PAK ELEKTRON LIMITED

ANNUAL REPORT
2018

PAK ELEKTRON LIMITED

COMPANY INFORMATION

Board of Directors

Mr. M. Naseem Saigol	Chairman - Non Executive
Mr. Muhammad Murad Saigol	Chief Executive Officer - Executive/Certified (DTP)
Mr. Muhammad Zeid Yousuf Saigol	Director - Executive/Certified (DTP)
Syed Manzar Hassan	Director - Executive
Sheikh Muhammad Shakeel	Director - Non Executive
Syed Haroon Rashid	Director - Independent
Mr. Asad Ullah Khawaja	Director - NIT Nominee/Independent
Mr. Usman Shahid	Director - NBP Nominee U/S 164 of the Act / Non Executive
Mr. Jamal Baquar	Director - NBP Nominee U/S 164 of the Act / Non Executive
Ms. Azra Shoaib	Director - NBP Nominee U/S 164 of the Act / Non Executive

Audit Committee

Mr. Asad Ullah Khawaja	Chairman/Member
Syed Haroon Rashid	Member
Mr. Usman Shahid	Member
Sheikh Muhammad Shakeel	Member

HR & Remuneration Committee

Mr. Asad Ullah Khawaja	Chairman/Member
Syed Haroon Rashid	Member
Mr. Usman Shahid	Member
Syed Manzar Hassan	Member

Company Secretary
Muhammad Omer Farooq

Chief Financial Officer
Syed Manzar Hassan, FCA

Auditors
M/s Rehman Sarfaraz Rahim Iqbal Rafiq & Co.
Chartered Accountants

Legal Advisor
M/s Hassan & Hassan Advocates

Shariah Advisor
Mufti Zeeshan Abdul Aziz
S.M. Suhail & Co.
Chartered Accountants

Company Registration No.
0000802

National Tax No. (NTN)
2011386-2

Status of Company
Public Interest Company (PIC)

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

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

Works
14-K.M. Ferozepur Road, Lahore
Tel: 042-35920151-9 (9 Lines)
Website: www.pel.com.pk

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

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

Islamabad
Room # 301, 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

Bankers

Albaraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
The Bank of Khyber
The Bank of Punjab
Sindh Bank Limited
Faysal Bank Limited
Bank Islami (Pakistan) Limited
MCB Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company Limited
Pak Libya Holding Company (Private) Limited
Pak Oman Investment Company Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Saudi Pak Industrial and Agriculture Investment Company Limited
United Bank Limited

PAK ELEKTRON LIMITED
Categories of Shareholding required under Listed Companies (Code of Corporate Governance) Regulations, 2017
As on December 31, 2018

Sr. No.	Name	No. of Shares Held	Percentage
	Associated Companies, Undertakings and Related Parties:		
	-	-	-
	Mutual Funds:		
1	CDC - TRUSTEE ABL INCOME FUND - MT (CDC)	8,500	0.0017
2	CDC - TRUSTEE AKD INDEX TRACKER FUND (CDC)	53,775	0.0108
3	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	900	0.0002
4	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	700	0.0001
5	CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT (CDC)	1,500	0.0003
6	CDC - TRUSTEE ALFALAH GHP INCOME MULTIPLIER FUND - MT (CDC)	8,500	0.0017
7	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND (CDC)	315	0.0001
8	CDC - TRUSTEE ALFALAH GHP SOVERGEIGN FUND - MT (CDC)	13,000	0.0026
9	CDC - TRUSTEE APIF - EQUITY SUB FUND (CDC)	122,500	0.0246
10	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND (CDC)	250,000	0.0502
11	CDC - TRUSTEE DAWOOD ISLAMIC FUND (CDC)	10,500	0.0021
12	CDC - TRUSTEE FAYSAL MTS FUND - MT (CDC)	115,500	0.0232
13	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT (CDC)	1,000	0.0002
14	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND (CDC)	10,000	0.0020
15	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND (CDC)	4,500	0.0009
16	CDC - TRUSTEE KSE MEEZAN INDEX FUND (CDC)	538,303	0.1082
17	CDC - TRUSTEE MCB DCF INCOME FUND (CDC)	834,000	0.1676
18	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND (CDC)	895,000	0.1798
19	CDC - TRUSTEE MEZAN ISLAMIC FUND (CDC)	11,350	0.0023
20	CDC - TRUSTEE NAFA INCOME FUND - MT (CDC)	210,000	0.0422
21	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT (CDC)	960,000	0.1929
22	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND (CDC)	296,000	0.0595
23	CDC - TRUSTEE NAFA ISLAMIC STOCK ALLOCATION FUND (CDC)	400,000	0.0804
24	CDC - TRUSTEE PAKISTAN INCOME FUND - MT (CDC)	4,000	0.0008
25	CDC-TRUSTEE NAFA SAVING PLUS FUND - MT (CDC)	32,500	0.0065
26	MC FSL - TRUSTEE JS - INCOME FUND (CDC)	1,690,500	0.3397
27	MC FSL - TRUSTEE JS - INCOME FUND - MT (CDC)	20,500	0.0041
28	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND (CDC)	100	0.0000
		6,493,443	**1.3047**
	Directors, CEO and their Spouse and Minor Children:		
1	MR. M. NASEEM SAIGOL (CDC)	124,905,715	25.0975
2	MR. MUHAMMAD MURAD SAIGOL	12,421	0.0025
3	MR. MUHAMMAD ZEID YOUSAF SAIGOL	14,749,958	2.9637
4	SHEIKH MUHAMMAD SHAKEEL	500	0.0001
5	SYED MANZAR HASSAN	2,041	0.0004
6	SYED HAROON RASHID	500	0.0001
7	MRS. SEHYR SAIGOL W/O MR. M. NASEEM SAIGOL (CDC)	4,710,893	0.9466
		144,382,028	**29.0109**
	Executives:	-	-
	Public Sector Companies & Corporations:	-	-
	Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:	59,957,671	12.0474
	Shareholders holding five percent or more voting interest in the listed company		
1	MR. M. NASEEM SAIGOL (CDC)	124,905,715	25.0975
2	MRS. AMBER HAROON SAIGOL (CDC)	102,229,533	20.5412
		227,135,248	**45.6387**

All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:

S. No.	NAME	SALE	PURCHASE	RIGHT
1	SYED HAROON RASHID	-	500	-

Categories of Shareholders	No. of Shareholders	Share held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	7	144,382,028	29.0109
Associated Companies, undertakings and related party	-	-	-
NIT and ICP	6	4,992,238	1.0031
Banks Development Financial Institutions Non Banking Financial Institution	17	24,851,279	4.9934
Insurance Companies	22	31,923,645	6.4145
Modarabas and Mutual Funds	31	6,564,243	1.3190
General Public	11,968	228,794,408	45.9721
Others (to be specified)			
Pension Funds	4	3,111,947	0.6253
Other Companies	39	3,629,574	0.7293
Investment Companies	2	3,556,000	0.7145
Joint Stock Companies	180	25,373,079	5.0983
Foreign Companies	45	20,503,044	4.1197
	12,321	**497,681,485**	**100.0000**

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2)(f)
PATTERN OF SHAREHOLDING

1.1 Name of the Company **PAK ELEKTRON LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **31-12-2018**

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
1,014	1	100	36,557
2,198	101	500	917,681
2,163	501	1,000	2,046,202
4,033	1,001	5,000	11,348,605
1,152	5,001	10,000	9,046,939
442	10,001	15,000	5,731,501
277	15,001	20,000	5,041,438
181	20,001	25,000	4,262,602
136	25,001	30,000	3,889,575
67	30,001	35,000	2,212,459
62	35,001	40,000	2,389,324
41	40,001	45,000	1,763,868
85	45,001	50,000	4,200,238
28	50,001	55,000	1,487,329
24	55,001	60,000	1,409,270
18	60,001	65,000	1,139,984
23	65,001	70,000	1,571,418
26	70,001	75,000	1,914,553
9	75,001	80,000	701,422
17	80,001	85,000	1,415,836
14	85,001	90,000	1,238,462
8	90,001	95,000	745,215
46	95,001	100,000	4,590,565
11	100,001	105,000	1,130,583
10	105,001	110,000	1,086,307
2	110,001	115,000	222,875
9	115,001	120,000	1,071,700
7	120,001	125,000	865,500
7	125,001	130,000	894,200
2	130,001	135,000	265,125
4	140,001	145,000	569,269
14	145,001	150,000	2,090,500
4	150,001	155,000	617,000
3	155,001	160,000	472,400
2	160,001	165,000	326,000
3	165,001	170,000	507,500
5	170,001	175,000	870,500
1	180,001	185,000	185,000
2	185,001	190,000	379,000
5	190,001	195,000	966,800
12	195,001	200,000	2,393,400
2	205,001	210,000	418,000
3	215,001	220,000	649,490
5	220,001	225,000	1,120,500
1	230,001	235,000	232,000
1	240,001	245,000	244,000
4	245,001	250,000	996,000

2	260,001	265,000	522,300
2	265,001	270,000	536,750
4	270,001	275,000	1,093,500
1	275,001	280,000	279,500
1	280,001	285,000	281,250
2	285,001	290,000	577,000
7	295,001	300,000	2,096,000
1	300,001	305,000	300,500
1	320,001	325,000	325,000
4	325,001	330,000	1,314,500
2	335,001	340,000	674,620
1	340,001	345,000	341,000
3	345,001	350,000	1,050,000
2	360,001	365,000	722,000
1	385,001	390,000	390,000
7	395,001	400,000	2,797,500
1	410,001	415,000	410,250
1	420,001	425,000	422,926
1	430,001	435,000	434,000
2	435,001	440,000	879,000
1	455,001	460,000	456,500
1	465,001	470,000	467,000
1	470,001	475,000	470,500
1	485,001	490,000	487,270
1	490,001	495,000	492,000
7	495,001	500,000	3,497,500
1	500,001	505,000	502,000
1	510,001	515,000	511,000
2	525,001	530,000	1,059,900
1	535,001	540,000	538,303
3	545,001	550,000	1,650,000
1	555,001	560,000	560,000
2	595,001	600,000	1,200,000
1	605,001	610,000	610,000
1	615,001	620,000	617,645
1	630,001	635,000	633,000
1	645,001	650,000	650,000
1	705,001	710,000	710,000
1	725,001	730,000	726,760
1	740,001	745,000	740,947
1	745,001	750,000	750,000
1	750,001	755,000	752,000
1	770,001	775,000	771,000
1	790,001	795,000	791,500
1	795,001	800,000	800,000
1	815,001	820,000	819,000
1	825,001	830,000	827,200
1	830,001	835,000	834,000
1	865,001	870,000	870,000
1	870,001	875,000	873,523
2	890,001	895,000	1,787,000
1	895,001	900,000	900,000
1	925,001	930,000	929,000
1	955,001	960,000	960,000
5	995,001	1,000,000	5,000,000
1	1,025,001	1,030,000	1,030,000
1	1,085,001	1,090,000	1,088,200
1	1,190,001	1,195,000	1,194,200
1	1,295,001	1,300,000	1,299,500

1	1,360,001	1,365,000	1,361,500
1	1,440,001	1,445,000	1,445,000
1	1,445,001	1,450,000	1,450,000
1	1,450,001	1,455,000	1,450,650
1	1,495,001	1,500,000	1,500,000
1	1,505,001	1,510,000	1,510,000
1	1,690,001	1,695,000	1,690,500
1	1,700,001	1,705,000	1,702,000
1	1,835,001	1,840,000	1,839,000
2	1,995,001	2,000,000	4,000,000
1	2,045,001	2,050,000	2,049,070
1	2,105,001	2,110,000	2,107,500
1	2,190,001	2,195,000	2,192,000
1	2,260,001	2,265,000	2,262,000
1	2,745,001	2,750,000	2,747,052
1	2,805,001	2,810,000	2,808,500
1	2,995,001	3,000,000	3,000,000
1	3,215,001	3,220,000	3,217,945
1	3,275,001	3,280,000	3,276,500
1	3,370,001	3,375,000	3,372,500
1	3,400,001	3,405,000	3,400,195
1	3,585,001	3,590,000	3,589,534
1	3,695,001	3,700,000	3,700,000
1	4,070,001	4,075,000	4,073,000
1	4,215,001	4,220,000	4,215,500
1	4,240,001	4,245,000	4,242,500
1	4,500,001	4,505,000	4,503,000
1	4,695,001	4,700,000	4,700,000
1	4,710,001	4,715,000	4,710,893
1	4,750,001	4,755,000	4,753,000
1	5,300,001	5,305,000	5,300,500
1	5,995,001	6,000,000	6,000,000
1	7,240,001	7,245,000	7,240,500
1	8,415,001	8,420,000	8,419,625
1	14,735,001	14,740,000	14,737,537
1	102,225,001	102,230,000	102,229,533
1	124,905,001	124,910,000	124,905,715
12,321			**497,681,485**

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of company: **PAK ELEKTRON LIMITED**
Year ending: **DECEMBER 31, 2018**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Ten as per the following:

   a) Male: **Nine**
   b) Female: **One**

2. The composition of board is as follows:

Category	Names
Independent Director	Mr. Asad Ullah Khawaja
Non-Executive Directors	Mr. M. Naseem Saigol
	Sheikh Muhammad Shakeel
	Syed Haroon Rashid
	Mr. Usman Shahid
	Syed Jamal Baquar
	Ms. Azra Shoaib
Executive Directors	Mr. Muhammad Murad Saigol
	Mr. Muhammad Zeid Yousuf Saigol
	Syed Manzar Hassan

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Directors' Training program for the following:

   a) Mr. Muhammad Murad Saigol
   b) Mr. Muhammad Zeid Yousuf Saigol
   c) Syed Manzar Hassan
   d) Syed Haroon Rashid
   e) Sheikh Muhammad Shakeel

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee:

1. Mr. Asad Ullah Khawaja
2. Mr. Usman Shahid
3. Sheikh Muhammad Shakeel
4. Syed Haroon Rashid

b) HR and Remuneration Committee:

1. Mr. Asad Ullah Khawaja
2. Mr. Usman Shahid
3. Syed Manzar Hassan
4. Syed Haroon Rashid

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee:

1. March 16, 2018
2. April 25, 2018
3. August 16, 2018
4. October 30, 2018

b) HR and Remuneration Committee:

1. March 16, 2018

15. The board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. 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 and registered with Audit Oversight Board of Pakistan, that they or any of the partners 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 the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

(M. Naseem Saigol)
Chairman

Pak Elektron Limited

Consolidated Financial Statements

Year ended December 31, 2018

Audited

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

72-A, Faisal Town,
Lahore - 54770, Pakistan.

T: +92 42 35160430 - 32
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W: www.rsrir.com

INDEPENDENT AUDITOR'S REPORT

To the members of PAK ELEKTRON LIMITED
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **PAK ELEKTRON LIMITED** and its subsidiary ['the Group'], which comprise the consolidated statement of financial position as at **December 31, 2018**, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ['ISAs'] as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ['the Code'] and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Preparation of consolidated financial statements under Companies Act, 2017 As disclosed in note 3 to the annexed consolidated financial statements, the Companies Act, 2017 ['the Act'] became applicable for the first time for the preparation of the Group's annual financial statements for the year ended December 31, 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of these disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
various elements of the consolidated financial statements. In the case of the Group, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3 to the annexed consolidated financial statements. Further, the Group has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of property, plant and equipment as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5 to the accompanying consolidated financial statements. The above changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from transition to the new reporting requirements under the Act.	In respect of the change in accounting policy for the accounting and presentation of surplus on revaluation of property, plant and equipment, as referred to in note 5 to the consolidated financial statements, we assessed the accounting implications in accordance with the accounting and reporting standards as applicable in Pakistan and evaluated its application in the context of the Group.
2. Inventory valuation	
Stock in trade amounts to Rs 10,786 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade. The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contract in hand and historically realized sales prices. The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter The disclosures in relation to inventories are included in note 27.	To address the valuation of stock in trade, we assessed historical costs recorded in the inventory valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to inventories. We also assessed management's determination of the net realizable value of inventories by performing tests on the sales prices secured by the Group for similar or comparable items of inventories.
3. Tax contingencies	
As disclosed in note 20 to the annexed consolidated financial statements,	Our key audit procedures in this area included, amongst others, a review of the correspondence of

Key audit matter	How our audit addressed the key audit matter
various tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. Such contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management's judgments and estimates in relation to such contingencies may be complex and can significantly impact the consolidated financial statements. For such reasons we have considered tax contingencies as a key audit matter.	the Group with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities. We also obtained and reviewed confirmations from the Group's external tax advisor for their views on the status of each case and an overall opinion on the open tax position of the Group. We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 20 to the annexed consolidated financial statements.
4. Contract accounting and revenue recognition The Group's business involves entering into long term contracts with customers to provide a construction services with a significant proportion of the Group's revenues and profits derived such contracts. Due to the contracting nature of the business, revenue recognition involves a significant degree of judgment, as referred to in note 2.4.8 to the consolidated financial statements, with estimates being made to: • assess the total contract cost; • assess the stage of completion of the contract; • forecast the profit margin after taking consideration of estimated future costs to complete the projects in progress; and • appropriately provide for loss making contracts. There is a range of acceptable outcomes resulting from these judgments that could lead to different profit and revenue reported in the consolidated financial statements.	We read the relevant clauses with in all key contracts and discussed each with management to obtain a full understanding of the specific terms and risks, which informed our consideration of whether revenue for these contracts was appropriately recognized. We evaluated and tested the operating effectiveness of internal controls over the accuracy and timing of revenue recognized, including controls relating to estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability. For the more significant and judgemental contracts, in performing the following additional testing, we: • obtained an understanding of the performance and status of the contracts in progress; • discussed and understood management's estimates for total contract costs and forecast costs to complete, including taking into account the historical accuracy of such estimates; and • compared management's position on the recognition of any cost and revenue, to the actual costs incurred and current progress of the contract.
5. Revenue recognition As referred to in note 6.16, revenue is recognized when the risks and rewards of the underlying products have been transferred to the customer. The Group focuses on revenue as a key performance measure which could create	Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies. In response to the risk of fraud, we tested the effectiveness of the Group's controls over the

Key audit matter	How our audit addressed the key audit matter
an incentive for fraudulently overstated revenue by recognizing revenue before the risks and rewards have been transferred.	timing of revenue recognition. We assessed sales transactions taking place at either side of the year end as well as credit notes, if any, issued after the year end date to assess whether that revenue was recognised in the correct period. We performed testing over journals posted to revenue, near the end of the reporting period to identify unusual or irregular items. We also considered the adequacy of the Group's disclosures in respect of revenue.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK.**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Lahore: *April 04, 2019*

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

PAK ELEKTRON LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018	2017
		Rupees '000	*Rupees '000*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	*8*	6,000,000	6,000,000
Issued, subscribed and paid-up capital	*9*	5,426,392	5,426,392
Capital reserve	*10*	4,279,947	4,279,947
Surplus on revaluation of property, plant and equipment	*11*	6,579,049	4,274,019
Accumulated profit		13,994,307	13,020,232
TOTAL EQUITY		30,279,695	27,000,590
LIABILITIES			
NON-CURRENT LIABILITIES			
Redeemable capital - *secured*	*12*	-	68,750
Long term finances - *secured*	*13*	2,646,032	3,958,767
Liabilities against assets subject to finance lease	*14*	59,778	22,406
Deferred taxation	*15*	3,087,822	2,413,351
Deferred income	*16*	36,781	38,717
		5,830,413	6,501,991
CURRENT LIABILITIES			
Trade and other payables	*17*	922,850	980,030
Unclaimed dividend		18,650	12,766
Accrued interest/markup/profit		390,172	165,579
Short term borrowings	*18*	12,843,848	7,227,368
Current portion of non-current liabilities	*19*	1,814,311	2,027,692
		15,989,831	10,413,435
TOTAL LIABILITIES		21,820,244	16,915,426
CONTINGENCIES AND COMMITMENTS	*20*		
TOTAL EQUITY AND LIABILITIES		52,099,939	43,916,016

