Toyota Corolla	1,626	845	781	714	(67)	As Per Company Policy	Tauqir Akhtar (employee)
Suzuki Cultus	1,040	485	555	602	47	As Per Company Policy	Kashif Khan (employee)
Toyota Corolla	129	-	129	261	132	As Per Company Policy	Jahanzeb Ahmad (employee)
Suzuki Sprinter	69	48	21	69	48	As Per Company Policy	Abdullah Mateen (employee)
Honda Civic	171	-	171	173	2	As Per Company Policy	Aamir Aziz (employee)
Honda Civic VTI	1,963	1,265	698	539	(159)	As Per Company Policy	Syed Manzoor Hassan (employee)
Toyota Corolla	138	-	138	282	144	As Per Company Policy	Muhammad Hanif (employee)
Suzuki Mehran	645	347	298	386	88	As Per Company Policy	Muhammad Kamran (employee)
Suzuki Mehran	663	357	306	125	(181)	As Per Company Policy	M. Azeem Qureshi (employee)
Suzuki Cultus	87	-	87	129	42	As Per Company Policy	Rizwan Ahmad Cheema (employee)
Suzuki Mehran	612	308	304	224	(80)	As Per Company Policy	Half Imran Ahmad (employee)
Suzuki Swift	1,176	572	604	568	(36)	As Per Company Policy	Imtiaz Ahmad (employee)
Honda City	129	-	129	352	223	As Per Company Policy	Masood Tahir (employee)
Various Motor Cycles	815	548	267	812	545	As Per Company Policy	Various Individuals (employees)
	19,387	10,674	8,713	11,787	3,074		
	146,224	19,778	126,446	125,949	(497)		

Particulars	Cost	Accumulated depreciation	2014		Mode of disposal	Particulars of buyer
			Net book value	Disposal proceeds		
Rupees in thousands						
<b>Vehicles</b>						
Suzuki Cultus	636	609	27	567	540	As per Company Policy
Suzuki Cultus	741	486	255	146	(109)	As per Company Policy
Suzuki Cultus	741	486	255	146	(109)	As per Company Policy
Toyota Corolla	139	-	139	295	156	As per Company Policy
Honda Civic	161	-	161	315	154	As per Company Policy
Suzuki Cultus	757	501	256	149	(107)	As per Company Policy
Suzuki Mehran	504	331	173	308	135	As per Company Policy
Suzuki Alto	669	431	238	470	232	As per Company Policy
Honda City	881	593	288	173	(115)	As per Company Policy
Suzuki Alto	682	447	235	236	1	As per Company Policy
Toyota Corolla	1,462	706	756	688	(68)	As per Company Policy
Honda City	123	-	123	836	713	As per Company Policy
Suzuki Mehran	53	-	53	153	100	As per Company Policy
Toyota Corolla	1,462	720	742	688	(54)	As per Company Policy
Toyota Corolla	138	-	138	478	340	As per Company Policy
Suzuki Mehran	499	350	149	306	157	As per Company Policy
Honda Civic	1,968	948	1,020	281	(739)	As per Company Policy
Suzuki Alto	68	-	68	280	212	As per Company Policy
Toyota Corolla	127	-	127	264	137	As per Company Policy
Suzuki Alto	68	-	68	280	212	As per Company Policy
Daihatsu Cuore	76	-	76	405	329	As per Company Policy
Suzuki Mehran	53	-	53	142	89	As per Company Policy
Suzuki Mehran	53	-	53	380	327	As per Company Policy
Suzuki Alto	821	328	493	768	275	As per Company Policy
Suzuki Alto	67	-	67	274	207	As per Company Policy
Suzuki Mehran	449	320	129	276	147	As per Company Policy
Suzuki Mehran	53	-	53	144	91	As per Company Policy
Daihatsu Cuore	71	-	71	269	198	As per Company Policy
Suzuki Alto	68	-	68	226	158	As per Company Policy
Honda Civic	2,383	629	1,754	1,601	(153)	Negotiation
Suzuki Cultus	87	-	87	472	385	As per Company Policy
Suzuki Cultus	87	-	87	695	608	As per Company Policy
Suzuki Mehran	53	-	53	136	83	As per Company Policy
Toyota Corolla	1,755	853	902	865	(37)	As per Company Policy
Honda Civic	171	-	171	750	579	As per Company Policy
Suzuki Cultus	83	-	83	272	189	As per Company Policy
Others	1,067	703	364	1,010	646	Negotiation
	19,276	9,441	9,835	15,744	5,909	

Rupees in thousands **Note** 2015 2014

## 20.3 The depreciation charge for the year has been allocated as follows:

Cost of sales	34	689,446	705,924
Administrative and general expenses	37	50,296	45,304
		739,742	751,228

## 20.4 Revaluation of property, plant and equipment

Most recent valuation of freehold land, buildings on freehold and lease hold land and plant and machinery was carried out by an independent valuer, Maricon Consultants (Private) Limited, on July 01, 2013 and was incorporated in the financial statements for the year ended December 31, 2013. Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

Rupees in thousands	2015		Net book value
	Cost	Accumulated depreciation	
Freehold land	189,184	-	189,184
Buildings	3,287,050	951,530	2,335,520
Plant and machinery	8,386,000	2,272,477	6,113,523

Rupees in thousands	2014		
	Cost	Accumulated depreciation	Net book value
Freehold land	189,184	-	189,184
Buildings	3,287,050	828,608	2,458,442
Plant and machinery	6,678,628	2,020,808	4,657,820

The basis of revaluation used by the valuer are as follows:

#### Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

#### Buildings

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

#### Plant and machinery

Revalued amount of plant and machinery has been determined by reference to present depreciated replacement values after taking into consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