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

for identification only

PAK ELEKTRON LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 Rupees '000	2017 Rupees '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	21	21,957,015	17,405,713
Intangible assets	22	313,352	315,525
Long term investments	23	6,985	8,848
Long term deposits	24	365,957	371,936
Long term advances	25	1,109,094	796,843
		23,752,403	18,898,865
CURRENT ASSETS			
Stores, spares and loose tools	26	859,145	746,408
Stock in trade	27	10,786,157	8,149,848
Trade debts	28	10,181,739	10,727,632
Due against construction work in progress - *unsecured, considered good*	29	1,535,735	1,393,185
Short term advances	30	1,039,505	845,826
Short term deposits and prepayments	31	1,105,179	1,109,232
Other receivables - *unsecured, considered good*		360,962	311,090
Short term investments	32	22,071	21,824
Advance income tax/Income tax refundable	33	1,985,785	1,227,912
Cash and bank balances	34	471,258	484,194
		28,347,536	25,017,151
TOTAL ASSETS		52,099,939	43,916,016

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

PAK ELEKTRON LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees '000	*Rupees '000*
Revenue	35	38,990,247	42,346,753
Sales tax, excise duty and discounts	35	(10,544,936)	(11,346,711)
Net revenue		28,445,311	31,000,042
Cost of sales	36	(21,448,040)	(21,883,842)
Gross profit		6,997,271	9,116,200
Other income	37	17,977	17,793
Distribution cost	38	(2,207,445)	(2,683,532)
Administrative and general expenses	39	(1,081,326)	(1,118,844)
Other expenses	40	(63,376)	(176,194)
		(3,352,147)	(3,978,570)
Operating profit		3,663,101	5,155,423
Finance cost	41	(2,103,343)	(1,546,604)
		1,559,758	3,608,819
Share of loss of associate	23.1	(2,456)	(5,354)
Profit before taxation		1,557,302	3,603,465
Taxation	42	(185,833)	(295,211)
Profit after taxation		1,371,469	3,308,254
Earnings per share - *basic and diluted*	43	2.67	6.56

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

PAK ELEKTRON LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rupees	2017 Rupees
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Surplus on revaluation of property, plant and equipment recognised during the year	11	3,045,215	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment recognised during the year	11	(672,091)	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	11	52,268	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to change in proportion of income taxable under final tax regime	11	79,462	(201,431)
		2,504,854	(201,431)
Other comprehensive income/(loss)		2,504,854	(201,431)
Profit for the year		1,371,469	3,308,254
Total comprehensive income		3,876,323	3,106,823

The annexed notes from 1 to 50 form an integral part of these financial statements.

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

PAK ELEKTRON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees '000	*Rupees '000*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	44	2,134,519	3,859,383
Payments for:			
Interest/markup on borrowings - *Interest based arrangements*		(1,217,343)	(1,099,531)
Interest/markup/profit on borrowings - *Shariah compliant*		(196,675)	(43,601)
Income tax		(809,596)	(867,489)
Net cash (used in)/generated from operating activities		(89,095)	1,848,762
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,369,292)	(1,843,969)
Purchase of intangible assets		(8,030)	(3,919)
Proceeds from disposal of property, plant and equipment		36,288	30,010
Long term deposits made		(21,394)	(117,510)
Long term deposits refunded		27,373	11,927
Long term advances made		(1,040,000)	(300,000)
Net cash used in investing activities		(3,375,055)	(2,223,461)
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of redeemable capital		(275,000)	(2,564,553)
Long term finances obtained		226,013	3,809,701
Repayment of long term finances		(1,542,813)	(1,516,669)
Proceeds from sale and lease back activities		109,944	15,100
Repayment of liabilities against assets subject to finance lease		(92,076)	(71,186)
Net increase in short term borrowings		5,616,480	2,245,706
Dividend paid		(591,334)	(1,611,416)
Net cash generated from financing activities		3,451,214	306,683
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,936)	(68,016)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		484,194	552,210
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	45	471,258	484,194

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

PAK ELEKTRON LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Share capital	Capital reserves		Revenue reserves	
		Issued subscribed and paid-up capital	Capital reserve	Surplus on revaluation of property, plant and equipment	Accumulated profit	Total equity
		Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*
Balance as at January 01, 2017		5,426,392	4,279,947	4,668,386	11,134,131	25,508,856
Comprehensive income						
Profit after taxation		-	-	-	3,308,254	3,308,254
Other comprehensive loss		-	-	(201,431)	-	(201,431)
Total comprehensive income		-	-	(201,431)	3,308,254	3,106,823
Incremental depreciation	*11*	-	-	(192,936)	195,312	2,376
Transaction with owners						
Final dividend on ordinary shares @ Rs. 1.75 per share		-	-	-	(870,943)	(870,943)
Interim dividend on ordinary shares @ Rs. 1.25 per share		-	-	-	(746,522)	(746,522)
		-	-	-	(1,617,465)	(1,617,465)
Balance as at December 31, 2017		5,426,392	4,279,947	4,274,019	13,020,232	27,000,590
Balance as at January 01, 2018		5,426,392	4,279,947	4,274,019	13,020,232	27,000,590
Comprehensive income						
Profit after taxation		-	-	-	1,371,469	1,371,469
Other comprehensive income		-	-	2,504,854	-	2,504,854
Total comprehensive income		-	-	2,504,854	1,371,469	3,876,323
Incremental depreciation	*11*	-	-	(199,824)	199,824	-
Transaction with owners						
Final dividend on ordinary shares @ Rs. 1.20 per share		-	-	-	(597,218)	(597,218)
Balance as at December 31, 2018		5,426,392	4,279,947	6,579,049	13,994,307	30,279,695

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND OPERATIONS

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 (now Companies Act, 2017). Registered office of PEL is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The manufacturing facilities of PEL are located at 34 - K.M. Ferozepur road, Keath village, Lahore and 14 - K.M. Ferozepur Road, 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, water dispensers 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 repealed 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 that 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 financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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 statement of cash flows, 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 and reporting standards as applicable in Pakistan 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 (see note 6.1.1)*

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 *Amortization method, rates and useful lives of intangible assets (see note 6.2)*

The Group reassesses useful lives, amortization method and rates for each intangible asset annually by considering expected pattern of economic benefits that the Group expects to derive from that asset.

2.4.3 *Recoverable amount and impairment (see note 6.25)*

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.

2.4.4 *Revaluation of property, plant and equipment (see note 6.1.1)*

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.

2.4.5 *Taxation (see note 6.2)*

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.

2.4.6 *Provisions (see note 6.14)*

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.

2.4.7 *Net realizable values (see note 6.4)*

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.

2.4.8 *Estimated future costs to complete projects in progress (see note 6.18)*

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.

2.5 Functional currency

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

2.6 Date of authorization for issue

These financial statements were authorized for issue on April 04, 2019 by the Board of Directors of the Parent Company.

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

The following new and revised standards, interpretations and amendments are effective in the current period but, unless specified otherwise, 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.

Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Companies Act, 2017

The Companies Act 2017 ['the Act'] was enacted on May 30, 2017. The Act has brought certain changes with regard to the preparation and presentation of these consolidated financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property, plant and equipment as fully explained in note of these consolidated financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional/amended disclosures including, but not limited to, particulars of immovable assets of the Group (see note 21.2 and 21.3), management assessment of sufficiency of tax provision in the consolidated financial statements (see note 42.1), change in threshold for identification of executives (see note 52), additional disclosure requirements for related parties (see note 46), disclosure of significant events and transactions affecting the financial position and performance of the Group (see note 7), disclosure relating to number of employess (see note 56) etc.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments (2014)	July 01, 2018
IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
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
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

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Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP'].

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Defferal Accounts
IFRS 17 – Insurance contracts (2017)

The Group intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that 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

Finalised version of IFRS 9 - Financial Instruments: *Recognition and Measurement* which contains accounting requirement for financial instruments, replacing 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 contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other 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 the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of 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 event to have occurred before a credit loss is recognised.
- **Hedge accounting:** 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 exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 - Revenue from Contracts with Customers

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 performace obligations in the contracts.
- Recognized revenuew when (or as) the entity satisfies a performance obligation.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Companies Act, 2017 has been enacted and has resulted in change in accounting policy for surplus on revaluation of property, plant and equipment.

- The surplus on revaluation of property, plant and equipment, which was previously disclosed in the consolidated statement of financial position of the Group after share capital and reserves, has now been included as part of equity with corresponding inclusion in consolidated statement of changes in equity;
- If an asset's carrying amount is increased as a result of revaluation, the increase will be recognised in statement of comprehensive income. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss;
- If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in statement of profit or loss. However, the decrease shall be recognised in statement of comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, section 235 of repealed Companies Ordinance, 1984 allowed that the surplus on revaluation of property, plant and equipment may be applied by the Group in setting off or in diminution of any deficit arising from the revaluation of any other property, plant and equipment of the Company.

The change in accounting policy does not have any impact on the amounts reported in these financial statements. Hence a third consolidated statement of financial position as at the beginning of the previous year has not been presented.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except of the change referred to in note 5.

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6.1 Property, plant and equipment

6.1.1 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 21 to the consolidated 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.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in share capital and reserves. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the surplus on revaluation of property, plant and equipment to accumulated profit.

6.1.2 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.

6.2 Intangible assets

6.2.1 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.

6.2.2 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.

6.2.3 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.

6.3 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.

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6.4 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.

6.5 Employee benefits

6.5.1 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 and reporting standards as applicable in Pakistan. 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.

6.5.2 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.

6.6 Financial instruments

6.6.1 Recognition

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

6.6.2 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.

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(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.

6.6.3 Measurement

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

6.6.4 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.

6.6.5 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.

6.7 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.

6.8 Preference share capital

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

6.9 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.

6.10 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 statement of financial position 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

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.

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6.11 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.

6.12 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.

6.13 Trade and other payables

6.13.1 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.

6.13.2 Non-financial liabilities

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

6.14 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.

6.15 Trade and other receivables

6.15.1 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.

6.15.2 Non-financial assets

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

6.16 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
- Interest income is recognized using effective interest method.
- Dividend income is recognized when right to received payment is established.

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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.

6.17 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 ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting and reporting standards as applicable in

6.18 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.

6.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary 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.

6.20 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

6.2.1 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.

6.2.2 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.

6.21 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.

6.22 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.

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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

6.23 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated statement of cashflows comprise cash in hand and cash at banks. These

6.24 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.

6.25 Impairment

6.25.1 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.

6.25.2 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.

6.26 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in consolidated 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.

6.27 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 and PMPL.

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6.28 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.

6.29 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.

7 SIGNIFICANT EVENTS AND TRANSACTIONS

During the year, there are no significant events and transactions that have affected the Groups's financial position and performance.

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8 AUTHORIZED CAPITAL

2018 No. of shares	2017 No. of shares		2018 Rupees '000	2017 Rupees '000
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

9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018 No. of shares	2017 No. of shares		2018 Rupees '000	2017 Rupees '000
		Ordinary shares of Rs. 10 each		
372,751,051	372,751,051	Issued for cash	3,727,511	3,727,511
		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
497,681,485	497,681,485		4,976,816	4,976,816
		'A' class preference shares of Rs. 10 each		
44,957,592	44,957,592	Issued for cash	449,576	449,576
542,639,077	542,639,077		5,426,392	5,426,392

9.1 **'A' class preference shares**

9.1.1 ***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 Januray 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 shares to these remaining investors. See note 9.1.2.

The Securities and Exchange Commission of Pakistan ['SECP'] issued order to Pakistan Stock Exchange Limited ['the Exchange'] dated February 6, 2009 for delisting of these preference shares. However, the Company took up the matter with the honorable Lahore High Court which, through order dated October 10, 2017, accepted the appeal of PEL and set aside the SECP order and the appellate order.

9.1.2 ***Re-profiling of preference shares***

PEL offered re-profiling of preference shares to investors, who did not convert their preference shares into ordinary shares in response to the conversion notices issued by PEL.The investors to the instrument had, in principle, agreed to the re-profiling term sheet and commercial terms and conditions therein. Further, SECP had 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 reprofiling has lapsed. PEL is in the process of finalising another reprofiling exercise based on mutual agreement to be made amongst the existing investors.

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9.1.3 *Accumulated preference dividend*

As at reporting date an amount of approximately Rs. 384.39 million (2017: Rs. 341.68 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.

10 CAPITAL RESERVE

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

	2018	2017
	Rupees '000	*Rupees '000*
11 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
As at beginning of the year	**4,274,019**	4,670,762
Surplus recognized during the year		
Surplus for the year	3,045,215	-
Deferred taxation	(672,091)	-
	2,373,124	-
Incremental depreciation transferred to accumulated profits		
Incremental depreciation for the year	(280,450)	(274,117)
Deferred taxation	80,626	78,805
	(199,824)	(195,312)
Other adjustments		
Deferred tax adjustment attributable to changes in proportion of income taxable under final tax regime	79,462	(201,431)
Deferred tax adjustment attributable to changes in tax rates	52,268	-
	131,730	(201,431)
As at end of the year	6,579,049	4,274,019

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12 REDEEMABLE CAPITAL - SECURED

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

Description	2018	2017	Pricing	Security	Arrangements and repayment
	Rupees '000	*Rupees '000*			
Shariah compliant					
Sukuk Funds	101,875	376,875	Three months KIBOR plus 1% per annum (2017: 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 refinance 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.
Total	**101,875**	376,875			
Current portion presented under current liabilities	**(101,875)**	(308,125)			
	-	68,750			

13 LONG TERM FINANCES - SECURED

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

Description	2018	2017	Pricing	Security	Arrangements and repayment
	Rupees '000	*Rupees '000*			
Shariah compliant					
Term Finance	750,000	523,987	Three months KIBOR plus 1% per annum (2017: Three months KIBOR plus 1% per annum).	Charge over operating fixed assets of the PEL and personal guarantees of sponsoring directors of the PEL.	This represents diminishing musharika facility obtained from Faysal Bank Limited for the purpose of balancing modernization and replacement requirements. The finance is repayable in fifteen equal quarterly installments commencing from May 2019, with a grace period of one year.
Interest based arrangement					
Term Finance	375,000	500,000	Three months KIBOR plus 3.8% per annum (2017: Three months KIBOR plus 3.8% per annum).	Charge over present and future current assets of PEL, mortgage of the PEL's land and building.	The finance has been obtained from Pak Oman Investment Company Limited for the purpose of financing capital expenditure. The finance is repayable in twelve equal quarterly installments commencing from March 2018.
Term Finance	1,928,571	2,785,714	Three months KIBOR plus 1.25% per annum (2017: Three months KIBOR plus 1.25% per annum).	Charge over present and future current assets of PEL, mortgage of PEL's land and building.	The finance has been obtained from Bank Alfalah Limited for the purpose of financing the repayment of existing long term loans of the PEL. The finance is repayable in fourteen equal quarterly installments commencing from December 2017.

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Description	2018	2017	Pricing	Security	Arrangements and repayment
	Rupees '000	*Rupees '000*			
Term Finance	14,517	50,810	Three months KIBOR plus 2.10% per annum. (2017: Three months KIBOR plus 2.10% per annum).	Charge over operating fixed assets of the PEL and personal guarantees of sponsoring directors of the PEL.	The finance has been obtained from The Bank of Punjab for the purpose of financing capital expenditure. The finance is repayable in eight equal quarterly installments commencing from September 2017.
Demand Finance	568,384	820,999	Three months KIBOR plus 2% per annum (2017: Three months KIBOR plus 2% per annum).	Charge over operating fixed assets of the PEL and personal guarantees of sponsoring directors of the PEL.	This represents demand finance facility sanctioned by National Bank of Pakistan against an upfront payment of 1,650 million against Private Placed Term Finance Certificates. See note 12. The finance is repayable in sixteen equal quarterly installments commencing from April 2017.
Demand Finance	679,406	951,168	Three months KIBOR plus 2.25% per annum (2017: Three months KIBOR plus 2.25% per annum).	Charge over present and future current assets of the PEL 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.
	3,565,878	5,108,691			
Total	4,315,878	5,632,678			
Current portion presented under current liabilities	(1,669,846)	(1,673,911)			
	2,646,032	3,958,767			

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	Note	2018 Rupees '000	2017 Rupees '000
14 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	14.1 & 14.2	102,368	68,062
Current portion presented under current liabilities	14.1 & 14.2	(42,590)	(45,656)
		59,778	22,406

14.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months KIBOR plus 1.5% to 4.5% per annum (2017: six months to one year KIBOR plus 1.5% to 4.5% 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.

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

	Note	2018 Rupees '000	2017 Rupees '000
Not later than one year		50,351	49,686
Later than one year but not later than five years		64,573	23,703
Total future minimum lease payments		114,924	73,389
Finance charge allocated to future periods		(12,556)	(5,327)
Present value of future minimum lease payments		102,368	68,062
Not later than one year	19	(42,590)	(45,656)
Later than one year but not later than five years		59,778	22,406

	Note	2018 Rupees '000	2017 Rupees '000
15 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	15.1	3,708,750	3,379,016
Deferred tax asset on deductible temporary differences	15.1	(620,928)	(965,665)
		3,087,822	2,413,351

15.1 **Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	2018			
	As at January 01 Rupees '000	Recognized in profit or loss Rupees '000	Recognized on balance sheet Rupees '000	As at December 31 Rupees '000
Deferred tax liabilities				
Operating fixed assets - owned	3,351,793	(213,815)	540,361	3,678,339
Operating fixed assets - leased	27,223	3,188	-	30,411
	3,379,016	(210,627)	540,361	3,708,750
Deferred tax assets				
Provisions	(215,828)	26,024	-	(189,804)
Unused tax losses and credits	(742,959)	318,992	-	(423,967)
Long term investments	(6,878)	(279)	-	(7,157)
	(965,665)	344,737	-	(620,928)
	2,413,351	134,110	540,361	3,087,822

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	2017			
	As at January 01 Rupees '000	Recognized in profit or loss Rupees '000	Recognized on balance sheet Rupees '000	As at December 31 Rupees '000
Deferred tax liabilities				
Operating fixed assets - owned	2,942,669	207,693	201,431	3,351,793
Operating fixed assets - leased	40,117	(12,894)	-	27,223
	2,982,786	194,799	201,431	3,379,016
Deferred tax assets				
Provisions	(148,260)	(67,568)	-	(215,828)
Unused tax losses and credits	(508,333)	(234,626)	-	(742,959)
Long term investments	-	(6,878)	-	(6,878)
	(656,593)	(309,072)	-	(965,665)
	2,326,193	(114,273)	201,431	2,413,351

15.2 Deferred tax arising from the timing differences pertaining to income taxable under normal provisions and as a separate block of the Income Tax Ordinance, 2001 ('the Ordinance') has been calculated at 29% and 15 % (2017: 30% and 15%) respectively of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

	2018 Rupees '000	2017 Rupees '000
16 DEFERRED INCOME		
As at beginning of the year	38,717	40,755
Recognized in profit or loss	(1,936)	(2,038)
As at end of the year	36,781	38,717

16.1 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. 1.936 million (2017: Rs. 2.038 million) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

	Note	2018 Rupees '000	2017 Rupees '000
17 TRADE AND OTHER PAYABLES			
Trade creditors - *unsecured*		414,995	399,217
Foreign bills payable - *secured*	17.1	108,823	99,102
Accrued liabilities		182,301	138,364
Advances from customers - *unsecured*		82,117	119,864
Employees' provident fund		11,247	13,423
Compensated absences		34,162	33,114
Advance against contracts	47	11,852	9,615
Workers' Profit Participation Fund	17.2	26,765	82,450
Workers' Welfare Fund	17.3	31,883	73,897
Other payables - *unsecured*		18,705	10,984
		922,850	980,030

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

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		Note	2017 Rupees '000	2016 Rupees '000
17.2	**Workers' Profit Participation Fund**			
	As at beginning of the year		82,450	99,939
	Interest on fund utilized by the Group	41	4,940	5,655
	Charged to profit or loss for the year	40	26,772	81,504
	Paid during the year		(87,397)	(104,648)
	As at end of the year		26,765	82,450

17.2.1 Interest on funds utilized by the Group has been recognized at 9% (2017: 8.5%) per annum.

		Note	2018 Rupees '000	2017 Rupees '000
17.3	**Workers' Welfare Fund**			
	As at beginning of the year		**73,897**	84,078
	Charged to profit or loss for the year	40	**31,883**	73,897
	Paid/adjusted during the year		**(73,897)**	(84,078)
	As at end of the year		31,883	73,897
18	**SHORT TERM BORROWINGS**			
	Secured			
	Short term finances utilized under interest/markup/profit arrangements from			
	- Banking companies - *Interest based arrangement*	18.1	10,202,314	4,673,422
	- Banking companies - *Shariah compliant*	18.1	1,854,937	1,000,000
	- Non Banking Finance Companies ('NBFCs')	18.2	200,000	350,000
			12,257,251	6,023,422
	Unsecured			
	Short term finances utilized under interest/markup arrangements from			
	Non Banking Finance Companies ('NBFCs') - *Interest based arrangement*	18.3	-	1,135,174
	Book overdraft	18.5	586,597	68,772
			12,843,848	7,227,368

18.1 These facilities have been obtained from various banking companies for working capital requirements and carry interest/markup at rates ranging from 7.11% to 12.3% (2017: 7.16% to 9.16%) per annum. These facilities are secured by pledge / hypothecation of raw material 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.

18.2 These facilities have been obtained from NBFCs for purchase of raw material and carry interest/markup at rates ranging from 7.12% to 11.55% (2017: 7.11% to 7.89%) per annum. These facilities are secured by charge over operating fixed assets of the PEL and personal guarantees of the directors of PEL.

18.3 This represented finances obtained against issue of commercial paper to non-banking finance companies and carry interest/markup at nil (2017: nine months KIBOR plus 1.25% per annum). These were issued at discounted value and are redeemed at face value.

18.4 The aggregate un-availed short term borrowing facilities as at the reporting date amounts to Rs. 10,464 million (2017: Rs. 10,727 million).

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

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	Note	2018	2017
		Rupees '000	*Rupees '000*
19 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Redeemable capital	12	**101,875**	308,125
Long term finances	13	**1,669,846**	1,673,911
Liabilities against assets subject to finance lease	14	**42,590**	45,656
		1,814,311	2,027,692

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

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

	2018	2017
	Rupees '000	*Rupees '000*
Tender bonds	**488,314**	482,288
Performance bonds	**2,863,884**	2,685,710
Advance guarantees	**647,033**	662,609
Custom guarantees	**72,064**	92,645
Foreign guarantees	**80,682**	77,084

20.1.2 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.

20.1.3 The Finance Act 2015 introduced Tax on Undistributed Reserves 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 income tax on undistributed reserves for subsequent tax years, has been made as the matter is subjudice before Lahore High Court and the management of the Group expects a favourable outcome.

20.1.4 The Finance Act 2015 introduced Super Tax for rehabilitation of temporarily displaced persons vide newly inserted section 4B to the Ordinance whereby, at the rate of 3% of the income equal to or excedding Rs. 500 million. No provision for Super Tax has been made for tax years 2015 to 2017 as the matter is subjudice before Lahore High Court and the management of the Company expects a favourable outcome.

20.1.5 On 12 July 2014, the Punjab Employees Social Security Institution ['the Institution'] issued a demand notice to PEL demanding a payment of Rs. 31,106,274 as social security contributions for the period from January 2013 to December 2013. In 2015, PEL challenged the demand notice by filing a complaint under Section 57 of the Provincial Employees Social Security Ordinance, 1965 before the Institution. The complaint is pending adjudication before the Adjudicating Officer of the Institution.

20.1.6 In tax year 2014 Worker's Welfare Fund was levied at Rs. 1.55 million contrary to the judgements of the Lahore High Court ['LHC'] and the apex court and it is expected that this liability will be deleted by the Appellate Authority.

20.1.7 The Group's case was selected for audit by the Additional Commissioner Inland Revenue ['ACIR'] for tax years 2009, 2016 and 2017. The Group has filed appeals for these tax years before the Commissioner Inland Revenue (Appeals) ['CIR(A)'], and the appellate orders are yet awaited. The issues raised in these appeals are mostly concerning disallowance of various expenses. The management expect to get adequate relief from the Appellate Authority and no additional tax liability is expected to arise.

20.1.8 As per order under section 137(2) of the Income Tax Ordinance, 2001 ['the Ordinance'] dated October 20, 2017 a refund of Rs. 441.28 million has been determined for the tax year 2016. The department has filed an appeal before the Appellate Tribunal Inland Revenue ['ATIR'] on the relief allowed by the Commissioner Inland Revenue (Appeals) ['CIR(A)'] on the account of adjustment of minimum tax under section 113(2)(c) and tax credit allowed under section 65E of the Ordinance. The appeal filed is not fixed for hearing. The ATIR in different case has allowed relief respecting the claim of tax under section 113 (2)(c) of the Ordinance. The management expect to get adequate relief from the Appellate Authority and no additional tax liability is expected to arise.

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	2018	2017
	Rupees '000	*Rupees '000*
20.2 Commitments		
20.2.1 Commitments under irrevocable letters of credit for import of stores, spare parts and raw material	**2,012,639**	1,926,602

20.2.2 Commitments under ijarah contracts

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

	2018	2017
	Rupees '000	*Rupees '000*
- payments not later than one year	**13,295**	44,389
- payments later than one year	**16,139**	11,333
	29,434	55,722

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 PROPERTY, PLANT AND EQUIPMENT

	2018													
	COST / REVALUED AMOUNT							DEPRECIATION						Net book value as at December 31
	As at January 01	Additions	Revaluation	Disposals	Transfers	As at December 31	Rate	As at January 01	For the year	Revaluation	Adjustment	As at December 31	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Assets owned by the Group													
Leasehold land	13,256	-	-	-	-	13,256	-	-	-	-	-	-	13,256
Freehold land	539,232	-	482,768	-	-	1,022,000	-	-	-	-	-	-	1,022,000
Building on leasehold land	1,763,372	-	453,650	-	-	2,217,022	5	751,904	50,574	206,448	-	1,008,926	1,208,096
Building on freehold land	2,756,951	-	709,259	-	-	3,466,210	5	884,539	93,620	251,643	-	1,229,802	2,236,408
Plant and machinery	18,543,220	391,790	2,936,118	(114,785)	52,068	21,808,411	5	6,308,542	614,754	1,078,489	8,836	8,010,621	13,797,790
Office equipment and fixtures	214,254	35,208	-	(52,506)	-	196,956	10	118,943	10,767	-	(44,530)	85,180	111,776
Computer hardware and allied items	141,232	11,918	-	(26,736)	-	126,414	30	109,972	17,797	-	(25,019)	102,750	23,664
Vehicles	309,313	18,583	-	(45,906)	19,133	301,123	20	130,398	34,622	-	(11,387)	153,633	147,490
	24,280,830	457,499	4,581,795	(239,933)	71,201	29,151,392		8,304,298	822,134	1,536,580	(72,100)	10,590,912	18,560,480
Assets subject to finance lease													
Plant and machinery	103,488	109,944	-	-	(52,068)	161,364	5	10,753	4,637	-	(8,956)	6,434	154,930
Vehicles	102,834	18,438	-	-	(19,133)	100,139	20	32,815	14,130	-	(10,191)	36,754	63,385
	206,322	126,382	-	-	(71,201)	261,503		43,568	18,767	-	(19,147)	43,188	218,315
	24,487,152	583,881	4,581,795	(239,933)	-	29,412,895		6,347,866	840,901	1,536,580	(91,247)	10,634,100	18,778,795
Capital work in progress													
Building on freehold land	1,010,883	1,423,087	-	-	-	2,433,970		-	-	-	-	-	2,433,970
Plant and machinery	255,544	488,706	-	-	-	744,250		-	-	-	-	-	744,250
	1,266,427	1,911,793	-	-	-	3,178,220		-	-	-	-	-	3,178,220
	25,753,579	2,495,674	4,581,795	(239,933)	-	32,591,115		6,347,866	840,901	1,536,580	(91,247)	10,634,100	21,957,015

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	2017													
	COST / REVALUED AMOUNT							DEPRECIATION						Net book value as at December 31
	As at January 01	Additions	Revaluation	Disposals	Transfers	As at December 31	Rate	As at January 01	For the year	Revaluation	Adjustment	As at December 31	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Assets owned by the Group													
Leasehold land	13,256	-	-	-	-	13,256	-	-	-	-	-	-	13,256
Freehold land	539,232	-	-	-	-	539,232	-	-	-	-	-	-	539,232
Building on leasehold land	1,763,372	-	-	-	-	1,763,372	5	698,669	53,235	-	-	751,904	1,011,468
Building on freehold land	2,754,337	2,614	-	-	-	2,756,951	5	786,062	98,477	-	-	884,539	1,872,412
Plant and machinery	17,918,980	521,540	-	-	102,700	18,543,220	5	5,655,258	636,896	-	16,388	6,308,542	12,234,678
Office equipment and fixtures	194,674	23,644	-	(4,064)	-	214,254	10	112,491	9,137	-	(2,685)	118,943	95,311
Computer hardware and allied items	128,664	28,324	-	(15,756)	-	141,232	30	107,688	17,633	-	(15,349)	109,972	31,260
Vehicles	183,497	132,022	-	(62,276)	56,070	309,313	20	97,002	31,219	-	2,177	130,398	178,915
	23,496,012	708,144	-	(82,096)	158,770	24,280,830		7,457,170	846,597	-	531	8,304,298	15,978,532
Assets subject to finance lease													
Plant and machinery	203,488	-	-	-	(100,000)	103,488	5	17,860	9,281	-	(16,388)	10,753	92,735
Vehicles	131,102	27,802	-	-	(56,070)	102,834	20	46,496	13,998	-	(27,679)	32,815	70,019
	334,590	27,802	-	-	(156,070)	206,322		64,356	23,279	-	(44,067)	43,568	162,754
	23,830,602	735,946	-	(82,096)	2,700	24,487,152		7,521,528	869,876	-	(43,536)	8,347,866	16,139,286
Capital work in progress													
Building on freehold land	73,547	937,336	-	-	-	1,010,883		-	-	-	-	-	1,010,883
Plant and machinery	59,755	198,489	-	-	(2,700)	255,544		-	-	-	-	-	255,544
	133,302	1,135,825	-	-	(2,700)	1,266,427		-	-	-	-	-	1,266,427
	23,963,904	1,871,771	-	(82,096)	-	25,753,579		7,521,526	869,876	-	(43,536)	8,347,866	17,405,713

21.1 Property, plant and equipment includes fully depreciated assets of Rs. 64.54 million (2017: Rs. 71.15 million) which are still in use of PEL.

21.2 Freehold land of PEL is located at Mouza Kot Islampura, 34 - K.M. Ferozepur Road, Lahore with a total area of 511 Kanals (2017: 511 Kanals).

21.3 Leasehold land of PEL is located at 14 - K.M. Ferozepur Road, Lahore and Plot # 302-303, Gadoon Industrail Area, Gadoon Amazai with a total area of 322 Kanals 15 Marla (2017: 322 Kanals 15 Marla).

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21.4 Disposal of operating fixed assets

	2018						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Office equipment and fixtures							
Assets having net book value less than Rs. 500,000 each							
Table and chairs	5,246	3,995	1,251	256	(995)	Negotiation	Various individuals
Air conditioners	6,719	5,268	1,451	328	(1,123)	Negotiation	Various individuals
Mobile sets	566	299	267	-	(267)	As Per Company Policy	Various individuals
Miscellaneous office items	39,975	34,968	5,007	1,949	(3,058)	Negotiation	Various individuals
	52,506	44,530	7,976	2,533	(5,443)		
Computer hardware and allied items							
Assets having net book value less than Rs. 500,000 each							
Computer and printers	10,961	10,961	-	512	512	Negotiation	Various individuals
Laptops	4,441	2,792	1,649	2,901	1,252	Negotiation	Various individuals
Mobile sets	427	359	68	39	(29)	As Per Company Policy	Various individuals
Allied items	10,907	10,907	-	382	382	Negotiation	Various individuals
	26,736	25,019	1,717	3,834	2,117		
Vehicles							
Audi A3	4,060	460	3,600	4,750	1,150	As Per Company Policy	Mehdi Hassan *(employee)* 78, Block C, DHA Phase-1, Lahore.
BMW X1	5,217	591	4,626	5,737	1,111	As Per Company Policy	Mehdi Hassan *(employee)* 78, Block C, DHA Phase-1, Lahore.
Honda City	1,494	971	523	747	224	As Per Company Policy	Atif Imtiaz *(employee)* 23-A, New Staff Colony U.E.T, Lahore.
Honda Civic	2,439	1,505	934	642	(292)	As Per Company Policy	Waseem Ishaq *(employee)* 199-A, Block C, PCSIR, College Road, Lahore.
Honda Civic	2,489	1,460	1,029	539	(490)	As Per Company Policy	Iftikhar Ahmed *(employee)* 100, Block E, Askari 10, AOHC, Lahore.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2018						
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Honda Civic	2,469	1,448	1,021	560	(461)	As Per Company Policy	Tariq Irani *(employee)* 5, Block G4, Wapda Town, Lahore.
Honda Civic	2,448	1,277	1,171	470	(701)	As Per Company Policy	Javed A Khan *(employee)* 777, Ammar Shaheed Road Chahklala Scheme 3, Rawalpindi.
Honda Civic	2,164	793	1,371	1,456	85	As Per Company Policy	Atif Ali *(employee)* 180, Block C, Gulshan-e-Ravi, Lahore.
Honda Civic	2,521	892	1,629	328	(1,301)	As Per Company Policy	Sadiq Munir *(employee)* 173-A, New Muslim Town, Lahore.
Porsche	1,202	439	763	3,000	2,237	Negotiation	Performance Automotive 24-D, Al Faisal Town, Lahore.
Suzuki Mehran	578	10	568	222	(346)	As Per Company Policy	Shees Butt *(employee)* 442, Millat Road, Taj Colony, Faisalabad.
Toyota Corolla	1,731	1,015	716	600	(116)	As Per Company Policy	Javed Iqbal *(employee)* 10-A, Block E, Muhafiz Town, Multan Road, Lahore.
Toyota Corolla	1,771	924	847	831	(16)	As Per Company Policy	Rizwan Cheema *(employee)* 149-B, PCSIR Colony, Canal Road, Lahore.
Assets having net book value less than Rs. 500,000 each							
Honda City	1,438	1,028	410	568	158	As Per Company Policy	Imran Iqbal *(employee)*
Suzuki Cultus	1,020	740	280	203	(77)	As Per Company Policy	Shafiq Ahmed *(employee)*
Suzuki Cultus	990	692	298	498	200	As Per Company Policy	M Mukhtar Khan *(employee)*
Suzuki Cultus	1,049	615	434	544	110	As Per Company Policy	Irshad Khan *(employee)*
Suzuki Cultus	1,039	586	453	572	119	As Per Company Policy	Salman *(employee)*
Suzuki Cultus	106	12	94	401	307	As Per Company Policy	Shahid Ahmed *(employee)*
Suzuki Cultus	106	12	94	307	213	As Per Company Policy	Muhammad Asif *(employee)*
Suzuki Mehran	612	431	181	700	519	As Per Company Policy	Muhammad Shafiq *(employee)*
Suzuki Mehran	612	431	181	305	124	As Per Company Policy	Masood ul Hassan *(employee)*
Suzuki Mehran	612	431	181	213	32	As Per Company Policy	Tahir Ikram *(employee)*

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	2018						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Suzuki Mehran	612	431	181	-	(181)	As Per Company Policy	Muhammad Asghar *(employee)*
Suzuki Mehran	640	420	220	345	125	As Per Company Policy	Sami Ullah Qazi *(employee)*
Suzuki Mehran	657	427	230	167	(63)	As Per Company Policy	Amer Fayyaz *(employee)*
Suzuki Mehran	657	427	230	167	(63)	As Per Company Policy	Sharaf ud Din *(employee)*
Suzuki Mehran	657	427	230	320	90	As Per Company Policy	Nasir Javed *(employee)*
Suzuki Mehran	688	404	284	472	188	As Per Company Policy	Muhammad Zeeshan *(employee)*
Suzuki Mehran	69	14	55	474	419	As Per Company Policy	Uzair *(employee)*
Suzuki Mehran	69	16	53	170	117	As Per Company Policy	Shafqat *(employee)*
Suzuki Swift DX	1,131	797	334	383	49	As Per Company Policy	Abdul Qavi Butt *(employee)*
Toyota Corolla	168	-	168	1,450	1,282	As Per Company Policy	Azeem *(employee)*
Toyota XLI	1,554	1,095	459	306	(153)	As Per Company Policy	Manzar Hassan *(employee)*
Motor Bike	63	55	8	64	56	As Per Company Policy	Waqas *(employee)*
Motor Bike	41	30	11	41	30	As Per Company Policy	Abid *(employee)*
Motor Bike	57	39	18	69	51	As Per Company Policy	Badar *(employee)*
Motor Bike	85	53	32	-	(32)	As Per Company Policy	Faisal *(employee)*
Motor Bike	62	29	33	62	29	As Per Company Policy	Abid Tabassum *(employee)*
Motor Bike	62	32	30	62	32	As Per Company Policy	Nauman *(employee)*
Motor Bike	62	28	34	64	30	As Per Company Policy	Syed Anwar Ali *(employee)*
Motor Bike	64	29	35	64	29	As Per Company Policy	Muhammad Ali Shahbaz *(employee)*
Motor Bike	42	18	24	42	18	As Per Company Policy	Nadeem Shahzad *(employee)*
Motor Bike	64	23	41	64	23	As Per Company Policy	Abid Tabassum *(employee)*
Motor Bike	64	21	43	25	(18)	As Per Company Policy	Gulman Shah *(employee)*
Motor Bike	171	-	171	917	746	As Per Company Policy	Jehanzeb Ahmed *(employee)*
	45,906	21,578	24,328	29,921	5,593		
	125,148	91,127	34,021	36,288	2,267		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2017						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Office equipment and fixtures							
Table and chairs	1,021	775	246	249	3	Negotiation	Various individuals
Air conditioners	1,746	1,233	513	43	(470)	Negotiation	Various individuals
Mobile sets	364	77	287	94	(193)	Negotiation	Various individuals
Mobile sets	63	4	59	76	17	Insurance Claim	Adamjee insurance
Miscellaneous office items	870	596	274	50	(224)	Negotiation	Various individuals
	4,064	2,685	1,379	512	(867)		
Computer hardware and allied items							
Computer and printers	13,048	13,048	-	342	342	Negotiation	Various individuals
Laptops	161	118	43	36	(7)	Negotiation	Various individuals
Mobile sets	1,854	1,491	363	429	66	Negotiation	Various individuals
Allied items	693	692	1	110	109	Negotiation	Various individuals
	15,756	15,349	407	917	510		
Vehicles							
Honda City	167	-	167	1,375	1,208	As Per Company Policy	Kashif Khan *(employee)*
Honda City	1,438	979	459	940	481	As Per Company Policy	Adnan Shahid *(employee)*
Honda City	1,603	847	756	201	(555)	As Per Company Policy	Arfan Hashmi *(employee)*
Honda Civic	2,167	1,436	731	719	(12)	As Per Company Policy	Nasir Paul *(employee)*
Toyota Corolla	1,775	-	1,775	1,775	-	As Per Company Policy	Javed Iqbal *(employee)*
Honda Civic	2,383	1,567	816	616	(200)	As Per Company Policy	Mehdi Hassan *(employee)*
Suzuki Cultus	106	-	106	925	819	As Per Company Policy	Kamran *(employee)*
Suzuki Cultus	1,029	528	501	315	(186)	As Per Company Policy	Muhammad Hanif *(employee)*
Suzuki Cultus	106	2	104	825	721	As Per Company Policy	Adil Ashfaque *(employee)*
Suzuki Cultus	85	14	71	439	368	As Per Company Policy	Arfan Hashmi *(employee)*
Suzuki Cultus	1,044	561	483	624	141	As Per Company Policy	Khalid Sheikh *(employee)*
Suzuki Cultus	1,049	516	533	322	(211)	As Per Company Policy	Umer Shahzad *(employee)*
Suzuki Cultus	985	621	364	508	144	As Per Company Policy	Muhammad Farooq *(employee)*