## 21 INTANGIBLE ASSETS

Rupees in thousands	Note	2015						
		Cost			Accumulated Amortization			Net book value as at December 31
		As at January 01	Additions	As at December 31	As at January 01	For the period	As at December 31	
Technology transfer agreement	21.1	117,054	-	117,054	25,997	4,553	30,550	86,504
Goodwill	21.2	312,341	-	312,341	91,859	-	91,859	220,482
Software	21.3	5,057	-	5,057	4,263	263	4,526	531
Enterprise Resource Planning system	21.4	31,675	-	31,675	-	871	871	30,804
		466,127	-	466,127	122,119	5,687	127,806	338,321

Rupees in thousands	Note	2014						
		Cost			Accumulated Amortization			Net book value as at December 31
		As at January 01	Additions	As at December 31	As at January 01	For the period	As at December 31	
Technology transfer agreement	21.1	117,054	-	117,054	21,205	4,792	25,997	91,057
Goodwill	21.2	312,341	-	312,341	91,859	-	91,859	220,482
Software	21.3	5,057	-	5,057	3,867	396	4,263	794
Enterprise Resource Planning system	21.4	31,441	234	31,675	-	-	-	31,675
		465,893	234	466,127	116,931	5,188	122,119	344,008

21.1 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.

21.2 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 the Company. In view of cancellation 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. The carrying value represents goodwill related to PEL Appliances Limited for which there is no indication of impairment.

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

21.4 These have been amortized at 33% per annum on reducing balance method.

Rupees in thousands	Note	2015	2014
<b>22 LONG TERM INVESTMENTS</b>			
Investments in related parties	22.1	9,006	8,250
Other investments	22.2	-	55,740
		9,006	63,990

22.1 These represent investments in ordinary shares of related parties and are carried at cost less accumulated impairment. The details are as follows:

Rupees in thousands	Note	2015	2014
<b>PEL Marketing (Private) Limited - Unquoted</b>			
10,000 (2014: 10,000) ordinary shares of Rs. 10 each		100	100
Relationship: wholly-owned subsidiary			
Ownership Interest: 100%			
<b>Kohinoor Power Company Limited - Quoted</b>			
2,910,600 (2014: 2,910,600) ordinary shares of Rs. 10 each	22.1.1	8,906	8,150
Relationship: associate			
Ownership Interest: 23.1%			
Market value: Rs. 3.06 (2014: Rs. 2.80) per share			
		9,006	8,250

22.1.1 Details of investment are as follows:

Cost of investment	54,701	54,701
Accumulated impairment	(45,795)	(46,551)
	8,906	8,150

22.2 This represents investment in convertible preference shares issued by Silk Bank Limited ('the Issuer') maturing on March 26, 2016. These shares are convertible into ordinary shares of the Issuer at the conversion ratio of 1:1 at the end of the tenor. The Company has the option to put these shares for sale at a strike price of Rs. 3.7 per share at the end of the tenor. The Issuer is entitled to exercise call option, which is exercisable in full or in parts at any time after one year of issue. The investment has been classified as 'held-to-maturity investment' and has been carried at amortized cost measured using an effective interest rate of 13.96% per annum. The details are as follows:

Rupees in thousands	Note	2015	2014
<b>Silk Bank Limited - Unquoted</b>			
17,698,489 preference shares of Rs. 2.5 each			
As at beginning of the year		55,740	-
Acquired during of the year		-	50,219
Amortization for the year	35	9,744	5,521
Transferred to current assets	30	(65,484)	-
As at end of the year		-	55,740

## 23 LONG TERM DEPOSITS

Financial institutions	23.1	29,262	3,226
Utility companies and regulatory authorities	23.2	75,978	70,863
Customers	23.3	184,544	118,719
		289,784	192,808

23.1 These represent security deposit against ljarah financing.

23.2 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

23.3 These have been deposited with various customers against EPC and other contracts and are refundable on completion of project in accordance with term of contracts. Due to uncertainties regarding dates of refund of these deposits, these have been carried at cost.

Rupees in thousands	2015	2014
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#### 24 STORES, SPARES AND LOOSE TOOLS

Stores	94,002	82,979
Spares	662,115	335,247
Loose tools	53,968	60,620
	810,085	478,846
Provision for slow moving and obsolete items	(16,706)	(16,706)
	793,379	462,140

24.1 There are no spare parts held exclusively for capitalization as at the reporting date.

Rupees in thousands	2015	2014
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#### 25 STOCK IN TRADE

Raw material		
- in stores	2,815,016	3,151,231
- in transit	1,126,577	1,048,547
Provision for slow moving and obsolete items	(22,447)	(18,424)
	3,919,146	4,181,354
Work in process	1,143,657	1,262,830
Finished goods	429,020	700,790
Provision for slow moving and obsolete items	(6,007)	(4,804)
	423,013	695,986
	5,485,816	6,140,170

25.1 Entire stock in trade is carried at cost being lower than net realizable value.

25.2 Stock in trade to the extent of Rs. 1,630 million (2014: Rs. 1,874 million) is pledged as security with providers of debt finances.

Rupees in thousands	Note	2015	2014
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#### 26 TRADE DEBTS - UNSECURED

Considered good		
- against sale of goods		4,088,826
- against execution of contracts	26.1	1,494,500
		5,583,326
Considered doubtful	26.2	343,603
		5,926,929
Impairment allowance for doubtful debts	37	(343,603)
		5,583,326

26.1 These include retention money for contracts in progress amounting to Rs. 774.205 million (2014: Rs. 426.451 million) held by the customers in accordance with contract terms.

Rupees in thousands	2015	2014
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#### 26.2 Movement in impairment allowance

As at beginning of the year	256,484	440,082
Recognized during the year	87,119	103,568
Written off during the year	-	(287,166)
As at end of the year	343,603	256,484

#### 27 DUE AGAINST CONSTRUCTION WORK IN PROGRESS - UNSECURED, CONSIDERED GOOD

This represents unbilled revenue from construction work in progress.