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PAK ELEKTRON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2017						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000		
Suzuki Cultus	106	5	101	575	474	As Per Company Policy	Muhammad Ali *(employee)*
Suzuki Cultus	1,029	524	505	570	65	As Per Company Policy	Tanweer Malik *(employee)*
Suzuki Mehran	640	416	224	230	6	As Per Company Policy	Irfan Ahmad *(employee)*
Suzuki Mehran	673	345	328	241	(87)	As Per Company Policy	Mian Nazir *(employee)*
Suzuki Mehran	683	348	335	506	171	As Per Company Policy	Husnain Arif *(employee)*
Suzuki Mehran	693	361	332	504	172	As Per Company Policy	Khawaja Mudassar *(employee)*
Suzuki Mehran	657	405	252	167	(85)	As Per Company Policy	Attique *(employee)*
Suzuki Mehran	657	354	303	194	(109)	As Per Company Policy	Mahmood *(employee)*
Suzuki Mehran	657	405	252	358	106	As Per Company Policy	Amir Shahzad *(employee)*
Suzuki Mehran	612	386	226	319	93	As Per Company Policy	Afzal *(employee)*
Suzuki Mehran	612	374	238	340	102	As Per Company Policy	Abdul Raheem *(employee)*
Suzuki Mehran	69	2	67	504	437	As Per Company Policy	Yamin Afridi *(employee)*
Suzuki Swift	1,486	732	754	909	155	As Per Company Policy	Muhammad Shahid *(employee)*
Suzuki Swift	1,282	658	624	562	(62)	As Per Company Policy	Muhammad Nauman *(employee)*
Suzuki Swift	1,282	669	613	532	(81)	As Per Company Policy	Shahb Ali *(employee)*
Suzuki Swift	1,221	634	587	494	(93)	As Per Company Policy	Muhammad Shahzad *(employee)*
Suzuki Swift	1,297	192	1,105	1,107	2	As Per Company Policy	Muhammad Farooq *(employee)*
Suzuki Swift	133	-	133	300	167	As Per Company Policy	Nazir *(employee)*
Suzuki WagonR	92	3	89	443	354	As Per Company Policy	Nadeem un Din *(employee)*
Toyota Corolla	1,824	730	1,094	208	(886)	As Per Company Policy	Tauqir Akhtar *(employee)*
Toyota Corolla	1,591	1,084	507	313	(194)	As Per Company Policy	Tariq Siraj *(employee)*
Toyota Corolla	1,625	1,047	578	365	(213)	As Per Company Policy	Muhammad Rafiq Ahmad *(employee)*
Toyota Corolla	1,694	926	768	471	(297)	As Per Company Policy	Jalil ur Rehman *(employee)*
Toyota Corolla	1,555	874	681	231	(450)	As Per Company Policy	Ashar Abbas *(employee)*
Toyota Corolla	1,690	1,098	592	1,070	478	As Per Company Policy	Umar Saleemi *(employee)*
Toyota Corolla	1,690	1,120	570	453	(117)	As Per Company Policy	Tassawar Hanif *(employee)*
Toyota Corolla	1,690	1,153	537	441	(96)	As Per Company Policy	Syed Muhammad Amer *(employee)*
Toyota Corolla	1,555	1,040	515	761	246	As Per Company Policy	Masood Ahmed *(employee)*
Honda City	1,538	101	1,437	1,799	362	Sale & Lease Back	First Habib Modaraba
Suzuki Cultus	961	-	961	1,124	163	Sale & Lease Back	First Habib Modaraba

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PAK ELEKTRON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2017						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Suzuki Mehran	605	-	605	708	103	Sale & Lease Back	First Habib Modaraba
Suzuki Mehran	605	-	605	708	103	Sale & Lease Back	First Habib Modaraba
Suzuki WagonR	901	45	856	1,054	198	Sale & Lease Back	First Habib Modaraba
Various Motor Cycles	421	155	266	436	170	As Per Company Policy	Various individuals
	47,763	23,257	24,506	28,581	4,075		
	67,583	41,291	26,292	30,010	3,718		

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	Note	2018	2017
		Rupees '000	*Rupees '000*

21.5 The depreciation charge for the year has been allocated as follows:

	Note	2018	2017
Cost of sales	36	772,241	805,694
Administrative and general expenses	39	68,660	64,182
		840,901	869,876

21.6 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, Asif Associates (Private) Limited, on December 31, 2018 and was incorporated in the financial statements for the year ended December 31, 2018. For basis of valuation and other fair value measurement disclosures refer to note 50.

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2018		
	Cost	Accumulated depreciation	Net book value
	Rupees '000	*Rupees '000*	*Rupees '000*
Freehold land	189,184	-	189,184
Buildings	3,302,326	1,321,029	1,981,297
Plant and machinery	10,898,107	3,426,343	7,471,764

	2017		
	Cost	Accumulated depreciation	Net book value
	Rupees '000	*Rupees '000*	*Rupees '000*
Freehold land	189,184	-	189,184
Buildings	3,302,326	1,216,750	2,085,576
Plant and machinery	10,569,034	3,043,288	7,525,746

21.6.1 As per most recent valuation, forced sale values of freehold land, buildings on freehold land and plant and machinery are as follows:

	Rupees
	Rupees '000
Freehold land	919,800
Buildings on freehold land	2,927,828
Plant and machinery	11,998,078
	15,845,706

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

22 INTANGIBLE ASSETS

	Note	2018						
		Cost			Accumulated Amortization			Net book value as at December 31 Rupees '000'
		As at January 01 Rupees '000'	Additions Rupees '000'	As at December 31 Rupees '000'	As at January 01 Rupees '000'	For the period Rupees '000'	As at December 31 Rupees '000'	
Technology transfer agreement	22.1	117,054	-	117,054	38,984	3,904	42,888	74,166
Goodwill	22.2	312,341	-	312,341	91,859	-	91,859	220,482
Software	22.3	8,976	8,030	17,006	4,853	2,058	6,911	10,095
Enterprise Resource Planning system	22.4	31,675	-	31,675	18,825	4,241	23,066	8,609
		470,046	8,030	478,076	154,521	10,203	164,724	313,352

	Note	2017						
		Cost			Accumulated Amortization			Net book value as at December 31 Rupees '000'
		As at January 01 Rupees '000'	Additions Rupees '000'	As at December 31 Rupees '000'	As at January 01 Rupees '000'	For the period Rupees '000'	As at December 31 Rupees '000'	
Technology transfer agreement	22.1	117,054	-	117,054	34,875	4,109	38,984	78,070
Goodwill	22.2	312,341	-	312,341	91,859	-	91,859	220,482
Software	22.3	5,057	3,919	8,976	4,701	152	4,853	4,123
Enterprise Resource Planning system	22.4	31,675	-	31,675	11,036	7,789	18,825	12,850
		466,127	3,919	470,046	142,471	12,050	154,521	315,525

22.1 The Group 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.

22.2 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 Group. In view of cancelation of LG license, goodwill related to PEL Daewoo Electronics Limited was fully impaired by providing impairment loss of Rs. 140.569 million in December 31, 2011. The carrying value represents goodwill related to PEL Appliances Limited for which there is no indication of impairment.

22.3 The Group has acquired different software for its business purpose. These are being amortized at 33% per annum on reducing balance method.

22.4 These are being amortized at 33% per annum on reducing balance method.

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	Note	2018	2017
		Rupees '000	Rupees '000

23 **LONG TERM INVESTMENTS**

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:

	2018	2017
2,910,600 (2017: 2,910,600) ordinary shares of Rs. 10 each		
Percentage of ownership interest	23.10%	23.10%

	2018	2017
	Rupees '000	Rupees '000
Cost of investment	54,701	54,701
Share of post acquisition loss - *net of dividend received*	(8,857)	(6,401)
	45,844	48,300
Accumulated impairment	(38,859)	(39,452)
	6,985	8,848

23.1 **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, 2018 are as follows:

	Note	2018	2017
		Rupees '000	Rupees '000
Assets		159,384	170,860
Liabilities		3,411	3,192
Revenue		4,473	4,028
Loss for the year		10,630	23,177
Share of loss		2,456	5,354
Market value per share *(Rupees)*		2.40	3.04

24 **LONG TERM DEPOSITS**

	Note	2018	2017
Financial institutions	24.1	7,858	31,131
Utility companies and regulatory authorities	24.2	42,351	42,351
Customers	24.3	315,748	298,454
		365,957	371,936

24.1 These represent security deposits against Ijarah financing.

24.2 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.

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

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25 LONG TERM ADVANCES

	Note	2018	2017
		Rupees '000	Rupees '000
Face value of deposits		923,211	1,081,926
Additions during the year		1,040,000	300,000
Transferred to current assets		(623,715)	(458,715)
Less: unamortized notional interest	25.2	(230,402)	(126,368)
As at end of the year		1,109,094	796,843

25.1 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%.

	Note	2018	2017
		Rupees '000	Rupees '000
25.2 Unamortized notional interest			
As at beginning of the year		126,368	149,790
Recognized during the year	38.2	184,408	56,740
Amortization for the year		(80,374)	(80,162)
As at end of the year		230,402	126,368

26 STORES, SPARES AND LOOSE TOOLS

	2018	2017
Stores	290,865	136,561
Spares	452,987	505,812
Loose tools	134,117	122,859
	877,969	765,232
Provision for slow moving and obsolete items	(18,824)	(18,824)
	859,145	746,408

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

27 STOCK IN TRADE

	Note	2018	2017
Raw material			
- in stores		5,130,566	4,639,215
- in transit		2,110,833	582,589
Provision for slow moving and obsolete items	27.1	(37,037)	(34,515)
		7,204,362	5,187,289
Work in process		758,928	848,453
Finished goods		2,829,889	2,121,128
Provision for slow moving and obsolete items		(7,022)	(7,022)
		2,822,867	2,114,106
		10,786,157	8,149,848

27.1 **Movement in provision for slow moving and obsolete items**

	2018	2017
As at beginning of the year	34,515	25,647
Recognized during the year	2,522	8,868
As at end of the year	37,037	34,515

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

27.3 Stock in trade valued at Rs. 1,754 million (2017: Rs. 1,308 million) is pledged as security with providers of debt finances.

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		Note	2018 Rupees '000	2017 Rupees '000
28	**TRADE DEBTS - UNSECURED**			
	Considered good			
	- against sale of goods		7,127,034	8,841,149
	- against execution of contracts		3,054,705	1,886,483
			10,181,739	10,727,632
	Considered doubtful	28.2	587,301	576,971
			10,769,040	11,304,603
	Impairment allowance for doubtful debts	39	(587,301)	(576,971)
			10,181,739	10,727,632

28.1 These include retention money for contracts in progress amounting to Rs. 617.648 million (2017: Rs. 855.5 million) held by the customers in accordance with contract terms.

		2018 Rupees '000	2017 Rupees '000
28.2	**Movement in impairment allowance**		
	As at beginning of the year	576,971	444,589
	Recognized during the year	10,330	132,382
	As at end of the year	587,301	576,971

29 **DUE AGAINST CONSTRUCTION WORK IN PROGRESS - UNSECURED, CONSIDERED GOOD**

This represents unbilled revenue from construction work in progress.

		Note	2018 Rupees '000	2017 Rupees '000
30	**SHORT TERM ADVANCES**			
	Advances to suppliers and contractors - *unsecured*			
	- considered good		589,824	617,091
	- considered doubtful		32,730	32,730
	Impairment allowance for doubtful advances		(32,730)	(32,730)
			589,824	617,091
	Advances to employees - *unsecured*			
	- considered good	30.1	449,681	228,735
	- considered doubtful		1,449	1,449
	Impairment allowance for doubtful advances		(1,449)	(1,449)
			449,681	228,735
			1,039,505	845,826

		2018	2017
30.1	These include advances for		
	- purchases	230,008	147,989
	- expenses	105,524	46,886
	- traveling	114,149	33,860
		449,681	228,735

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	Note	2018 Rupees '000	2017 Rupees '000

31 SHORT TERM DEPOSITS AND PREPAYMENTS

		2018	2017
Security deposits			
- considered good		308,133	383,133
- considered doubtful		5,379	5,379
Impairment allowance for doubtful deposits		(5,379)	(5,379)
		308,133	383,133
Margin deposits		421,671	488,316
Prepayments		52,865	46,211
Letters of credit		322,510	191,572
		1,105,179	1,109,232

32 SHORT TERM INVESTMENTS

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

	Note	2018 Rupees '000	2017 Rupees '000
Standard Chartered Bank (Pakistan) Limited			
915,070 (2017: 915,070) ordinary shares of Rs. 10 each			
Market value: *Rs. 24.12 (2017: Rs. 23.85) per share*			
As at beginning of the year		21,824	23,106
Changes in fair value	37 & 40	247	(1,282)
As at end of the year		22,071	21,824

33 ADVANCE INCOME TAX/INCOME TAX REFUNDABLE

	Note	2018	2017
Advance income tax/income tax refundable		2,129,147	1,637,396
Provision for taxation	42	(143,362)	(409,484)
		1,985,785	1,227,912

34 CASH AND BANK BALANCES

		2018	2017
Cash in hand		16,818	16,217
Cash at banks		454,440	467,977
		471,258	484,194

35 NET REVENUE

	Note	2018	2017
Contract revenue	47	2,899,882	2,841,124
Sale of goods			
- local		35,201,408	38,212,710
- exports		888,957	1,292,919
		38,990,247	42,346,753
Sales tax and excise duty		(3,710,466)	(4,062,791)
Trade discounts		(6,834,470)	(7,283,920)
		(10,544,936)	(11,346,711)
		28,445,311	31,000,042

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		Note	2018 Rupees '000	2017 Rupees '000
36	COST OF SALES			
	Finished goods at the beginning of the year		2,121,128	1,895,253
	Cost of goods manufactured	36.1	19,723,220	19,699,023
	Finished goods at the end of the year		(2,829,889)	(2,121,128)
	Cost of goods sold		19,014,459	19,473,148
	Contract cost	47	2,433,581	2,410,694
			21,448,040	21,883,842
36.1	**Cost of goods manufactured**			
	Work-in-process at beginning of the year		848,453	1,033,340
	Raw material and components consumed		16,936,321	16,792,254
	Direct wages		799,473	712,515
	Factory overheads			
	- salaries, wages and benefits		422,952	482,115
	- traveling and conveyance		27,930	25,623
	- electricity, gas and water		339,186	361,245
	- repairs and maintenance		68,323	61,254
	- vehicles running and maintenance		30,060	30,028
	- insurance		35,855	29,225
	- depreciation	21.5	772,241	805,694
	- amortization of intangible assets	22	10,203	12,050
	- provision for obsolete and slow moving stock	26 & 27	2,522	8,868
	- carriage and freight		23,742	27,540
	- erection and testing		151,605	153,582
	- other factory overheads		13,282	12,143
			1,897,901	2,009,367
			20,482,148	20,547,476
	Work-in-process at end of the year		(758,928)	(848,453)
			19,723,220	19,699,023

36.2 These include charge in respect of employees retirement benefits amounting to Rs. 39.401 million (2017: Rs. 32.37 million).

		Note	2018 Rupees '000	2017 Rupees '000
37	OTHER INCOME			
	Gain on financial instruments			
	Reversal of impairment loss on long term investments	23	593	-
	Changes in fair value of short term investments	32	247	-
	Gain on disposal of property, plant and equipment		2,267	3,718
	Gain on sale and lease back activities		-	2,832
			3,107	6,550
	Other income			
	Amortization of grant-in-aid	16	1,936	2,038
	Others		12,934	9,205
			14,870	11,243
			17,977	17,793

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		Note	2018 Rupees '000	2017 Rupees '000
38	DISTRIBUTION COST			
	Salaries and benefits	38.1	468,433	454,356
	Traveling and conveyance		89,541	106,218
	Rent, rates and taxes		111,552	128,721
	Electricity, gas, fuel and water		23,116	24,761
	Repairs and maintenance		8,555	9,262
	Vehicles running and maintenance		59,421	65,505
	Printing and stationery		11,680	10,331
	Postage, telegrams and telephones		25,815	23,170
	Entertainment and staff welfare		38,007	39,952
	Advertisement and sales promotion		462,122	695,407
	Insurance		17,940	17,124
	Freight and forwarding		451,391	552,921
	Contract and tendering		1,981	10,860
	Warranty period services		317,342	358,229
	Others	38.2	120,549	186,715
			2,207,445	2,683,532

38.1 These include charge in respect of employees retirement benefits amounting to Rs. 17.108 million (2017: Rs. 14.728 million).

38.2 These include notional interest expense/(income) amounting to Rs. 104.034 million (2017: Rs. 23.422 million) on long term advances. (See note 25.2)

		Note	2018 Rupees '000	2017 Rupees '000
39	ADMINISTRATIVE AND GENERAL EXPENSES			
	Salaries and benefits	39.1	557,738	486,004
	Traveling and conveyance		52,271	47,161
	Rent, rates and taxes		101,253	88,119
	Ujrah payments		46,788	62,149
	Legal and professional		75,395	84,548
	Electricity, gas and water		36,223	30,610
	Auditor's remuneration	39.2	5,877	5,591
	Repairs and maintenance		20,907	18,532
	Vehicles running and maintenance		20,305	17,874
	Printing, stationery and periodicals		5,016	4,559
	Postage, telegrams and telephones		9,791	8,733
	Entertainment and staff welfare		17,447	15,606
	Advertisement		12,693	12,205
	Insurance		15,105	12,449
	Provision for doubtful debts, advances and security deposits		10,330	132,382
	Depreciation	21.5	68,660	64,182
	Others		25,527	28,140
			1,081,326	1,118,844

39.1 These include charge in respect of employees retirement benefits amounting to Rs. 21.544 million (2017: Rs. 17.386 million).