Rupees in thousands	Note	2015	2014
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#### 28 SHORT TERM ADVANCES - UNSECURED

Advances to suppliers and contractors - *unsecured*

- considered good		748,382	769,150
- considered doubtful		25,108	22,863
Impairment allowance for doubtful advances	28.1	(25,108)	(22,863)
		748,382	769,150

Advances to employees - *unsecured*

- considered good	28.2	165,499	60,499
- considered doubtful		1,449	1,449
Impairment allowance for doubtful advances		(1,449)	(1,449)
		165,499	60,499
		913,881	829,649

#### 28.1 Movement in impairment allowance

As at beginning of the year		22,863	153,255
Recognized during the year		2,245	3,500
Written off during the year		-	(133,892)
As at end of the year		25,108	22,863

#### 28.2 These include advances for

- purchases		37,055	13,850
- expenses		100,269	36,899
- traveling		22,730	2,705
- others		5,445	7,045
		165,499	60,499

#### 29 SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits

- considered good		420,371	292,929
- considered doubtful		5,379	5,379
Impairment allowance for doubtful deposits		(5,379)	(5,379)
		420,371	292,929

Margin deposits

Prepayments		718,891	499,781
Letters of credit		70,554	46,211
		121,413	14,288
		1,331,229	853,209



Rupees in thousands	Note	2015	2014
<b>30</b>	<b>SHORT TERM INVESTMENTS</b>		
Investments in listed equity securities	30.1	20,040	21,596
Investment in debt securities	22.2	65,484	-
		85,524	21,596

**30.1** These represent investments in listed equity securities classified as 'financial assets at fair value through profit or loss'. The details are as follows:

Rupees in thousands	Note	2015	2014
<b>Standard Chartered Bank (Pakistan) Limited</b>			
915,070 (2014: 915,070) ordinary shares of Rs. 10 each Market value: Rs. 21.9 (2014: Rs. 23.6) per share			
As at beginning of the year		21,596	22,785
Changes in fair value	38	(1,556)	(1,189)
As at end of the year		20,040	21,596

<b>31</b>	<b>ADVANCE INCOME TAX</b>		
Advance income tax/income tax refundable		823,585	547,013
Provision for taxation	40	(30,303)	(159,050)
		793,282	387,963

<b>32</b>	<b>CASH AND BANK BALANCES</b>		
Cash in hand		8,470	8,978
Cash at banks		418,908	278,957
		427,378	287,935

<b>33</b>	<b>REVENUE</b>		
Contract revenue	45	1,965,455	2,842,117
Sale of goods			
- local		16,920,107	13,962,491
- exports		4,470,090	1,717,509
		23,355,652	18,522,117
Sales tax and excise duty		(3,241,932)	(2,617,159)
Trade discounts		(10,833)	-
		(3,252,765)	(2,617,159)
		20,102,887	15,904,958

<b>34</b>	<b>COST OF SALES</b>		
Finished goods at the beginning of the year		700,790	278,744
Cost of goods manufactured	34.1	14,300,091	11,181,272
Finished goods at the end of the year		(429,020)	(700,790)
Cost of goods sold		14,571,861	10,759,226
Contract cost	45	1,554,675	1,948,378
		16,126,536	12,707,604

Rupees in thousands	Note	2015	2014
<b>34.1</b>	<b>Cost of goods manufactured</b>		
Work-in-process at beginning of the year		1,262,830	1,043,870
Raw material and components consumed		11,934,164	9,181,155
Direct wages		586,556	540,346
Factory overheads:			
- salaries, wages and benefits		380,213	344,051
- traveling and conveyance		20,501	19,069
- electricity, gas and water		308,188	344,381
- repairs and maintenance		48,023	45,490
- vehicles running and maintenance		23,115	21,517
- insurance		25,523	29,340
- depreciation	20.3	689,446	705,924
- amortization of intangible assets	21	5,687	5,188
- provision for obsolete and slow moving stock	25	5,226	4,012
- carriage and freight		25,216	21,165
- erection and testing		120,523	126,057
- other factory overheads		8,537	12,537
		1,660,198	1,678,731
		15,443,748	12,444,102
Work-in-process at end of the year		(1,143,657)	(1,262,830)
		14,300,091	11,181,272

**34.2** These include charge in respect of employees retirement benefits amounting to Rs. 32.64 million (2014: Rs. 37.47 million).

Rupees in thousands	Note	2015	2014
<b>35</b>	<b>OTHER INCOME</b>		
<b>Gain on financial instruments</b>			
Reversal of impairment on long term investments	30	756	-
Amortization of held-to-maturity investments	22.2	9,744	5,521
		10,500	5,521
<b>Other income</b>			
Gain on disposal of property, plant and equipment	20.2	-	5,909
Amortization of grant-in-aid	15	2,258	2,377
Others		9,625	7,897
		11,883	16,183
		22,383	21,704

<b>36</b>	<b>DISTRIBUTION COST</b>		
Salaries and benefits	36.1	108,716	96,105
Traveling and conveyance		36,881	31,720
Rent, rates and taxes		5,002	4,259
Electricity, gas, fuel and water		2,531	2,439
Repairs and maintenance		1,175	1,048
Vehicles running and maintenance		13,025	11,554
Printing and stationery		2,425	2,044
Postage, telegrams and telephones		2,863	2,427
Entertainment and staff welfare		7,193	6,232
Advertisement and sales promotion		2,304	1,950
Insurance		3,423	-
Freight and forwarding		114,255	93,479
Contract and tendering		4,878	530
Warranty period services		64,624	51,446
Others		24,722	28,771
		394,017	334,004

36.1 These include charge in respect of employees retirement benefits amounting to Rs. 9.6 million (2014: Rs. 10.54 million).

Rupees in thousands	Note	2015	2014
<b>37 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	37.1	141,334	160,585
Traveling and conveyance		7,536	6,923
Rent, rates and taxes		10,432	9,568
Ujrah payments		21,862	1,525
Legal and professional		28,364	24,899
Electricity, gas and water		17,374	17,715
Auditor's remuneration	37.2	3,175	3,175
Repairs and maintenance		7,397	5,926
Vehicles running and maintenance		10,433	9,318
Printing, stationery and periodicals		2,288	2,062
Postage, telegrams and telephones		5,103	3,626
Entertainment and staff welfare		7,211	5,407
Advertisement		10,160	9,092
Insurance		7,114	4,581
Provision for doubtful debts, advances and security deposits		89,364	107,068
Depreciation	20.3	50,296	45,304
Others		8,649	1,334
		<b>428,092</b>	<b>418,108</b>

37.1 These include charge in respect of employees retirement benefits amounting to Rs. 19.54 million (2014: Rs. 21.37 million).

Rupees in thousands	Note	2015	2014
<b>37.2 Auditor's remuneration</b>			
Annual statutory audit		2,000	2,000
Half yearly review		600	600
Review report under Code of Corporate Governance		430	430
Out of pocket expenses		145	145
		<b>3,175</b>	<b>3,175</b>
<b>38 OTHER EXPENSES</b>			
<b>Loss on financial instruments</b>			
Impairment loss on long term investments	22.1.1	-	145
Loss due to changes in fair value of short term investments	30	1,556	1,189
		<b>1,556</b>	<b>1,334</b>
<b>Others</b>			
Loss on sale and lease back activities		2,936	274
Workers' Profit Participation Fund	16.2	102,223	65,004
Workers' Welfare Fund	16.3	38,845	20,843
Loss on disposal of property, plant and equipment		497	-
Others		8,377	-
		<b>152,878</b>	<b>86,121</b>
		<b>154,434</b>	<b>87,455</b>

Rupees in thousands	Note	2015	2014
<b>39 FINANCE COST</b>			
Interest / mark-up on borrowings:			
redeemable capital		541,925	294,450
long term finances		131,929	428,518
liabilities against assets subject to finance lease		20,009	14,395
short term borrowings		217,895	328,437
		<b>911,758</b>	<b>1,065,800</b>
Interest on Workers' Profit Participation Fund	16.2	4,875	2,350
Bank charges and commission		202,173	92,912
		<b>1,118,806</b>	<b>1,161,062</b>
<b>40 TAXATION</b>			
Provision for taxation			
for current year	31 & 40.1	30,303	159,050
for prior years		1,356	-
		<b>31,659</b>	<b>159,050</b>
Deferred taxation			
adjustment attributable to origination and reversal of temporary differences		197,416	(164,892)
adjustment attributable to changes in tax rates	14.1	1,944	(3,027)
		<b>199,360</b>	<b>(167,919)</b>
		<b>231,019</b>	<b>(8,869)</b>

40.1 The Company is taxable under section 59AA of the Income Tax Ordinance, 2001 along with its subsidiary as a single unit. The provision for the year has been allocated to the Company on proportionate basis. There is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

40.2 Assessments upto tax year 2015 have been finalized under the relevant provisions of the Ordinance.

40.3 The Finance Act 2015 introduced Tax on Undistributed Profits vide newly inserted section 5A to the Ordinance whereby, tax at the rate of 10% of undistributed profits exceeding one hundred percent of paid-up capital, was imposed on public companies that derive profits in a tax year but do not distribute a certain amount of profit as cash dividend within six months of the end of the year.

No provision for tax on undistributed reserves has been made for the year ended December 31, 2015 in these financial statements as the time frame allowed for payment of dividend has not elapsed and accordingly the Company is not liable to tax on undistributed reserves as at December 31, 2015 in accordance with guidance given by the Institute of Chartered Accountants of Pakistan vide its Circular no. 6 of 2015.

Further the undistributed reserves of the Company as at December 31, 2014 did not exceed its paid-up capital and accordingly, no tax was payable on undistributed reserves.

	Unit	2015	2014
<b>41 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
<b>Earnings</b>			
Profit after taxation	Rupees '000	1,672,366	1,227,298
Preference dividend for the year	Rupees '000	(42,710)	(42,710)
Profit attributable to ordinary shareholders	Rupees '000	<b>1,629,656</b>	<b>1,184,588</b>
<b>Shares</b>			
Weighted average number of ordinary shares outstanding during the year	No. of shares	<b>398,145,189</b>	332,418,652
<b>Earnings per share</b>			
Basic and diluted	Rupees	<b>4.09</b>	3.56

41.1 As per the opinion of the Company's legal counsel, the provision for dividend at 9.5% per annum, under the original terms of issue of preference shares, will prevail on account of preference dividend.

41.2 There is no diluting effect on the basic earnings per share of the Company as the conversion rights pertaining to outstanding preference shares, under the original terms of issue, are no longer exercisable.

Rupees in thousands	Note	2015	2014
<b>42 CASH GENERATED FROM OPERATIONS</b>			
<b>Profit before taxation</b>		<b>1,903,385</b>	1,218,429
<b>Adjustments for non-cash and other items</b>			
Interest/mark-up on borrowings		911,758	1,065,800
Loss/(gain) on disposal of property, plant and equipment		497	(5,909)
Amortization of grant-in-aid		(2,258)	(2,377)
Amortization of intangible assets		5,687	5,188
Amortization of held-to-maturity investments		(9,744)	(5,521)
Loss on sale and lease back activities		2,936	274
Impairment loss on long term investments		-	145
Reversal of impairment on long term investments		(756)	-
Changes in fair value of financial assets at fair value through profit or loss		1,556	1,189
Provision for doubtful debts, advances and security deposits		89,364	107,068
Provision for obsolete and slow moving stock		5,226	4,012
Depreciation		739,742	751,228
		<b>1,744,008</b>	1,921,097
		<b>3,647,393</b>	3,139,526
<b>Changes in working capital</b>			
Stores, spares and loose tools		(331,239)	(176,369)
Stock in trade		649,128	(2,367,496)
Trade debts		(223,755)	(351,692)
Due against construction work in progress		(18,783)	(583,856)
Advances		(86,477)	(380,014)
Trade deposits and short term prepayments		(478,020)	(400,154)
Other receivables		(202,388)	(162,441)
Trade and other payables		(91,390)	(55,372)
		<b>(782,924)</b>	(4,477,394)
<b>Cash generated from/(used in) operations</b>		<b>2,864,469</b>	(1,337,868)
<b>43 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	32	427,378	287,935
		<b>427,378</b>	287,935
<b>44 TRANSACTIONS AND BALANCES WITH RELATED PARTIES</b>			
Related parties from the Company's perspective comprise subsidiary, associated companies, key management personnel and post employment benefit plan. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.			
Transactions with key management personnel are limited to payment of short term and post employment benefits, advances against issue of ordinary shares and dividend payments. The Company in the normal course of business carries out various transactions with its subsidiary and associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.			
Details of transactions and balances with related parties are as follows:			