		2018 Rupees '000	2017 Rupees '000
39.2	**Auditor's remuneration**		
	Annual statutory audit	4,300	4,299
	Limited scope review	800	600
	Review report under Code of Corporate Governance	500	430
	Out of pocket expenses	277	262
		5,877	5,591

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

		Note	2018	2017
			Rupees '000	Rupees '000
40	**OTHER EXPENSES**			
	Loss on financial instruments			
	Loss due to changes in fair value of short term investments	32	-	1,282
	Impairment of long term investments	23	-	12,139
	Loss on sale and lease back activities		4,721	-
			4,721	13,421
	Others			
	Workers' Profit Participation Fund	17.2	26,772	81,504
	Workers' Welfare Fund	17.3	31,883	73,897
	Others		-	7,372
			58,655	162,773
			63,376	176,194
41	**FINANCE COST**			
	Interest/markup/profit on borrowings			
	redeemable capital		19,655	288,312
	long term finances		443,864	296,851
	liabilities against assets subject to finance lease		6,362	10,922
	short term borrowings		1,168,730	553,204
			1,638,611	1,149,289
	Interest on Workers' Profit Participation Fund	17.2	4,940	5,655
	Bank charges and commission		459,792	391,660
			2,103,343	1,546,604
42	**TAXATION**			
	Provision for taxation	33 & 42.1		
	for current year		143,362	409,484
	for prior year		(91,639)	-
			51,723	409,484
	Deferred taxation			
	adjustment attributable to origination and reversal of temporary differences		162,516	(114,273)
	adjustment attributable to changes in tax rates	15.1	(28,406)	-
			134,110	(114,273)
			185,833	295,211

42.1 Provision for current tax has been made in accordance with section 18 and 154 (2017: section 18 and 154) of the Income Tax Ordinance, 2001 ['the Ordinance']. A comparison of last three years of provision for current taxation with tax assessed is presented below:

	2017	2016	2015
	Rupees	Rupees	Rupees
Provision for current taxation as per financial statements	409,484	323,783	321,851
Tax assessment under section 120 of the Ordinance	317,845	131,799	-

42.2 Reconciliation between average effective tax rate and applicable tax rate

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	Unit	2018	2017
Profit before taxation	Rupees	1,557,302	3,603,465
Provision for taxation	Rupees	185,833	295,211
Average effective tax rate	%	11.93	8.19
Tax effects of:			
Income taxable under final tax regime	%	(3.74)	2.40
Admissible deductions, losses and tax credits	%	25.39	18.14
Deferred taxation	%	(8.61)	3.17
Others	%	4.03	(1.90)
Applicable tax rate	%	29.00	30.00

42.3 Assessments upto tax year 2017 have been finalized under the relevant provisions of the Ordinance.

	Unit	2018	2017
43 EARNINGS PER SHARE - BASIC AND DILUTED			
Earnings			
Profit after taxation	Rupees '000'	1,371,469	3,308,254
Preference dividend for the year	Rupees '000'	(42,710)	(42,710)
Profit attributable to ordinary shareholders	Rupees '000'	1,328,759	3,265,544
Shares			
Weighted average number of ordinary shares outstanding during the year	No. of shares	497,681,485	497,681,485
Earnings per share			
Basic and diluted	Rupees	2.67	6.56

43.1 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.

43.2 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.

43.3 The effect of issue of ordinary and preference shares on conversion of redeemable capital, as referred to in note 12, 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.

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	Note	2018 Rupees '000	2017 Rupees '000

44 CASH GENERATED FROM OPERATIONS

		2018	2017
Profit before taxation		1,557,302	3,603,465
Adjustments for non-cash and other items			
Interest/markup/profit on borrowings		1,638,611	1,149,289
Notional interest		104,034	(23,422)
Gain on disposal of property, plant and equipment		(2,267)	(3,718)
Amortization of grant-in-aid		(1,936)	(2,038)
Amortization of intangible assets		10,203	12,050
Share of loss of associate		2,456	5,354
Gain on sale and lease back activities		-	(2,832)
Reversal of impairment loss on long term investments		(593)	-
Impairment of long term investments		-	12,139
Changes in fair value of financial assets at fair value through profit or loss		(247)	1,282
Impairment allowance for doubtful debts, advances and security deposits		10,330	132,382
Provision for obsolete and slow moving stock		2,522	8,868
Loss on sale and lease back activities		4,721	-
Depreciation		840,901	869,876
		2,608,735	2,159,230
		4,166,037	5,762,695
Changes in working capital			
Stores, spares and loose tools		(112,737)	66,507
Stock in trade		(2,638,831)	(312,916)
Trade debts		1,159,278	(1,891,212)
Due against construction work in progress		(142,550)	(265,189)
Short term advances		(193,679)	109,055
Trade deposits and short term prepayments		4,053	149,642
Other receivables		(49,872)	169,154
Trade and other payables		(57,180)	71,647
		(2,031,518)	(1,903,312)
Cash generated from operations		2,134,519	3,859,383

45 CASH AND CASH EQUIVALENTS

	Note	2018	2017
Cash and bank balances	34	471,258	484,194
		471,258	484,194

46 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. The details of Group's related parties, with whom the Group had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Pak Elektron Limited Employees Provident Fund Trust	Provident Fund Trust	Contribution to providend fund	N/A
PEL Marketing (Private) Limited	Subsidiary	Investment	N/A
Kohinoor Power Company Limited	Associated company	Investment	N/A
Mr. M. Murad Saigol	Key management personnel	Chief executive	0.0025%
Mr. M. Zeid Yousuf Saigol	Key management personnel	Director	2.9637%
Mr. Syed Manzar Hassan	Key management personnel	Director	0.0004%

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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. Transactions with post employment benefit plan are limited to employer's contribution made. The Group in the normal course of business carries out various transactions with its 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:

		Note	2018 Rupees '000	2017 Rupees '000
46.1 Transactions with related parties				
Nature of **relationship**	Nature of transactions			
Provident Fund Trust	Contribution for the year		78,053	74,972
Associated companies and undertakings	Purchase of services		50,304	136,462
Key management personnel	Short term employee benefits	52	50,125	46,941
	Post employment benefits	52	1,600	1,600
Directors and sponsors	Dividend paid		295,933	813,143
46.2 Balances with related parties				
Nature of relationship	**Nature of balances**			
Provident Fund Trust	Contribution payable		11,247	13,423
Key management personnel	Short term employee benefits payable		2,805	2,897

47 LONG TERM CONSTRUCTION CONTRACTS

	Note	2018 Rupees '000	2017 Rupees '000
Contract revenue for the year	35	2,899,882	2,841,124
Cost incurred to date		7,402,753	4,969,171
Contract costs for the year	36	2,433,581	2,410,694
Gross profit realized to date		1,340,197	2,095,361
Advances against contracts	17	11,852	9,615
Retention money receivable		617,648	855,500
Gross amount due from customers		3,972,791	3,279,668
Gross amount due to customers		43,031	151,688
Estimated future costs to complete projects in progress		1,358,721	2,340,622

48 FINANCIAL INSTRUMENTS

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

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	2018 Rupees '000	2017 Rupees '000
48.1 Financial assets		
Cash in hand	16,818	16,217
Loans and receivables		
Long term deposits	358,099	340,805
Long term advances	1,109,094	796,843
Trade debts	10,181,739	10,727,632
Due against construction work in progress	1,535,735	1,393,185
Short term deposits	729,804	871,449
Other receivables	360,962	311,090
Bank balances	454,440	467,977
	14,729,873	14,908,981
Financial assets at fair value through profit or loss		
Short term investments	22,071	21,824
	14,768,762	14,947,022

	2018 Rupees '000	2017 Rupees '000
48.3 Financial liabilities		
Financial liabilities at amortized cost		
Redeemable capital	101,875	376,875
Long term finances	4,315,878	5,632,678
Liabilities against assets subject to finance lease	102,368	68,062
Trade creditors - *unsecured*	414,995	399,217
Foreign bills payable - *secured*	108,823	99,102
Accrued liabilities	182,301	138,364
Employees' provident fund	11,247	13,423
Compensated absences	34,162	33,114
Unclaimed dividend	18,650	12,766
Other payables - *unsecured*	18,705	11,938
Accrued interest/markup/profit	390,172	165,579
Short term borrowings	12,843,848	7,227,368
	18,543,024	14,178,486

49 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:

49.1 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.

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49.1.1 **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:

	Note	2018	2017
		Rupees '000	Rupees '000
Loans and receivables			
Long term deposits	24	358,099	340,805
Long term advances	25	1,339,496	923,211
Trade debts	28	10,769,040	11,304,603
Due against construction work in progress	29	1,535,735	1,393,185
Short term deposits	31	735,183	876,828
Bank balances	34	454,440	467,977
		15,191,993	15,306,609
Financial assets at fair value through profit or loss			
Short term investments	32	22,071	21,824
		15,214,064	15,328,433

49.1.2 **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:

	2018	2017
	Rupees '000	Rupees '000
Customers	13,960,019	13,919,453
Banking companies and financial institutions	1,211,694	1,366,629
Others	42,351	42,351
	15,214,064	15,328,433

49.1.3 **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:

	2018		2017	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Not yet due and past due by 1 year	9,286,535	-	9,861,016	-
1 to 2 years	858,057	-	827,998	-
2 to 3 years	317,664	280,517	317,328	278,710
More than 3 years	306,784	306,784	298,261	298,261
	10,769,040	587,301	11,304,603	576,971

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:

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	2018 Rupees '000	2017 Rupees '000
General customers	9,313,265	10,120,445
Corporate customers	1,455,775	1,184,158
	10,769,040	11,304,603

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 Group 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.

49.1.4 Collateral held

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

49.1.5 Credit risk management

As mentioned in note 49.1.3 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.

49.2 Liquidity risk

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

49.2.1 Exposure to liquidity risk

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

	2018				
	Carrying amount Rupees '000'	Contractual cash flows Rupees '000'	One year or less Rupees '000'	One to five years Rupees '000'	More than five years Rupees '000'
Redeemable capital	101,875	103,885	103,885	-	-
Long term finances	4,315,878	4,962,564	2,059,357	2,903,207	-
Liabilities against assets subject to finance lease	102,368	114,924	50,351	64,573	-
Short term borrowings	12,843,848	13,126,746	13,126,746	-	-
Accrued interest/markup/profit	390,172	390,172	390,172	-	-
Trade and other payables	414,995	414,995	414,995	-	-
	18,169,136	19,113,286	16,145,506	2,967,780	-

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	2017				
	Carrying amount Rupees '000'	Contractual cash flows Rupees '000'	One year or less Rupees '000'	One to five years Rupees '000'	More than five years Rupees '000'
Redeemable capital	376,875	398,082	70,106	327,976	-
Long term finances	5,632,678	6,433,662	4,391,407	2,042,255	-
Liabilities against assets subject to finance lease	68,062	73,389	49,686	23,703	-
Short term borrowings	7,227,368	7,303,482	7,303,482	-	-
Accrued interest/markup/profit	165,579	165,579	165,579	-	-
Trade and other payables	399,217	399,217	399,217	-	-
	13,869,779	14,773,411	12,379,477	2,393,934	-

49.2.2 **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 18.4 the Group has additional undrawn facilities of Rs. 10,727 million (2017: Rs. 10,727 million) at its disposal to further reduce liquidity risk.

49.3 Market risk

49.3.1 **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:

	2018 Rupees '000	2017 Rupees '000
Financial assets	-	-
Financial liabilities		
Foreign bills payable		
USD	(92,204)	(80,601)
CNY	(16,619)	-
EUR	-	(18,501)
	(108,823)	(99,102)
Net balance sheet exposure	(108,823)	(99,102)
Foreign currency commitments		
CHF	(17,235)	(12,895)
CNY	(28,496)	(70)
EUR	(156,714)	(305,925)
GBP	(1,059)	-
JPY	(1,809,135)	(1,607,712)
USD	-	-
	(2,012,639)	(1,926,602)
Net exposure	(2,121,462)	(2,025,704)

(b) ***Exchange rates applied as at the reporting date***

The following spot exchange rates were applied as at the reporting date.

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	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
GBP	-	**176.5100**	-	-
EUR	-	**159.1000**	-	131.7900
USD	-	**139.1000**	-	110.5000
CHF	-	**141.2700**	-	112.9000
CNY	-	**20.2100**	-	17.3300

(c) ***Sensitivity analysis***

A five percent appreciation in Pak Rupee against foreign currencies would have increased profit and equity for the year by Rs. 5.441 million (2017: Rs. 4.955 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.

49.3.2 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

(a) ***Interest/markup bearing financial instruments***

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

	2018	2017
	Rupees '000	*Rupees '000*
Fixed rate instruments	-	-
Variable rate instruments		
Financial liabilities	**16,777,372**	13,236,211

(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. 167.774 million (2017: Rs. 132.362 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.

49.3.3 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.

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50 FAIR VALUE MEASUREMENTS

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:

50.1 Financial instruments measured at fair value

50.1.1 Recurring fair value measurements

Financial instruments	Hierarchy	Valuation techniques and key inputs	2018	2017
			Rupees '000	*Rupees '000*
Financial assets at fair value through profit or loss				
Investments in quoted equity securities	Level 1	Quoted bid prices in an active market	22,071	21,824

50.1.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

50.2 Financial instruments not measured at fair value

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

50.3 Assets and liabilities other than financial instruments.

50.3.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2018	2017
				Rupees '000	*Rupees '000*
Freehold land	-	1,022,000	-	**1,022,000**	539,232
Buildings	-	3,444,504	-	**3,444,504**	2,883,880
Plant and machinery	-	13,797,790	-	**13,797,790**	12,234,678

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 51.1 million (2017: Rs. 26.962 million).

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	Valuation technique	Significant inputs	Sensitivity
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 172.225 million (2017: Rs. 144.194 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 689.890 million (2017: Rs. 611.734 million).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 21.6.

There were no transfers between fair value hierarchies during the year.

50.3.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

51 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 plus debt. During the period, the Group's strategy was to maintain the gearing ratio below 30% and 'A' credit rating. The gearing ratios as at the reporting date are as follows:

	Unit	2018	2017
Total debt	Rupees '000'	4,520,121	6,077,615
Total equity	Rupees '000'	30,279,695	27,000,590
Total capital employed	Rupees '000'	34,799,816	33,078,205
Gearing ratio	% age	12.99	18.37

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.

52 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:

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	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Remuneration	12,046	12,046	28,042	28,965	156,009	293,230
House rent	1,205	1,205	1,844	1,937	33,930	79,345
Utilities	1,205	1,205	1,205	1,297	15,601	28,454
Bonus	-	-	-	-	7,481	40,880
Medical allowance	1,205	1,205	2,804	2,897	15,376	24,628
Post employment benefits	-	-	1,600	1,600	14,889	17,293
Meeting fee	-	-	345	225	-	-
Reimbursable expenses						
Motor vehicles expenses	-	-	-	-	15,501	25,790
Medical expenses	-	-	224	286	6,008	14,222
	15,661	15,661	36,064	37,207	264,795	523,842
Number of persons	1	1	2	3	73	230

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

52.2 No remuneration has been paid to non-executive directors

53 SEGMENT INFORMATION

An operating segment is a component of an entity:

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

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

(c) for which discrete financial information is available.

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, Water Dispensers and other Home Appliances.

	Power Division		Appliances Division		Total	
	2018	2017	2018	2017	2018	2017
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Revenue	11,714,746	14,591,864	27,275,501	27,754,889	38,990,247	42,346,753
Finance cost	688,585	636,799	1,414,758	909,805	2,103,343	1,546,604
Depreciation and amortization	393,077	423,324	458,027	458,602	851,104	881,926
Segment profit before tax	279,840	545,397	1,321,832	3,221,823	1,601,672	3,767,220
Segment assets	19,668,173	18,731,142	27,368,295	23,926,290	47,036,468	42,657,432

	2018	2017
	Rupees '000'	Rupees '000'
53.1 Reconciliation of segment profit		
Total profit for reportable segments	1,601,672	3,767,220
Un-allocated other expenses	(47,855)	(163,755)
Profit before taxation	1,553,817	3,603,465

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		2018	2017
		Rupees '000'	*Rupees '000'*
53.2	**Reconciliation of segment assets**		
	Total assets for reportable segments	47,036,468	42,657,432
	Other corporate assets	2,014,841	1,258,584
	Total assets	49,051,309	43,916,016
53.3	**Information about major customers**		
	Revenue derived from Multan Electric Power Company	2,650,670	-

54 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, 2018.

		2018	2017
Size of the fund - *total assets*	*Rupees '000'*	389,017	401,413
Fair value of investments	*Rupees '000'*	351,027	356,969
Percentage of investments made	*% age*	90.23	88.93

The break-up of investments is as follows:

	2018		2017	
	Rupees '000'	*% age*	*Rupees '000'*	*% age*
Listed equity collective investment schemes	-	-	148,830	41.69
Government securities	118,131	33.65	105,890	29.66
Deposit accounts with commercial banks	232,896	66.35	102,249	28.64
	351,027	100.00	356,969	100.00

55 PLANT CAPACITY AND ACTUAL PRODUCTION

		2018		2017	
	Unit	Annual production capacity	Actual production during the year	Annual production capacity	Actual production during the year
Transformers/Power Transformers	MVA	7,000	2,397	7,000	3,239
Switch gears	Nos.	12,000	4,805	12,000	3,318
Energy meters	Nos.	1,700,000	826,007	1,700,000	1,045,231
Air conditioners	Tonnes	200,000	103,220	200,000	139,396
Refrigerators/deep freezers	Cfts.	6,950,000	5,075,992	6,950,000	5,608,735
Microwave ovens	Litres	2,500,000	1,945,097	2,500,000	2,072,617
LED TVs	Sets	200,000	24,190	-	-
Washing machines	Kgs	50,000	7,005	-	-

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

56 NUMBER OF EMPLOYEES

	Manufacturing facilities		**Area offices**	
	2018	2017	**2018**	2017
Total number of employees	5,116	5,138	701	917
Average number of employees	5,367	4,253	798	1,529

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57 RECLASSIFICATIONS

The following have been reclassified for compliance with Fourth Schedule to the Companies Act, 2017

Particulars	From	To	2018	2017
Unclaimed dividend	Trade and other payables	Statement of Financial Position	**18,650**	12,766

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

The Board of Directors in their meeting held on April 04, 2019 has proposed a dividend on ordinary shares at Rs. __ per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by shareholders in the forthcoming annual general meeting.

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 other than those referred to in note 57.