Rupees in thousands	Note	2015	2014
<b>44.1 Transactions with related parties</b>			
<b>Nature of relationship</b>		<b>Nature of transactions</b>	
Provident Fund Trust		Contribution for the year	61,780
			69,380
Subsidiary		Sale of goods	7,992,492
		Allocation of common expenses	2,073,988
			1,571,176
Associated companies and undertakings		Purchase of services	173,851
			117,048
Key management personnel		Short term employee benefits	50
		Post employment benefits	50
			42,677
			2,039
Directors and sponsors		Dividend paid	237,797
			-
<b>44.2 Balances with related parties</b>			
<b>Nature of relationship</b>		<b>Nature of balances</b>	
Provident Fund Trust		Contribution payable	10,234
			8,574
Key management personnel		Short term employee benefits payable	3,618
			22,311
Directors and sponsors		Advances against issue of ordinary shares	1,575,252
			-
<b>45 LONG TERM CONSTRUCTION CONTRACTS</b>			
Contract revenue for the year	33	1,965,455	2,842,117
Cost incurred to date		5,936,020	6,874,008
Contract costs for the year	34	1,554,675	1,948,378
Gross profit realized to date		1,576,439	2,134,153
Advances against contracts	16	4,312	7,685
Retention money receivable		774,205	426,451
Gross amount due from customers		1,743,942	908,959
Gross amount due to customers		11,342	79,749
Estimated future costs to complete projects in progress	45.1	303,236	154,223
<b>45.1</b> 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.			
<b>46 FINANCIAL INSTRUMENTS</b>			
The carrying amounts of the Company's financial instruments by class and category are as follows:			

Rupees in thousands	2015	2014
<b>46.1 Financial assets</b>		
<b>Cash in hand</b>	<b>8,470</b>	8,978
<b>Loans and receivables</b>		
Long term deposits	260,522	189,582
Trade debts	5,583,326	5,446,690
Due against construction work in progress	1,023,647	1,004,864
Short term advances	5,445	7,045
Short term deposits	1,144,641	792,710
Cash at banks	418,908	278,957
	<b>8,436,489</b>	7,719,848
<b>Financial assets at fair value through profit or loss</b>		
Short term investments	20,040	21,596
<b>Held-to-maturity investments</b>		
Long term investments	-	55,740
Short term investments	65,484	-
	<b>65,484</b>	55,740
	<b>8,530,483</b>	7,806,162
<b>46.2 Financial liabilities</b>		
<b>Financial liabilities at amortized cost</b>		
Redeemable capital	4,955,485	5,629,976
Long term finances	3,017,427	3,102,060
Liabilities against assets subject to finance lease	130,812	135,110
Trade creditors - unsecured	318,331	338,771
Foreign bills payable - secured	61,553	83,140
Accrued liabilities	117,725	157,619
Employees' provident fund	10,234	8,574
Compensated absences	24,740	22,813
Unclaimed dividend	4,105	-
Other payables - unsecured	6,110	14,175
Accrued interest/mark-up	260,904	500,528
Short term borrowings	4,668,901	4,240,947
	<b>13,576,327</b>	14,233,713

#### 47 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

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.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

#### 47.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

##### 47.1.1 Maximum exposure to credit risk

The gross carrying amount of financial assets, other than cash in hand, represents maximum exposure to credit risk. The maximum exposure to credit risk as at the reporting date is as follows:

Rupees in thousands	Note	2015	2014
<b>Loans and receivables</b>			
Long term deposits	23	260,522	189,582
Trade debts	26	5,926,929	5,703,174
Due against construction work in progress	27	1,023,647	1,004,864
Short term advances	28	5,445	7,045
Short term deposits	29	1,144,641	798,089
Cash at banks	32	418,908	278,957
		<b>8,780,092</b>	7,981,711
<b>Financial assets at fair value through profit or loss</b>			
Short term investments	30	20,040	21,596
<b>Held-to-maturity investments</b>			
Long term investments		-	55,740
Short term investments	22.2	65,484	-
		<b>65,484</b>	55,740
		<b>8,865,616</b>	8,059,047

##### 47.1.2 Concentration of credit risk

There is no concentration of credit risk geographically. Maximum exposure to credit risk by type of counterparty is as follows:

Rupees in thousands	2015	2014
Customers	7,135,120	6,826,757
Banking companies and financial institutions	1,649,073	1,154,382
Others	81,423	77,908
	<b>8,865,616</b>	8,059,047

##### 47.1.3 Credit quality and impairment

The manner in which the company assesses the credit quality of its financial assets depends on the type of counter-party. The Company conducts different types of transactions with the following counter-parties.

###### (a) Customers

Customers are counter parties to trade debts, long term security deposits for contracts in progress, due against contract work in progress and retention money for contracts in progress

These, with the exception of trade debts, do not carry any significant credit risk. The ageing analysis of trade debts as at the reporting date is as follows:

Rupees in thousands	2015		2014	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
Not yet due and past due by 1 year	5,277,964	-	4,828,600	-
1 to 2 years	285,258	-	397,520	-
2 to 3 years	211,553	191,449	256,483	35,913
More than 3 years	152,154	152,154	220,571	220,571
	<b>5,926,929</b>	<b>343,603</b>	5,703,174	256,484

There is no single significant customer in the trade debts of the Company. The maximum exposure to credit risk for trade debts as at the reporting date by type of customer is:

Rupees in thousands	2015	2014
General customers	4,081,125	4,726,323
Corporate customers	1,845,804	976,851
	<b>5,926,929</b>	5,703,174

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.

#### (b) Banking companies and financial institutions

Banking companies and financial institutions are counter-parties to security/margin deposits, investments in debt and equity shares and bank balances. The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have reasonably high credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

#### (c) Others

These include employees of the Company who are counter-parties to advances and utility companies and regulatory authorities who are counter-parties to long term security deposits. These do not carry any significant credit risk.

#### 47.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

#### 47.1.5 Credit risk management

As mentioned in note 47.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. 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 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.

#### 47.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

##### 47.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

Rupees in thousands	2015				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
Redeemable capital	4,955,485	6,243,828	1,464,522	4,779,306	-
Long term finances	3,017,427	3,602,551	1,069,353	2,464,714	68,484
Liabilities against assets					
subject to finance lease	130,812	148,234	81,501	66,733	-
Trade and other payables	318,331	318,331	318,331	-	-
Accrued interest/mark-up	260,904	260,904	260,904	-	-
Short term borrowings	4,668,901	4,700,026	4,700,026	-	-
	<b>13,351,860</b>	<b>15,273,874</b>	<b>7,894,637</b>	<b>7,310,753</b>	<b>68,484</b>

Rupees in thousands	2014				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
Redeemable capital	5,629,976	7,102,324	3,100,060	3,730,361	271,903
Long term finances	3,102,060	3,955,360	981,744	2,533,391	440,225
Liabilities against assets					
subject to finance lease	135,110	158,978	75,379	83,599	-
Trade and other payables	338,771	338,771	338,771	-	-
Accrued interest/mark-up	500,528	500,528	500,528	-	-
Short term borrowings	4,240,947	4,270,713	4,270,713	-	-
	<b>13,947,392</b>	<b>16,326,674</b>	<b>9,267,195</b>	<b>6,347,351</b>	<b>712,128</b>

#### 47.2.2 Liquidity risk management

The 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. As referred to in note 17.4 the Company has additional undrawn facilities of Rs. 1,705 million (2014: Rs. 940 million) at its disposal to further reduce liquidity risk.

#### 47.3 Market risk

##### 47.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency.

##### (a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

Rupees in thousands	2015	2014
<b>Financial liabilities</b>		
Foreign bills payable	61,553	83,140
<b>Financial assets</b>		
Net exposure	61,553	83,140

Foreign currency commitments outstanding at year end amounted to Rs. 1.842 million (2014: Rs. 1.429 million) relating to letters of credit for import of stores, spare parts and raw material.

##### (b) Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (USD). Spot exchange rates applied are as follows:

Rupees in thousands	2015	2014
Rupees per USD	104.80	100.20

**(c) Sensitivity analysis**

A five percent appreciation in Pak Rupee against foreign currencies would have increased profit for the year by Rs. 3.08 million (2014: Rs. 4.16 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

**(d) Currency risk management**

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

**47.3.2 Interest rate risk**

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

**(a) Interest/mark-up bearing financial instruments**

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

Rupees in thousands	2015	2014
<b>Fixed rate instruments</b>	-	-
<b>Variable rate instruments</b>		
Financial liabilities	12,687,025	12,987,439

**(b) Fair value sensitivity analysis for fixed rate instruments**

The Company does not have any fixed rate financial instruments.

**(c) Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 126.870 million (2014: Rs. 129.874 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

**(d) Interest rate risk management**

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

**47.3.3 Price risk**

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is exposed to price risk in respect of its investments in equity securities. However, the risk is minimal as these investments are held for strategic purposes rather than trading purposes. The Company does not actively trade in these investments.

**48 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

**48.1 Assets and liabilities measured at fair value**

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of financial instruments measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

Financial instruments	Hierarchy	Valuation techniques and key inputs	2015	2014
Rupees in thousands				
<b>Financial assets at fair value through profit or loss</b>				
Investments in quoted equity securities	Level 1	Quoted bid prices in an active market	20,040	21,596

**48.2 Assets and liabilities not measured at fair value**

The management considers the carrying amount of all assets and liabilities not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

**49 CAPITAL 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 which is debt divided by total capital employed. Debt comprises long term finances, redeemable capital and liabilities against assets subject to finance lease, including current maturity. Total capital employed includes total equity (as shown in the balance sheet plus advances against issue of ordinary shares and surplus on revaluation of property, plant and equipment) plus debt. 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 the reporting date are as follows:

	Unit	2015	2014
Total debt	Rupees '000'	8,103,724	8,867,146
Total equity	Rupees '000'	17,362,762	14,169,439
<b>Total capital employed</b>		<b>25,466,486</b>	<b>23,036,585</b>
Gearing ratio	% age	31.82	38.49

The Company is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

**50 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:



Rupees in thousands	Chief Executive		Directors		Executives	
	2015	2014	2015	2014	2015	2014
Remuneration	6,511	6,511	30,686	27,124	206,045	164,131
House rent	565	565	1,749	2,016	48,887	39,478
Utilities	330	330	1,182	2,061	22,448	14,724
Bonus	-	-	-	-	38,751	19,594
Post employment benefits	-	-	2,395	2,039	19,551	15,466
<b>Reimbursable expenses</b>						
Motor vehicles expenses	214	134	986	586	23,208	19,050
Medical expenses	-	-	454	452	12,264	10,585
	<b>7,620</b>	<b>7,540</b>	<b>37,452</b>	<b>34,278</b>	<b>371,154</b>	<b>283,028</b>
Number of persons	1	1	4	4	170	131

50.1 Chief executive, directors and executives have been provided with free use of the Company's vehicles.

## 51 SEGMENT INFORMATION

An operating segment is a component of an entity:

- 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).
- 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
- for which discrete financial information is available.