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

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Pak Elektron Limited

Financial Statements

Year ended December 31, 2018

Audited

Russell Bedford
taking you further

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the members of PAK ELEKTRON LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **PAK ELEKTRON LIMITED** ['the Company'], which comprise the statement of financial position as at **December 31, 2018**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ['ISAs'] as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ['the Code'] and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Preparation of financial statements under Companies Act, 2017 As disclosed in note 3 to the annexed financial statements, the Companies Act, 2017 ['the Act'] became applicable for the first time for the preparation of the Company's annual financial statements for the year ended December 31, 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of these disclosures and the internal consistency of such disclosures with other elements of the financial

Key audit matter	How our audit addressed the key audit matter
various elements of the financial statements. In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3 to the annexed financial statements. Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of property, plant and equipment as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5 to the accompanying financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from transition to the new reporting requirements under the Act.	statements. In respect of the change in accounting policy for the accounting and presentation of surplus on revaluation of property, plant and equipment, as referred to in note 5 to the financial statements, we assessed the accounting implications in accordance with the accounting and reporting standards as applicable in Pakistan and evaluated its application in the context of the Company.
2. Inventory valuation Stock in trade amounts to Rs 8,374 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade. The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contract in hand and historically realized sales prices. The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter The disclosures in relation to inventories are included in note 26.	To address the valuation of stock in trade, we assessed historical costs recorded in the inventory valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to inventories. We also assessed management's determination of the net realizable value of inventories by performing tests on the sales prices secured by the Company for similar or comparable items of inventories.
3. Tax contingencies As disclosed in note 20 to the annexed financial statements, various tax matters	Our key audit procedures in this area included, amongst others, a review of the correspondence of

	Key audit matter	How our audit addressed the key audit matter
	are pending adjudication at various levels with the taxation authorities and other legal forums. Such contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management's judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered tax contingencies as a key audit matter.	the Company with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities. We also obtained and reviewed confirmations from the Company's external tax advisor for their views on the status of each case and an overall opinion on the open tax position of the Company. We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 20 to the annexed financial statements.
4.	**Contract accounting and revenue recognition** The Company's business involves entering into long term contracts with customers to provide a construction services with a significant proportion of the Company's revenues and profits derived such contracts. Due to the contracting nature of the business, revenue recognition involves a significant degree of judgment, as referred to in note 2.4.8 to the consolidated financial statements, with estimates being made to: • assess the total contract cost; • assess the stage of completion of the contract; • forecast the profit margin after taking consideration of estimated future costs to complete the projects in progress; and • appropriately provide for loss making contracts. There is a range of acceptable outcomes resulting from these judgments that could lead to different profit and revenue reported in the financial statements.	We read the relevant clauses with in all key contracts and discussed each with management to obtain a full understanding of the specific terms and risks, which informed our consideration of whether revenue for these contracts was appropriately recognized. We evaluated and tested the operating effectiveness of internal controls over the accuracy and timing of revenue recognized, including controls relating to estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability. For the more significant and judgemental contracts, in performing the following additional testing, we: • obtained an understanding of the performance and status of the contracts in progress; • discussed and understood management's estimates for total contract costs and forecast costs to complete, including taking into account the historical accuracy of such estimates; and • compared management's position on the recognition of any cost and revenue, to the actual costs incurred and current progress of the contract.
5.	**Revenue recognition** As referred to in note 6.17, revenue is recognized when the risks and rewards of the underlying products have been transferred to the customer. The Company focuses on revenue as a key performance measure which could create an incentive for fraudulently overstated revenue by recognizing revenue before	Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies. In response to the risk of fraud, we tested the effectiveness of the Company's controls over the timing of revenue recognition. We assessed sales transactions taking place at

Key audit matter	How our audit addressed the key audit matter
the risks and rewards have been transferred.	either side of the year end as well as credit notes, if any, issued after the year end date to assess whether that revenue was recognised in the correct period. We performed testing over journals posted to revenue, near the end of the reporting period to identify unusual or irregular items. We also considered the adequacy of the Company's disclosures in respect of revenue.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK.**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Lahore: *April 04, 2019*

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

PAK ELEKTRON LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 Rupees '000	2017 Rupees '000
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital	8	6,000,000	6,000,000
Issued, subscribed and paid-up capital	9	5,426,392	5,426,392
Capital reserve	10	4,279,947	4,279,947
Surplus on revaluation of property, plant and equipment	11	6,579,049	4,274,019
Accumulated profit		6,884,031	6,753,080
TOTAL EQUITY		23,169,419	20,733,438
LIABILITIES			
NON-CURRENT LIABILITIES			
Redeemable capital - *secured*	12	-	68,750
Long term finances - *secured*	13	2,646,032	3,958,767
Liabilities against assets subject to finance lease	14	59,778	22,406
Deferred taxation	15	2,423,945	1,918,383
Deferred income	16	36,781	38,717
		5,166,536	6,007,023
CURRENT LIABILTIES			
Trade and other payables	17	823,850	875,182
Unclaimed dividend		18,650	12,766
Accrued interest/markup/profit		390,172	165,579
Short term borrowings	18	12,843,848	7,227,368
Current portion of non-current liabilities	19	1,814,311	2,027,692
		15,890,831	10,308,587
TOTAL LIABILITIES		21,057,367	16,315,610
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		44,226,786	37,049,048

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

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PAK ELEKTRON LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	2018 Rupees '000	2017 Rupees '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	21	21,957,015	17,405,713
Intangible assets	22	313,352	315,525
Long term investments	23	7,085	8,948
Long term deposits	24	365,957	371,936
		22,643,409	18,102,122
CURRENT ASSETS			
Stores, spares and loose tools	25	859,145	746,408
Stock in trade	26	8,374,111	6,388,779
Trade debts - *unsecured*	27	4,870,122	5,484,699
Due against construction work in progress - *unsecured, considered good*	28	1,535,735	1,393,185
Short term advances - *unsecured*	29	965,614	826,216
Short term deposits and prepayments	30	1,105,179	1,109,232
Other receivables - *unsecured, considered good*		360,962	311,090
Short term investments	31	22,071	21,824
Advance income tax/Income tax refundable	32	3,132,528	2,263,669
Cash and bank balances	33	357,910	401,824
		21,583,377	18,946,926
TOTAL ASSETS		44,226,786	37,049,048

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

for identification only

PAK ELEKTRON LIMITED

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees '000	*Rupees '000*
Revenue	34	**27,182,898**	30,229,103
Sales tax, excise duty and discounts	34	**(3,710,466)**	(4,062,791)
Net revenue		**23,472,432**	26,166,312
Cost of sales	35	**(20,719,396)**	(22,192,115)
Gross profit		**2,753,036**	3,974,197
Other income	36	**17,384**	17,793
Distribution cost	37	**(732,340)**	(805,922)
Administrative and general expenses	38	**(524,558)**	(614,442)
Other expenses	39	**(43,529)**	(138,623)
		(1,300,427)	(1,558,987)
Operating profit		**1,469,993**	2,433,003
Finance cost	40	**(976,447)**	(921,048)
Profit before taxation		**493,546**	1,511,955
Taxation	41	**34,799**	(118,792)
Profit after taxation		**528,345**	1,393,163
Earnings per share - *basic and diluted*	42	**0.98**	2.71

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

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PAK ELEKTRON LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rupees	2017 Rupees
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Surplus on revaluation of property, plant and equipment recognised during the year	11	3,045,215	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment recognised during the year	11	(672,091)	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	11	52,268	-
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to change in proportion of income taxable under final tax regime	11	79,462	(201,431)
		2,504,854	(201,431)
Other comprehensive income/(loss)		2,504,854	(201,431)
Profit for the year		528,345	1,393,163
Total comprehensive income		3,033,199	1,191,732

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

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Chief Financial Officer

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PAK ELEKTRON LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rupees '000	2017 Rupees '000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	43	163,131	3,016,858
Payments for:			
Interest/markup on borrowings - *Interest based arrangements*		(257,670)	(566,533)
Interest/markup/profit on borrowings - *Shariah compliant*		(196,675)	(43,601)
Income tax		(868,859)	(843,872)
Net cash (used in)/generated from operating activities		(1,160,073)	1,562,852
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,369,292)	(1,843,969)
Purchase of intangible assets		(8,030)	(3,919)
Proceeds from disposal of property, plant and equipment		36,288	30,010
Long term deposits refunded		27,373	11,927
Long term deposits made		(21,394)	(117,510)
Net cash used in investing activities		(2,335,055)	(1,923,461)
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of redeemable capital		(275,000)	(2,564,553)
Long term finances obtained		226,013	3,809,701
Repayment of long term finances		(1,542,813)	(1,516,669)
Proceeds from sale and lease back activities		109,944	15,100
Repayment of liabilities against assets subject to finance lease		(92,076)	(71,186)
Net increase in short term borrowings		5,616,480	2,245,706
Dividend paid		(591,334)	(1,611,416)
Net cash generated from financing activities		3,451,214	306,683
NET DECREASE IN CASH AND CASH EQUIVALENTS		(43,914)	(53,926)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		401,824	455,750
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44	357,910	401,824

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

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PAK ELEKTRON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

		Share capital	Capital reserves		Revenue reserves	
	Note	Issued subscribed and paid-up capital	Capital reserve	Surplus on revaluation of property, plant and equipment	Accumulated profit	**Total equity**
		Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	***Rupees '000***
Balance as at January 01, 2017		5,426,392	4,279,947	4,668,386	6,784,446	21,159,171
Comprehensive income						
Profit after taxation		-	-	-	1,393,163	1,393,163
Other comprehensive loss		-	-	(201,431)	-	(201,431)
Total comprehensive income		-	-	(201,431)	1,393,163	1,191,732
Incremental depreciation	11	-	-	(192,936)	192,936	-
Transaction with owners						
Final dividend on ordinary shares @ Rs. 1.75 per share		-	-	-	(870,943)	(870,943)
Interim dividend on ordinary shares @ Rs. 1.25 per share		-	-	-	(746,522)	(746,522)
		-	-	-	(1,617,465)	(1,617,465)
Balance as at December 31, 2017		5,426,392	4,279,947	4,274,019	6,753,080	20,733,438
Balance as at January 01, 2018		5,426,392	4,279,947	4,274,019	6,753,080	20,733,438
Comprehensive income						
Profit after taxation		-	-	-	528,345	528,345
Other comprehensive income		-	-	2,504,854	-	2,504,854
Total comprehensive income		-	-	2,504,854	528,345	3,033,199
Incremental depreciation	11	-	-	(199,824)	199,824	-
Transaction with owners						
Final dividend on ordinary shares @ Rs. 1.20 per share		-	-	-	(597,218)	(597,218)
Balance as at December 31, 2018		5,426,392	4,279,947	6,579,049	6,884,031	23,169,419

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

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

for identification only

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1 LEGAL STATUS AND OPERATIONS

Pak Elektron Limited ['the Company'] was incorporated in Pakistan on March 03, 1956 as a Public Limited Company under the Companies Act, 1913 (now Companies Act, 2017). Registered office of the Company is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The manufacturing facilities of the Company are located at 34 - K.M. Ferozepur Road, Keath Village, Lahore and 14 - K.M. Ferozepur Road, 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, water dispensers 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board ['IASB'] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS and IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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, 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 statement of cash flows, all transactions have been accounted for on accrual

2.4 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, 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 judgments 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 judgments 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 and reporting standards as applicable in Pakistan 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 (see note 6.1.1)*

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.

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2.4.2 *Amortization method, rates and useful lives of intangible assets (see note 6.2)*

The Company reassesses useful lives, amortization method and rates for each intangible asset annually by considering expected pattern of economic benefits that the Company expects to derive from that asset.

2.4.3 ***Recoverable amount and impairment (see note 6.26)***

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.

2.4.4 ***Revaluation of property, plant and equipment (see note 6.1.1)***

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.

2.4.5 ***Taxation (see note 6.21)***

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.

2.4.6 ***Provisions (see note 6.15)***

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.

2.4.7 ***Net realizable values (see note 6.4)***

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.

2.4.8 ***Estimated future costs to complete projects in progress (see note 6.19)***

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.

2.5 **Functional currency**

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

2.6 **Date of authorization for issue**

These financial statements were authorized for issue on April 04, 2019 by the Board of Directors of the Company.

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

The following new and revised standards, interpretations and amendments are effective in the current year but, unless specified otherwise, 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.

Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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Companies Act, 2017

The Companies Act 2017 ['the Act'] was enacted on May 30, 2017. The Act has brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property, plant and equipment as fully explained in note 5 of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional/amended disclosures including, but not limited to, particulars of immovable assets of the Company (see note 21.3), change in threshold for identification of executives (see note 51), additional disclosure requirements for related parties (see note 45), disclosure of significant events and transactions affecting the financial position and performance of the Company (see note 7), disclosure relating to number of employess (see note 55) etc.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments (2014)	July 01, 2018
IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
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
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Defferal Accounts
IFRS 17 – Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that 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

Finalised version of IFRS 9 - Financial Instruments: *Recognition and Measurement* which contains accounting requirement for financial instruments, replacing 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 contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other 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 the measurement of an entity's own credit risk.

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- **Impairment:** The 2014 version of 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 event to have occurred before a credit loss is recognised.
- **Hedge accounting:** 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 exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 - Revenue from Contracts with Customers

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 performace obligations in the contracts.
- Recognized revenuew when (or as) the entity satisfies a performance obligation.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Companies Act, 2017 has been enacted and has resulted in change in accounting policy for surplus on revaluation of property, plant and equipment.

- The surplus on revaluation of property, plant and equipment, which was previously disclosed in the statement of financial position of the Company after share capital and reserves, has now been included as part of equity with corresponding inclusion in statement of changes in equity.
- If an asset's carrying amount is increased as a result of revaluation, the increase will be recognised in statement of comprehensive income. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss;
- If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in statement of profit or loss. However, the decrease shall be recognised in statement of comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, section 235 of repealed Companies Ordinance, 1984 allowed that the surplus on revaluation of property, plant and equipment may be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other property, plant and equipment of the Company.

The change in accounting policy does not have any impact on the amounts reported in these financial statements. Hence a third statement of financial position as at the beginning of the previous year has not been presented.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except of the change referred to in note 5.

6.1 Property, plant and equipment

6.1.1 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 statement of financial position 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.

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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 21 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.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in share capital and reserves. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the surplus on revaluation of property, plant and equipment to accumulated profit.

6.1.2 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.

6.2 Intangible assets

6.2.1 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.

6.2.2 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.

6.2.3 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.

6.3 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.

6.4 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.

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6.5 Employee benefits

6.5.1 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 and reporting standards as applicable in Pakistan. 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.

6.5.2 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.

6.6 Financial instruments

6.6.1 Recognition

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

6.6.2 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.

6.6.3 Measurement

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

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6.6.4 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.

6.6.5 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.

6.7 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.

6.8 Preference share capital

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

6.9 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.

6.10 Investments in equity securities

6.10.1 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.

6.10.2 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.

6.11 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.

6.12 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.

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6.13 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.

6.14 Trade and other payables

6.14.1 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.

6.14.2 Non-financial liabilities

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

6.15 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.

6.16 Trade and other receivables

6.16.1 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.

6.16.2 Non-financial assets

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

6.17 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
- 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.

6.18 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 ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of other comprehensive income'.

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6.19 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.

6.20 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.

6.21 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

6.21.1 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.

6.21.2 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.

6.22 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.

6.23 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.

6.24 Cash and cash equivalents

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

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6.25 **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.

6.26 **Impairment**

6.26.1 **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.

6.26.2 **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.

6.27 **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.

6.28 **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 and PMPL.

6.29 **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.

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6.30 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.

7 SIGNIFICANT EVENTS AND TRANSACTIONS

During the year, there are no significant events and transactions that have affected the Company's financial position and performance.

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8 AUTHORIZED CAPITAL

2018	2017		2018	2017
No. of shares	*No. of shares*		*Rupees '000*	*Rupees '000*
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

9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
No. of shares	*No. of shares*		*Rupees '000*	*Rupees '000*
		Ordinary shares of Rs. 10 each		
372,751,051	372,751,051	Issued for cash	3,727,511	3,727,511
		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
497,681,485	497,681,485		4,976,816	4,976,816
		'A' class preference shares of Rs. 10 each		
44,957,592	44,957,592	Issued for cash	449,576	449,576
542,639,077	542,639,077		5,426,392	5,426,392

9.1 'A' class preference shares

9.1.1 *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 Januray 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 amounts 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 shares to these remaining investors. See note 9.1.2.

The Securities and Exchange Commission of Pakistan ['SECP'] issued order to Pakistan Stock Exchange Limited ['the Exchange'] dated February 6, 2009 for delisting of these preference shares. However, the Company took up the matter with the honorable Lahore High Court which, through order dated October 10, 2017, accepted the appeal of Company and set aside the SECP order and the appellate order.

9.1.2 *Re-profiling of preference shares*

The Company offered re-profiling of preference shares to investors, 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 had, in principle, agreed to the re-profiling term sheet and commercial terms and conditions therein. Further, SECP had 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 reprofiling has lapsed. The Company is in the process of finalising another reprofiling exercise based on mutual agreement to be made amongst the existing investors.

9.1.3 *Accumulated preference dividend*

As at reporting date, an amount of approximately Rs. 384.39 million (2017: Rs. 341.68 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.

10 CAPITAL RESERVE

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

	2018 *Rupees '000*		2017 *Rupees '000*	
11 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT				
As at beginning of the year		4,274,019		4,668,386
Surplus recognized during the year				
Surplus for the year	3,045,215		-	
Deferred taxation	(672,091)		-	
		2,373,124		-
Incremental depreciation transferred to accumulated profits				
Incremental depreciation for the year	(280,450)		(271,741)	
Deferred taxation	80,626		78,805	
		(199,824)		(192,936)
Other adjustments				
Deferred tax adjustment attributable to changes in proportion of income taxable under final tax regime	79,462		(201,431)	
Deferred tax adjustment attributable to changes in tax rates	52,268		-	
		131,730		(201,431)
As at end of the year		6,579,049		4,274,019

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12 REDEEMABLE CAPITAL - SECURED

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

Description	2018 Rupees '000	2017 Rupees '000	Pricing	Security	Arrangements and repayment
Shariah compliant					
Sukuk Funds	**101,875**	376,875	Three months KIBOR plus 1% per annum (2017: 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 musharaka 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 installments commencing from June 2015.
Total	**101,875**	376,875			
Current portion presented under current liabilities	**(101,875)**	(308,125)			
	-	68,750			

13 LONG TERM FINANCES - SECURED

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

Description	2018 Rupees '000	2017 Rupees '000	Pricing	Security	Arrangements and repayment
Shariah compliant					
Term Finance	**750,000**	523,987	Three months KIBOR plus 1% per annum (2017: Three months KIBOR plus 1% per annum).	Charge over operating fixed assets of the Company and personal guarantees of sponsoring directors of the Company.	This represents diminishing musharika facility obtained from Faysal Bank Limited for the purpose of balancing modernization and replacement requirements. The finance is repayable in fifteen equal quarterly installments commencing from May 2019, with a grace period of one year.
Interest based arrangements					
Term Finance	375,000	500,000	Three months KIBOR plus 3.8% per annum (2017: Three months KIBOR plus 3.8% per annum).	Charge over present and future current assets of the Company, mortgage of the Company's land and building.	The finance has been obtained from Pak Oman Investment Company Limited for the purpose of financing capital expenditure. The finance is repayable in twelve equal quarterly installments commencing from March 2018.
Term Finance	1,928,571	2,785,714	Three months KIBOR plus 1.25% per annum (2017: Three months KIBOR plus 1.25% per annum).	Charge over present and future current and fixed assets of the Company, mortgage of the Company's land and building.	The finance has been obtained from Bank Alfalah Limited for the purpose of financing the repayment of existing long term loans of the company. The finance is repayable in fourteen equal quarterly installments commencing from December 2017.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Description	2018	2017	Pricing	Security	Arrangements and repayment
	Rupees '000	Rupees '000			
Term Finance	14,517	50,810	Three months KIBOR plus 2.10% per annum. (2017: Three months KIBOR plus 2.10% per annum).	Charge over operating fixed assets of the Company and personal guarantees of sponsoring directors of the Company.	The finance has been obtained from The Bank of Punjab for the purpose of financing capital expenditure. The finance is repayable in eight equal quarterly installments commencing from September 2017.
Demand Finance	568,384	820,999	Three months KIBOR plus 2% per annum (2017: Three months KIBOR plus 2% per annum).	Charge over operating fixed assets of the Company and personal guarantees of sponsoring directors of the Company.	This represents demand finance facility sanctioned by National Bank of Pakistan against an upfront payment of 1,650 million against Private Placed Term Finance Certificates. The finance is repayable in sixteen equal quarterly installments commencing from April 2017.
Demand Finance	679,406	951,168	Three months KIBOR plus 2.25% per annum (2017: 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 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.
	3,565,878	5,108,691			
Total	4,315,878	5,832,678			
Current portion presented under current liabilities	(1,669,846)	(1,673,911)			
	2,646,032	3,958,767			

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	Note	2018 Rupees '000	2017 Rupees '000
14 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	14.1 & 14.2	102,368	68,062
Current portion presented under current liabilities	14.1 & 14.2	(42,590)	(45,656)
		59,778	22,406

14.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months KIBOR plus 1.5% to 4.5% per annum (2017: six months to one year KIBOR plus 1.5% to 4.5% 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.