Information about the Company's reportable segments as at the reporting date is as follows:

Segments	Nature of business
Power Division	Manufacturing and distribution of Transformers, Switch Gears, Energy Meters, Power Transformers and Engineering, Procurement and Construction Contracting.
Appliances Division	Manufacturing, assembling and distribution of Refrigerators, Air conditioners, Deep Freezers, Microwave ovens, Washing Machines and other Home Appliances

Rupees in thousands	Power Division		Appliances Division		Total	
	2015	2014	2015	2014	2015	2014
Revenue	14,140,453	11,216,551	9,215,199	7,305,566	23,355,652	18,522,117
Finance cost	818,131	919,223	300,675	241,839	1,118,806	1,161,062
Depreciation and amortization	365,260	372,374	380,169	384,042	745,429	756,416
Segment profit before tax	1,481,149	965,245	487,987	318,935	1,969,136	1,284,180
Segment assets	20,118,266	16,890,822	11,717,734	10,973,135	31,836,000	27,863,957

Rupees in thousands	2015	2014
<b>51.1 Reconciliation of segment profit</b>		
Total profit for reportable segments	1,969,136	1,284,180
Un-allocated other expenses	(65,751)	(65,751)
Profit before taxation	1,903,385	1,218,429

Rupees in thousands	2015	2014
<b>51.2 Reconciliation of segment assets</b>		
Total assets for reportable segments	31,836,000	27,863,957
Other corporate assets	1,168,606	2,825,685
Total assets	33,004,606	30,689,642

## 51.3 Information about major customers

Revenue derived from Multan Electric Power Company	2,566,562	1,359,994
Revenue derived from PEL Marketing (Private) Limited	7,992,492	7,189,611

## 52 EMPLOYEES PROVIDENT FUND TRUST

The following information is based on the un-audited financial statements of the Pak Elektron Limited Employees Provident Fund Trust for the year ended December 31, 2015.

	2015	2014
Size of the fund - total assets	Rupees '000' 298,477	279,784
Cost/fair value of investments	Rupees '000' 220,388	184,100
Percentage of investments made	% age 73.84	65.80

The break-up of investments is as follows:

	2015		2014	
	Rupees in thousands	% age	Rupees in thousands	% age
Government securities	105,000	47.64	100,000	54.32
Deposit accounts with commercial banks	115,388	52.36	84,100	45.68
	220,388	100.00	184,100	100.00

## 53 RE-CLASSIFICATIONS

For better presentation, following reclassifications have been made during the year.

- Retention money for contracts in progress amounting at Rs. 774.205 million (2014: Rs. 426.451 million) was re-classified from 'short term advances' to 'trade debts'.
- Unbilled revenue for construction work in progress amounting at Rs. 1,023.647 million (2014: Rs. 1,004.864 million) was re-classified from 'trade debts' to 'due against construction work in progress'.

## 54 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2015		2014	
		Annual production capacity	Actual production during the year	Annual production capacity	Actual production during the year
Transformers/Power Transformers	MVA	6,500	4,171	5,000	3,097
Switch gears	Nos.	12,000	8,311	9,000	6,258
Energy meters	Nos.	1,700,000	320,875	1,700,000	579,237
Air conditioners	Tonnes	90,000	40,953	90,000	9,712
Refrigerators/deep freezers	Cfts.	5,500,000	4,520,052	5,000,000	4,152,270
Microwave ovens	Litres	700,000	389,809	700,000	236,391

**54.1** Under utilization of capacity is mainly attributable to consumer demand.

**55 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on March 31, 2016 by the Board of Directors of the Company.

**56 NUMBER OF EMPLOYEES**

Total number of employees of the Company as at the reporting date are 5,726 (2014: 5,656). Average number of persons employed by the Company during the year are 5,923 (2014: 5,629).

**57 RECOVERABLE AMOUNTS AND IMPAIRMENT**

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

**58 EVENTS AFTER THE REPORTING PERIOD**

**58.1** The Board of Directors in their meeting held on January 04, 2016 has resolved to issue one right ordinary share for every four ordinary shares already held.

**58.2** There are no other significant events after the reporting period which may require adjustment and/or disclosure in these financial statements.

**59 GENERAL**

**59.1** Figures have been rounded off to the nearest thousands.

**59.2** Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year, with the exception of those referred to in note 53.

**M. MURAD SAIGOL**  
Chief Executive Officer

**SYED MANZAR HASSAN**  
Director

# Shareholders' Information

# Investor Relations

## REGISTERED OFFICE

17-Aziz Avenue, Canal Bank,  
Gulberg-V, Lahore.  
Tel: 042-35718274-6  
Fax: 042-35762707

## SHARE REGISTRAR

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

## LISTING ON STOCK EXCHANGES

Ordinary shares of Pak Elektron Limited are listed on Pakistan Stock Exchange Limited.

## STOCK CODE / SYMBOL

The stock code / symbol for trading in ordinary shares of Pak Elektron Limited at Pakistan Stock Exchange Limited is PAEL.

## STATUTORY COMPLIANCE

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan Regulations and the listing requirements.

## DIVIDEND

During the year, PEL distributed cash dividend on ordinary shares at Rs. 1.25 per ordinary share as interim dividend.

## BOOK CLOSURE DATES

Share Transfer Books of the Company will remain closed from May 05, 2016 to May 11, 2016 (both days inclusive).

## DIVIDEND REMITTANCE

Ordinary dividend declared and approved at the Annual General Meeting will be paid within the statutory time limit of 30 days.

- (i) For shares held in physical form: to shareholders whose names appear in the Register of Members of the Company after entertaining all requests for transfer of shares lodged with the Company on or before the book closure date.
- (ii) For shares held in electronic form: to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of business on book closure date.

## WITHHOLDING OF TAX & ZAKAT ON ORDINARY DIVIDEND

As per the provisions of the Income Tax Ordinance, 2001, income tax is deductible at source by the Company at the rate of 10% wherever applicable.

Zakat is also deductible at source from the ordinary dividend at the rate of 2.5% of the face value of the share, other than corporate holders or individuals who have provided an undertaking for non-deduction.

## DIVIDEND WARRANTS

Cash dividends are paid through dividend warrants addressed to the ordinary shareholders whose names appear in the Register of Shareholders at the date of book closure.

## GENERAL MEETINGS & VOTING RIGHTS

Pursuant to section 158 of The Companies Ordinance 1984, PEL holds a General Meeting of

shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

Shareholders having holding of at least 10% of voting rights may also apply to the Board of Directors to call for meeting of shareholders, and if the Board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

All ordinary shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in the Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

## INVESTOR'S GRIEVANCES

To date none of the investors or shareholders has filed any significant complaint against any service provided by the Company to its shareholders.

## PROXIES

Pursuant to Section 161 of The Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company can appoint another member as his/her proxy to attend and vote instead of him/her. Every notice calling a general meeting of the Company contains a statement that a shareholder entitled to appoint a proxy.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of the Company not less than forty-eight hours before the meeting.

## SERVICE STANDARDS

PEL has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

	For requests received through post	For requests received over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 days after receipt
Issue of duplicate share certificates	30 days after receipt	30 days after receipt
Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
Issue of revalidated dividend warrants	5 days after receipt	5 days after receipt
Change of address	2 days after receipt	1 day after receipt

Well qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

## WEB PRESENCE

Updated information regarding the Company can be accessed at its website, [www.pel.com.pk](http://www.pel.com.pk). The website contains the latest financial results of the Company together with the Company's profile.

Fundamental knowledge and understanding of financial market is crucial for the general public and lack of financial literacy or capability makes them vulnerable to frauds. SECP recognizes the importance of investor education and therefore initiated this investor education program, called 'JamaPunji', an investor training program, to promote financial literacy in Pakistan.

[www.jamapunji.pk](http://www.jamapunji.pk)

**Key features:**

- Licensed Entity Verification
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- Jamapunji games\*
- Tax credit calculator\*\*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler\*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

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Learn about investing at [www.jamapunji.pk](http://www.jamapunji.pk)

**www.jamapunji.pk**

# Notice of Annual General Meeting

Notice is hereby given that the 60th Annual General Meeting of Shareholders of Pak Elektron Limited will be held on Thursday, April 28, 2016 at 11:00 A.M. at Factory Premises, 14-KM. Ferozepur Road, Lahore to transact the following business:-

- To confirm the minutes of Extraordinary General Meeting held on July 23, 2015.
- To receive and adopt the Annual Audited Accounts of the Company for the year ended December 31, 2015 together with Directors' and Auditors' Reports thereon.
- To approve already paid Interim dividend @ 12.5% i.e Rs. 1.25/- per share as recommended by the Board of Directors for the Financial year 2015.
- To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
- Any other business with the permission of the Chair.

By Order of the Board

Lahore:  
March 31, 2016

M. Omer Farooq  
Company Secretary

## Notes:

- Share Transfer Books of the Company will remain closed from May 05, 2016 to May 11, 2016 (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 on or before May 04, 2016 will be treated in time.
- A member entitled to attend and vote at this Meeting may 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.
- 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.
- SUBMISSION OF COPY OF CNIC/NTN DETAILS (MANDATORY)

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2015, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as : for filers of Income Tax return 12.5% and Non filers of Income Tax return 17.5%. In case of Joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to our Share Registrars, or if no notification, each joint holder shall be assumed to have an equal number of shares.

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
			Name & CNIC No.	Shareholding proportion & No. of shares	Name & CNIC No.	Shareholding proportion & No. of shares

The CNIC number/NTN details is now mandatory and is required for checking the tax status as per the Active Taxpayers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

Individuals including all joint holders holding physical share certificates are therefore requested to submit a copy of their valid CNIC to the company or its Registrar if not already provided, For shareholders other than individuals, the checking will be done by matching the NTN number, therefore the Corporate shareholders having CDC accounts are requested in their own interest to provide a copy of NTN certificate to check their names in the ATL before the book closure date to their respective participants/CDC, whereas corporate shareholders holding physical share certificates should send a copy of their NTN certificate to the Company or its Share Registrar. The Shareholders while sending CNIC or NTN certificates, as the case may be must quote their respective folio numbers.

In case of non-receipt of the copy of a valid CNIC or NTN, the Company would be unable to comply with SRO 831(1)/2012 dated July 05, 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholder. Further, all shareholders are advised to immediately check their status on ATL and may, if required take necessary action for inclusion of their name in the ATL. The company as per the new law, shall apply 17.5% rate of withholding tax if the shareholders name, with relevant details, does not appear on the ATL, available on the FBR website on the first day of book closure and deposit the same in the Government Treasury as this has to be done within the prescribed time.

## 6. ZAKAT DECLARATIONS (CZ-50)

The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs. 10/- each) under Zakat and Ushr Laws and will be deposited within the prescribed period with the relevant authority, Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd. (in case the shares are held in Investor Account Services on the CDC) or to our Registrars, M/s Corplink Private Limited, 1-K, Commercial Model Town, Lahore (in case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and respective folio numbers.



The Company Secretary  
**PAK ELEKTRON LIMITED**  
17 - Aziz Avenue, Canal Bank,  
Gulberg-V, Lahore.

AFFIX  
CORRECT  
POSTAGE



[www.pel.com.pk](http://www.pel.com.pk)



17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore.  
Ph: (042) 35718274-5, 35717364-5