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

	Note	2018 Rupees '000	2017 Rupees '000
Not later than one year		50,351	49,686
Later than one year but not later than five years		64,573	23,703
Total future minimum lease payments		114,924	73,389
Finance charge allocated to future periods		(12,556)	(5,327)
Present value of future minimum lease payments		102,368	68,062
Not later than one year	19	(42,590)	(45,656)
Later than one year but not later than five years		59,778	22,406

	Note	2018 Rupees '000	2017 Rupees '000
15 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	15.1	3,708,750	3,379,016
Deferred tax asset on deductible temporary differences	15.1	(1,284,805)	(1,460,633)
		2,423,945	1,918,383

15.1 **Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	2018			
	As at January 01 Rupees '000	Recognized in profit or loss Rupees '000	Recognized on balance sheet Rupees '000	As at December 31 Rupees '000
Deferred tax liabilities				
Operating fixed assets - owned	3,351,793	(213,815)	540,361	3,678,339
Operating fixed assets - leased	27,223	3,188	-	30,411
	3,379,016	(210,627)	540,361	3,708,750
Deferred tax assets				
Provisions	(217,668)	27,864	-	(189,804)
Unused tax losses and credits	(1,236,102)	148,243	-	(1,087,859)
Long term investments	(6,863)	(279)	-	(7,142)
	(1,460,633)	175,828	-	(1,284,805)
	1,918,383	(34,799)	540,361	2,423,945

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	2017			
	As at January 01 Rupees '000	Recognized in profit or loss Rupees '000	Recognized on balance sheet Rupees '000	As at December 31 Rupees '000
Deferred tax liabilities				
Operating fixed assets - owned	2,942,669	207,693	201,431	3,351,793
Operating fixed assets - leased	40,117	(12,894)	-	27,223
	2,982,786	194,799	201,431	3,379,016
Deferred tax assets				
Provisions	(148,524)	(69,144)	-	(217,668)
Unused tax losses and credits	(1,236,102)	-	-	(1,236,102)
Long term investments	-	(6,863)	-	(6,863)
	(1,384,626)	(76,007)	-	(1,460,633)
	1,598,160	118,792	201,431	1,918,383

15.2 Deferred tax arising from the timing differences pertaining to income taxable under normal provisions and as a separate block of the Income Tax Ordinance, 2001 ('the Ordinance') has been calculated at 29% and 15 % (2017: 30% and 15%) respectively of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

	2018 Rupees '000	2017 Rupees '000
16 DEFERRED INCOME		
As at beginning of the year	**38,717**	40,755
Recognized in profit or loss	**(1,936)**	(2,038)
As at end of the year	**36,781**	38,717

16.1 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. 1.936 million (2017: Rs. 2.038 million) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

	Note	2018 Rupees '000	2017 Rupees '000
17 TRADE AND OTHER PAYABLES			
Trade creditors - *unsecured*		**414,995**	399,217
Foreign bills payable - *secured*	*17.1*	**108,823**	99,102
Accrued liabilities		**121,826**	107,146
Advances from customers - *unsecured*		**65,302**	88,205
Employees' provident fund		**11,247**	13,423
Compensated absences		**34,162**	33,114
Advance against contracts	*46*	**11,852**	9,615
Workers' Profit Participation Fund	*17.2*	**26,765**	82,450
Workers' Welfare Fund	*17.3*	**10,173**	30,972
Other payables - *unsecured*		**18,705**	11,938
		823,850	875,182

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

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		Note	2018	2017
			Rupees '000	Rupees '000
17.2	**Workers' Profit Participation Fund**			
	As at beginning of the year		82,450	99,939
	Interest on funds utilized by the Company	40	4,940	5,655
	Charged to profit or loss for the year	39	26,772	81,504
	Paid during the year		(87,397)	(104,648)
	As at end of the year		26,765	82,450

17.2.1 Interest on funds utilized by the Company has been recognized at 9% (2017: 8.5%) per annum.

		Note	2018	2017
			Rupees '000	Rupees '000
17.3	**Workers' Welfare Fund**			
	As at beginning of the year		30,972	37,977
	Charged to profit or loss for the year	39	10,173	30,972
	Paid/adjusted during the year		(30,972)	(37,977)
	As at end of the year		10,173	30,972
18	**SHORT TERM BORROWINGS**			
	Secured			
	Short term finances utilized under interest/markup/profit arrangements from			
	- Banking companies - *Interest based arrangements*	18.1	10,202,314	4,673,422
	- Banking companies - *Shariah compliant*	18.1	1,854,937	1,000,000
	- Non Banking Finance Companies ['NBFC's']	18.2	200,000	350,000
			12,257,251	6,023,422
	Unsecured			
	Short term finances utilized under interest/markup arrangements from			
	Non Banking Finance Companies ['NBFC's'] - *Interest based arrangements*	18.3	-	1,135,174
	Book overdraft	18.5	586,597	68,772
			12,843,848	7,227,368

18.1 These facilities have been obtained from various banking companies for working capital requirements and carry interest/markup/profit at rates ranging from 7.11% to 12.3% (2017: 7.16% to 9.16%) per annum. These facilities are secured by pledge / hypothecation of raw material 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.

18.2 These facilities have been obtained from NBFCs for purchase of raw material and carry interest/markup at rates ranging from 7.12% to 11.55% (2017: 7.11% to 7.89%) per annum. These facilities are secured by charge over operating fixed assets of the Company and personal guarantees of the directors of the Company.

18.3 This represented finances obtained against issue of commercial paper to non-banking finance companies and carry interest/markup at nil (2017: nine months KIBOR plus 1.25% per annum). These were issued at discounted value and are redeemed at face value.

18.4 The aggregate un-availed short term borrowing facilities as at the reporting date amounts to Rs. 10,464 million (2017: Rs. 10,727 million).

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

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	Note	2018	2017
		Rupees '000	Rupees '000

19 CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2018 Rupees '000	2017 Rupees '000
Redeemable capital	12	101,875	308,125
Long term finances	13	1,669,846	1,673,911
Liabilities against assets subject to finance lease	14	42,590	45,656
		1,814,311	2,027,692

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Various banking and insurance companies have issued guarantees, letters of credit and discounted receivables on behalf of the Company as detailed below.

	2018 Rupees '000	2017 Rupees '000
Tender bonds	488,314	482,288
Performance bonds	2,863,884	2,685,710
Advance guarantees	647,033	662,609
Custom guarantees	72,064	92,645
Foreign guarantees	80,682	77,084

20.1.2 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.

20.1.3 The Finance Act 2015 introduced Tax on Undistributed Reserves 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 income tax on undistributed reserves for subsequent tax years, has been made as the matter is subjudice before Lahore High Court and the management of the Company expects a favourable outcome.

20.1.4 The Finance Act 2015 introduced Super Tax for rehabilitation of temporarily displaced persons vide newly inserted section 4B to the Ordinance whereby, at the rate of 3% of the income equal to or excedding Rs. 500 million. No provision for Super Tax has been made for tax years 2015 to 2017 as the matter is subjudice before Lahore High Court and the management of the Company expects a favourable outcome.

20.1.5 On 12 July 2014, the Punjab Employees Social Security Institution ('the Institution') issued a demand notice to Company demanding a payment of Rs. 31,106,274 as social security contributions for the period from January 2013 to December 2013. In 2015, PEL challenged the demand notice by filing a complaint under Section 57 of the Provincial Employees Social Security Ordinance, 1965 before the Institution. The complaint is pending adjudication before the Adjudicating Officer of the Institution.

20.1.6 In tax year 2014 Worker's Welfare Fund was levied at Rs. 1.55 million contrary to the judgements of the Lahore High Court ['LHC'] and the apex court and it is expected that this liability will be deleted by the Appellate Authority.

20.1.7 The Company's case was selected for audit by the Additional Commissioner Inland Revenue ['ACIR'] for tax years 2009, 2016 and 2017. The Company has filed appeals for these tax years before the Commissioner Inland Revenue (Appeals) ['CIR(A)'], and the appellate orders are yet awaited. The issues raised in these appeals are mostly concerning disallowance of various expenses. The management expect to get adequate relief from the Appellate Authority and no additional tax liability is expected to arise.

20.1.8 As per order under section 137(2) of the Income Tax Ordinance, 2001 ['the Ordinance'] dated October 20, 2017 a refund of Rs. 441.28 million has been determined for the tax year 2016. The department has filed an appeal before the Appellate Tribunal Inland Revenue ['ATIR'] on the relief allowed by the Commissioner Inland Revenue (Appeals) ['CIR(A)'] on the account of adjustment of minimum tax under section 113(2)(c) and tax credit allowed under section 65E of the Ordinance. The appeal filed is not fixed for hearing. The ATIR in different case has allowed relief respecting the claim of tax under section 113 (2)(c) of the Ordinance. The management expect to get adequate relief from the Appellate Authority and no additional tax liability is expected to arise.

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		2018	2017
		Rupees '000	Rupees '000
20.2	**Commitments**		
20.2.1	Commitments under irrevocable letters of credit for import of stores, spare parts and raw material	2,012,639	1,926,602

20.2.2 Commitments under ijarah contracts

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

	2018	2017
	Rupees '000	Rupees '000
- payments not later than one year	13,295	44,389
- payments later than one year	16,139	11,333
	29,434	55,722

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21 PROPERTY, PLANT AND EQUIPMENT

	2018												
	COST / REVALUED AMOUNT							DEPRECIATION					Net book value as at December 31
	As at January 01	Additions	Revaluation	Disposals	Transfers	As at December 31	Rate	As at January 01	For the year	Revaluation	Adjustment	As at December 31	
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*%*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*
Assets owned by the Company													
Leasehold land	13,256	-	-	-	-	13,256	-	-	-	-	-	-	13,256
Freehold land	539,232	-	482,768	-	-	1,022,000	-	-	-	-	-	-	1,022,000
Building on leasehold land	1,763,372	-	453,650	-	-	2,217,022	5	751,904	50,574	206,448	-	1,008,926	1,208,096
Building on freehold land	2,756,951	-	709,259	-	-	3,466,210	5	884,539	93,620	251,643	-	1,229,802	2,236,408
Plant and machinery	18,543,220	391,790	2,936,118	(114,785)	52,068	21,808,411	5	6,308,542	614,754	1,078,489	8,836	8,010,621	13,797,790
Office equipment and fixtures	214,254	35,208	-	(52,506)	-	196,956	10	118,943	10,767	-	(44,530)	85,180	111,776
Computer hardware and allied items	141,232	11,918	-	(26,736)	-	126,414	30	109,972	17,797	-	(25,019)	102,750	23,664
Vehicles	309,313	18,583	-	(45,906)	19,133	301,123	20	130,398	34,622	-	(11,387)	153,633	147,490
	24,280,830	457,499	4,581,795	(239,933)	71,201	29,151,392		8,304,298	822,134	1,536,580	(72,100)	10,590,912	18,560,480
Assets subject to finance lease													
Plant and machinery	103,488	109,944	-	-	(52,068)	161,364	5	10,753	4,637	-	(8,956)	6,434	154,930
Vehicles	102,834	16,438	-	-	(19,133)	100,139	20	32,815	14,130	-	(10,191)	36,754	63,385
	206,322	126,382	-	-	(71,201)	261,503		43,568	18,767	-	(19,147)	43,188	218,315
	24,487,152	583,881	4,581,795	(239,933)	-	29,412,895		8,347,866	840,901	1,536,580	(91,247)	10,634,100	18,778,795
Capital work in progress													
Building on freehold land	1,010,883	1,423,087	-	-	-	2,433,970		-	-	-	-	-	2,433,970
Plant and machinery	255,544	488,706	-	-	-	744,250		-	-	-	-	-	744,250
	1,266,427	1,911,793	-	-	-	3,178,220		-	-	-	-	-	3,178,220
	25,753,579	2,495,674	4,581,795	(239,933)	-	32,591,115		8,347,866	840,901	1,536,580	(91,247)	10,634,100	21,957,015

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	2017												
	COST / REVALUED AMOUNT							DEPRECIATION					Net book value as at December 31
	As at January 01	Additions	Revaluation	Disposals	Transfers	As at December 31	Rate	As at January 01	For the year	Revaluation	Adjustment	As at December 31	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	%	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Assets owned by the Company													
Leasehold land	13,256	-	-	-	-	13,256	-	-	-	-	-	-	13,256
Freehold land	539,232	-	-	-	-	539,232	-	-	-	-	-	-	539,232
Building on leasehold land	1,763,372	-	-	-	-	1,763,372	5	698,669	53,235	-	-	751,904	1,011,468
Building on freehold land	2,754,337	2,614	-	-	-	2,756,951	5	786,062	98,477	-	-	884,539	1,872,412
Plant and machinery	17,918,980	521,540	-	-	102,700	18,543,220	5	5,655,258	636,896	-	16,388	6,308,542	12,234,678
Office equipment and fixtures	194,674	23,644	-	(4,064)	-	214,254	10	112,491	9,137	-	(2,685)	118,943	95,311
Computer hardware and allied items	128,664	28,324	-	(15,756)	-	141,232	30	107,688	17,633	-	(15,349)	109,972	31,260
Vehicles	183,497	132,022	-	(62,276)	56,070	309,313	20	97,002	31,219	-	2,177	130,398	178,915
	23,496,012	708,144	-	(82,096)	158,770	24,280,830		7,457,170	846,597	-	531	8,304,298	15,976,532
Assets subject to finance lease													
Plant and machinery	203,488	-	-	-	(100,000)	103,488	5	17,860	9,281	-	(16,388)	10,753	92,735
Vehicles	131,102	27,802	-	-	(56,070)	102,834	20	46,496	13,998	-	(27,679)	32,815	70,019
	334,590	27,802	-	-	(156,070)	206,322		64,356	23,279	-	(44,067)	43,568	162,754
	23,830,602	735,946	-	(82,096)	2,700	24,487,152		7,521,526	869,876	-	(43,536)	8,347,866	16,139,286
Capital work in progress													
Building on freehold land	73,547	937,336	-	-	-	1,010,883		-	-	-	-	-	1,010,883
Plant and machinery	59,755	198,489	-	-	(2,700)	255,544		-	-	-	-	-	255,544
	133,302	1,135,825	-	-	(2,700)	1,266,427		-	-	-	-	-	1,266,427
	23,963,904	1,871,771	-	(82,096)	-	25,753,579		7,521,526	869,876	-	(43,536)	8,347,866	17,405,713

21.1 Property, plant and equipment includes fully depreciated assets of Rs. 64.54 million (2017: Rs. 71.15 million) which are still in use of the Company.

21.2 Freehold land of the Company is located at Mouza Kot Islampura, 34 - K.M. Ferozepur Road, Lahore with a total area of 511 Kanals (2017: 511 Kanals).

21.3 Leasehold land of the Company is located at 14 - K.M. Ferozepur Road, Lahore and Plot # 302-303, Gadoon Industrail Area, Gadoon Amazai with a total area of 322 Kanals 15 Marla (2017: 322 Kanals 15 Marla).

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21.4 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2018						
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000		
Office equipment and fixtures							
Assets having net book value less than Rs. 500,000 each							
Table and chairs	5,246	3,995	1,251	256	(995)	Negotiation	Various individuals
Air conditioners	6,719	5,268	1,451	328	(1,123)	Negotiation	Various individuals
Mobile sets	566	299	267	-	(267)	As Per Company Policy	Various individuals
Miscellaneous office items	39,975	34,968	5,007	1,949	(3,058)	Negotiation	Various individuals
	52,506	44,530	7,976	2,533	(5,443)		
Computer hardware and allied items							
Assets having net book value less than Rs. 500,000 each							
Computer and printers	10,961	10,961	-	512	512	Negotiation	Various individuals
Laptops	4,441	2,792	1,649	2,901	1,252	Negotiation	Various individuals
Mobile sets	427	359	68	39	(29)	As Per Company Policy	Various individuals
Allied items	10,907	10,907	-	382	382	Negotiation	Various individuals
	26,736	25,019	1,717	3,834	2,117		
Vehicles							
Audi A3	4,060	460	3,600	4,750	1,150	As Per Company Policy	Mehdi Hassan *(employee)* 78, Block C, DHA Phase-1, Lahore.
BMW X1	5,217	591	4,626	5,737	1,111	As Per Company Policy	Mehdi Hassan *(employee)* 78, Block C, DHA Phase-1, Lahore.
Honda City	1,494	971	523	747	224	As Per Company Policy	Atif Imtiaz *(employee)* 23-A, New Staff Colony U.E.T, Lahore.
Honda Civic	2,439	1,505	934	642	(292)	As Per Company Policy	Waseem Ishaq *(employee)* 199-A, Block C, PCSIR, College Road, Lahore.
Honda Civic	2,489	1,460	1,029	539	(490)	As Per Company Policy	Iftikhar Ahmed *(employee)* 100, Block E, Askari 10, AOHC, Lahore.

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	2018						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Honda Civic	2,469	1,448	1,021	560	(461)	As Per Company Policy	Tariq Irani *(employee)* 5, Block G4, Wapda Town, Lahore.
Honda Civic	2,448	1,277	1,171	470	(701)	As Per Company Policy	Javed A Khan *(employee)* 777, Ammar Shaheed Road Chahklala Scheme 3, Rawalpindi.
Honda Civic	2,164	793	1,371	1,456	85	As Per Company Policy	Atif Ali *(employee)* 180, Block C, Gulshan-e-Ravi, Lahore.
Honda Civic	2,521	892	1,629	328	(1,301)	As Per Company Policy	Sadiq Munir *(employee)* 173-A, New Muslim Town, Lahore.
Porsche	1,202	439	763	3,000	2,237	Negotiation	Performance Automotive 24-D, Al Faisal Town, Lahore.
Suzuki Mehran	578	10	568	222	(346)	As Per Company Policy	Shees Butt *(employee)* 442, Millat Road, Taj Colony, Faisalabad.
Toyota Corolla	1,731	1,015	716	600	(116)	As Per Company Policy	Javed Iqbal *(employee)* 10-A, Block E, Muhafiz Town, Multan Road, Lahore.
Toyota Corolla	1,771	924	847	831	(16)	As Per Company Policy	Rizwan Cheema *(employee)* 149-B, PCSIR Colony, Canal Road, Lahore.
Assets having net book value less than Rs. 500,000 each							
Honda City	1,438	1,028	410	568	158	As Per Company Policy	Imran Iqbal *(employee)*
Suzuki Cultus	1,020	740	280	203	(77)	As Per Company Policy	Shafiq Ahmed *(employee)*
Suzuki Cultus	990	692	298	498	200	As Per Company Policy	M Mukhtar Khan *(employee)*
Suzuki Cultus	1,049	615	434	544	110	As Per Company Policy	Irshad Khan *(employee)*
Suzuki Cultus	1,039	586	453	572	119	As Per Company Policy	Salman *(employee)*
Suzuki Cultus	106	12	94	401	307	As Per Company Policy	Shahid Ahmed *(employee)*
Suzuki Cultus	106	12	94	307	213	As Per Company Policy	Muhammad Asif *(employee)*
Suzuki Mehran	612	431	181	700	519	As Per Company Policy	Muhammad Shafiq *(employee)*
Suzuki Mehran	612	431	181	305	124	As Per Company Policy	Masood ul Hassan *(employee)*
Suzuki Mehran	612	431	181	213	32	As Per Company Policy	Tahir Ikram *(employee)*

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Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2018						
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Suzuki Mehran	612	431	181	-	(181)	As Per Company Policy	Muhammad Asghar *(employee)*
Suzuki Mehran	640	420	220	345	125	As Per Company Policy	Sami Ullah Qazi *(employee)*
Suzuki Mehran	657	427	230	167	(63)	As Per Company Policy	Amer Fayyaz *(employee)*
Suzuki Mehran	657	427	230	167	(63)	As Per Company Policy	Sharaf ud Din *(employee)*
Suzuki Mehran	657	427	230	320	90	As Per Company Policy	Nasir Javed *(employee)*
Suzuki Mehran	688	404	284	472	188	As Per Company Policy	Muhammad Zeeshan *(employee)*
Suzuki Mehran	69	14	55	474	419	As Per Company Policy	Uzair *(employee)*
Suzuki Mehran	69	16	53	170	117	As Per Company Policy	Shafqat *(employee)*
Suzuki Swift DX	1,131	797	334	383	49	As Per Company Policy	Abdul Qavi Butt *(employee)*
Toyota Corolla	168	-	168	1,450	1,282	As Per Company Policy	Azeem *(employee)*
Toyota XLI	1,554	1,095	459	306	(153)	As Per Company Policy	Manzar Hassan *(employee)*
Motor Bike	63	55	8	64	56	As Per Company Policy	Waqas *(employee)*
Motor Bike	41	30	11	41	30	As Per Company Policy	Abid *(employee)*
Motor Bike	57	39	18	69	51	As Per Company Policy	Badar *(employee)*
Motor Bike	85	53	32	-	(32)	As Per Company Policy	Faisal *(employee)*
Motor Bike	62	29	33	62	29	As Per Company Policy	Abid Tabassum *(employee)*
Motor Bike	62	32	30	62	32	As Per Company Policy	Nauman *(employee)*
Motor Bike	62	28	34	64	30	As Per Company Policy	Syed Anwar Ali *(employee)*
Motor Bike	64	29	35	64	29	As Per Company Policy	Muhammad Ali Shahbaz *(employee)*
Motor Bike	42	18	24	42	18	As Per Company Policy	Nadeem Shahzad *(employee)*
Motor Bike	64	23	41	64	23	As Per Company Policy	Abid Tabassum *(employee)*
Motor Bike	64	21	43	25	(18)	As Per Company Policy	Gulman Shah *(employee)*
Motor Bike	171	-	171	917	746	As Per Company Policy	Jehanzeb Ahmed *(employee)*
	45,906	21,578	24,328	29,921	5,593		
	125,148	91,127	34,021	36,288	2,267		

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	2017						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Office equipment and fixtures							
Table and chairs	1,021	775	246	249	3	Negotiation	Various individuals
Air conditioners	1,746	1,233	513	43	(470)	Negotiation	Various individuals
Mobile sets	364	77	287	94	(193)	Negotiation	Various individuals
Mobile sets	63	4	59	76	17	Insurance Claim	Adamjee insurance
Miscellaneous office items	870	596	274	50	(224)	Negotiation	Various individuals
	4,064	2,685	1,379	512	(867)		
Computer hardware and allied items							
Computer and printers	13,048	13,048	-	342	342	Negotiation	Various individuals
Laptops	161	118	43	36	(7)	Negotiation	Various individuals
Mobile sets	1,854	1,491	363	429	66	Negotiation	Various individuals
Allied items	693	692	1	110	109	Negotiation	Various individuals
	15,756	15,349	407	917	510		
Vehicles							
Honda City	167	-	167	1,375	1,208	As Per Company Policy	Kashif Khan *(employee)*
Honda City	1,438	979	459	940	481	As Per Company Policy	Adnan Shahid *(employee)*
Honda City	1,603	847	756	201	(555)	As Per Company Policy	Arfan Hashmi *(employee)*
Honda Civic	2,167	1,436	731	719	(12)	As Per Company Policy	Nasir Paul *(employee)*
Toyota Corolla	1,775	-	1,775	1,775	-	As Per Company Policy	Javed Iqbal *(employee)*
Honda Civic	2,383	1,567	816	616	(200)	As Per Company Policy	Mehdi Hassan *(employee)*
Suzuki Cultus	106	-	106	925	819	As Per Company Policy	Kamran *(employee)*
Suzuki Cultus	1,029	528	501	315	(186)	As Per Company Policy	Muhammad Hanif *(employee)*
Suzuki Cultus	106	2	104	825	721	As Per Company Policy	Adil Ashfaque *(employee)*
Suzuki Cultus	85	14	71	439	368	As Per Company Policy	Arfan Hashmi *(employee)*
Suzuki Cultus	1,044	561	483	624	141	As Per Company Policy	Khalid Sheikh *(employee)*
Suzuki Cultus	1,049	516	533	322	(211)	As Per Company Policy	Umer Shahzad *(employee)*
Suzuki Cultus	985	621	364	508	144	As Per Company Policy	Muhammad Farooq *(employee)*

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PAK ELEKTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2017						
Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Suzuki Cultus	106	5	101	575	474	As Per Company Policy	Muhammad Ali *(employee)*
Suzuki Cultus	1,029	524	505	570	65	As Per Company Policy	Tanweer Malik *(employee)*
Suzuki Mehran	640	416	224	230	6	As Per Company Policy	Irfan Ahmad *(employee)*
Suzuki Mehran	673	345	328	241	(87)	As Per Company Policy	Mian Nazir *(employee)*
Suzuki Mehran	683	348	335	506	171	As Per Company Policy	Husnain Arif *(employee)*
Suzuki Mehran	693	361	332	504	172	As Per Company Policy	Khawaja Mudassar *(employee)*
Suzuki Mehran	657	405	252	167	(85)	As Per Company Policy	Attique *(employee)*
Suzuki Mehran	657	354	303	194	(109)	As Per Company Policy	Mahmood *(employee)*
Suzuki Mehran	657	405	252	358	106	As Per Company Policy	Amir Shahzad *(employee)*
Suzuki Mehran	612	386	226	319	93	As Per Company Policy	Afzal *(employee)*
Suzuki Mehran	612	374	238	340	102	As Per Company Policy	Abdul Raheem *(employee)*
Suzuki Mehran	69	2	67	504	437	As Per Company Policy	Yamin Afridi *(employee)*
Suzuki Swift	1,486	732	754	909	155	As Per Company Policy	Muhammad Shahid *(employee)*
Suzuki Swift	1,282	658	624	562	(62)	As Per Company Policy	Muhammad Nauman *(employee)*
Suzuki Swift	1,282	669	613	532	(81)	As Per Company Policy	Shahb Ali *(employee)*
Suzuki Swift	1,221	634	587	494	(93)	As Per Company Policy	Muhammad Shahzad *(employee)*
Suzuki Swift	1,297	192	1,105	1,107	2	As Per Company Policy	Muhammad Farooq *(employee)*
Suzuki Swift	133	-	133	300	167	As Per Company Policy	Nazir *(employee)*
Suzuki WagonR	92	3	89	443	354	As Per Company Policy	Nadeem un Din *(employee)*
Toyota Corolla	1,824	730	1,094	208	(886)	As Per Company Policy	Tauqir Akhtar *(employee)*
Toyota Corolla	1,591	1,084	507	313	(194)	As Per Company Policy	Tariq Siraj *(employee)*
Toyota Corolla	1,625	1,047	578	365	(213)	As Per Company Policy	Muhammad Rafiq Ahmad *(employee)*
Toyota Corolla	1,694	926	768	471	(297)	As Per Company Policy	Jalil ur Rehman *(employee)*
Toyota Corolla	1,555	874	681	231	(450)	As Per Company Policy	Ashar Abbas *(employee)*
Toyota Corolla	1,690	1,098	592	1,070	478	As Per Company Policy	Umar Saleemi *(employee)*
Toyota Corolla	1,690	1,120	570	453	(117)	As Per Company Policy	Tassawar Hanif *(employee)*
Toyota Corolla	1,690	1,153	537	441	(96)	As Per Company Policy	Syed Muhammad Amer *(employee)*
Toyota Corolla	1,555	1,040	515	761	246	As Per Company Policy	Masood Ahmed *(employee)*
Honda City	1,538	101	1,437	1,799	362	Sale & Lease Back	First Habib Modaraba
Suzuki Cultus	961	-	961	1,124	163	Sale & Lease Back	First Habib Modaraba

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	2017						
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*	*Rupees '000*		
Suzuki Mehran	605	-	605	708	103	Sale & Lease Back	First Habib Modaraba
Suzuki Mehran	605	-	605	708	103	Sale & Lease Back	First Habib Modaraba
Suzuki WagonR	901	45	856	1,054	198	Sale & Lease Back	First Habib Modaraba
Various Motor Cycles	421	155	266	436	170	As Per Company Policy	Various individuals
	47,763	23,257	24,506	28,581	4,075		
	67,583	41,291	26,292	30,010	3,718		

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	Note	2018	2017
		Rupees '000	Rupees '000
21.5 The depreciation charge for the year has been allocated as follows:			
Cost of sales	35	772,241	805,694
Administrative and general expenses	38	68,660	64,182
		840,901	869,876

21.6 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 December 31, 2018 and was incorporated in the financial statements for the year ended December 31, 2018. For basis of valuation and other fair value measurement disclosures refer to note 49.

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	2018		
	Cost	Accumulated depreciation	Net book value
	Rupees '000	Rupees '000	Rupees '000
Freehold land	189,184	-	189,184
Buildings	3,302,326	1,321,029	1,981,297
Plant and machinery	10,898,107	3,426,343	7,471,764

	2017		
	Cost	Accumulated depreciation	Net book value
	Rupees '000	Rupees '000	Rupees '000
Freehold land	189,184	-	189,184
Buildings	3,302,326	1,216,750	2,085,576
Plant and machinery	10,569,034	3,043,288	7,525,746

21.6.1 As per most recent valuation, forced sale values of freehold land, buildings on freehold land and plant and machinery are as follows:

	Rupees
	Rupees '000
Freehold land	919,800
Buildings on freehold land	2,927,828
Plant and machinery	11,998,078
	15,845,706

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

22 INTANGIBLE ASSETS

2018

	Note	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	
		Rupees '000'	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*
Technology transfer agreement	*22.1*	117,054	-	117,054	38,984	3,904	42,888	74,166
Goodwill	*22.2*	312,341	-	312,341	91,859	-	91,859	220,482
Software	*22.3*	8,976	8,030	17,006	4,853	2,058	6,911	10,095
Enterprise Resource Planning system	*22.4*	31,675	-	31,675	18,825	4,241	23,066	8,609
		470,046	8,030	478,076	154,521	10,203	164,724	313,352

2017

	Note	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	
		Rupees '000'	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*
Technology transfer agreement	*22.1*	117,054	-	117,054	34,875	4,109	38,984	78,070
Goodwill	*22.2*	312,341	-	312,341	91,859	-	91,859	220,482
Software	*22.3*	5,057	3,919	8,976	4,701	152	4,853	4,123
Enterprise Resource Planning system	*22.4*	31,675	-	31,675	11,036	7,789	18,825	12,850
		466,127	3,919	470,046	142,471	12,050	154,521	315,525

22.1 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.

22.2 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 cancelation of LG license, goodwill related to PEL Daewoo Electronics Limited was fully impaired by providing impairment loss of Rs 140.569 million in December 31, 2011. The carrying value represents goodwill related to PEL Appliances Limited for which there is no indication of impairment.

22.3 The Company has acquired different software for its business purpose. These are being amortized at 33% per annum on reducing balance method.

22.4 These are being amortized at 33% per annum on reducing balance method.

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	Note	2018	2017
		Rupees '000	Rupees '000

23 LONG TERM INVESTMENTS

These represent investments in ordinary shares of related parties and are carried at cost less accumulated impairment. The details are as follows:

	Note	2018	2017
		Rupees '000	Rupees '000
PEL Marketing (Private) Limited - *Unquoted*			
10,000 (2017: 10,000) ordinary shares of Rs. 10 each		100	100
Relationship: *wholly-owned subsidiary*			
Ownership Interest: *100%*			
Kohinoor Power Company Limited - ***Quoted***			
2,910,600 (2017: 2,910,600) ordinary shares of Rs. 10 each	23.1	6,985	8,848
Relationship: *associate*			
Ownership Interest: *23.1%*			
Market value: *Rs. 2.40 (2017: Rs. 3.04) per share*			
		7,085	8,948

23.1 Details of investment are as follows:

	2018	2017
Cost of investment	54,701	54,701
Accumulated impairment	(47,716)	(45,853)
	6,985	8,848

24 LONG TERM DEPOSITS

	Note	2018	2017
Financial institutions	24.1	7,858	31,131
Utility companies and regulatory authorities	24.2	42,351	42,351
Customers	24.3	315,748	298,454
		365,957	371,936

24.1 These represent security deposits against Ijarah financing.

24.2 These have been deposited with various utility companies and regulatory authorities. These are classified as 'loan 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.

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

	Note	2018	2017
		Rupees '000	Rupees '000

25 STORES, SPARES AND LOOSE TOOLS

	2018	2017
Stores	290,865	136,561
Spares	452,987	505,812
Loose tools	134,117	122,859
	877,969	765,232
Provision for slow moving and obsolete items	(18,824)	(18,824)
	859,145	746,408

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

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		Note	2018 Rupees '000	2017 Rupees '000
26	STOCK IN TRADE			
	Raw material			
	- in stores		5,130,566	4,639,215
	- in transit		2,110,833	582,589
	Provision for slow moving and obsolete items	26.1	(37,037)	(34,515)
			7,204,362	5,187,289
	Work in process		758,928	848,453
	Finished goods		417,843	360,059
	Provision for slow moving and obsolete items		(7,022)	(7,022)
			410,821	353,037
			8,374,111	6,388,779
26.1	Movement in provision for slow moving and obsolete items - raw material			
	As at beginning of the year		34,515	25,647
	Recognized during the year		2,522	8,868
	As at end of the year		37,037	34,515

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

26.3 Stock in trade valued at Rs. 1.754 million (2017: Rs. 1,308 million) is pledged as security with providers of debt finances.

		Note	2018 Rupees '000	2017 Rupees '000
27	TRADE DEBTS - UNSECURED			
	Considered good			
	- against sale of goods		1,815,417	3,598,216
	- against execution of contracts	27.1	3,054,705	1,886,483
			4,870,122	5,484,699
	Considered doubtful	27.2	587,301	576,971
			5,457,423	6,061,670
	Impairment allowance for doubtful debts	38	(587,301)	(576,971)
			4,870,122	5,484,699

27.1 These include retention money for contracts in progress amounting to Rs. 617.648 million (2017: Rs. 855.5 million) held by the customers in accordance with contract terms.

		2018 Rupees '000	2017 Rupees '000
27.2	Movement in impairment allowance		
	As at beginning of the year	576,971	444,589
	Recognized during the year	10,330	132,382
	As at end of the year	587,301	576,971

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

This represents unbilled revenue from construction work in progress.

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	Note	2018 Rupees '000	2017 Rupees '000
29 SHORT TERM ADVANCES - UNSECURED			
Advances to suppliers and contractors - *unsecured*			
- considered good		589,824	617,091
- considered doubtful		32,730	32,730
Impairment allowance for doubtful advances		(32,730)	(32,730)
		589,824	617,091
Advances to employees - *unsecured*			
- considered good	29.1	375,790	209,125
- considered doubtful		1,449	1,449
Impairment allowance for doubtful advances		(1,449)	(1,449)
		375,790	209,125
		965,614	826,216

29.1 These include advances for

	2018	2017
- purchases	189,350	136,903
- expenses	105,524	46,886
- traveling	80,916	25,336
	375,790	209,125

30 SHORT TERM DEPOSITS AND PREPAYMENTS

	2018	2017
Security deposits		
- considered good	308,133	383,133
- considered doubtful	5,379	5,379
Impairment allowance for doubtful deposits	(5,379)	(5,379)
	308,133	383,133
Margin deposits	421,671	488,316
Prepayments	52,865	46,211
Letters of credit	322,510	191,572
	1,105,179	1,109,232

31 SHORT TERM INVESTMENTS

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

	Note	2018 Rupees '000	2017 Rupees '000
Standard Chartered Bank (Pakistan) Limited			
915,070 (2017: 915,070) ordinary shares of Rs. 10 each			
Market value: *Rs. 24.12 (2017: Rs. 23.85) per share*			
As at beginning of the year		21,824	23,106
Changes in fair value	36 & 39	247	(1,282)
As at end of the year		22,071	21,824

32 ADVANCE INCOME TAX/INCOME TAX REFUNDABLE

	Note	2018	2017
Advance income tax/income tax refundable		3,132,528	2,263,669
Provision for taxation	41	-	-
		3,132,528	2,263,669

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		Note	2018	2017
			Rupees '000	Rupees '000
33	**CASH AND BANK BALANCES**			
	Cash in hand		8,102	12,012
	Cash at banks		349,808	389,812
			357,910	401,824
34	**NET REVENUE**			
	Contract revenue	46	2,899,882	2,841,124
	Sale of goods			
	- local		23,394,059	26,095,060
	- exports		888,957	1,292,919
			27,182,898	30,229,103
	Sales tax and excise duty		(3,710,466)	(4,062,791)
			23,472,432	26,166,312
35	**COST OF SALES**			
	Finished goods at the beginning of the year		360,059	1,742,903
	Cost of goods manufactured	35.1	18,343,599	18,398,577
	Finished goods at the end of the year		(417,843)	(360,059)
	Cost of goods sold		18,285,815	19,781,421
	Contract cost	46	2,433,581	2,410,694
			20,719,396	22,192,115
35.1	**Cost of goods manufactured**			
	Work-in-process at beginning of the year		848,453	1,033,340
	Raw material and components consumed		15,556,700	15,491,808
	Direct wages		799,473	712,515
	Factory overheads:			
	- salaries, wages and benefits		422,952	482,115
	- traveling and conveyance		27,930	25,623
	- electricity, gas and water		339,186	361,245
	- repairs and maintenance		68,323	61,254
	- vehicles running and maintenance		30,060	30,028
	- insurance		35,855	29,225
	- depreciation	21.5	772,241	805,694
	- amortization of intangible assets	22	10,203	12,050
	- provision for obsolete and slow moving stock	26 & 27	2,522	8,868
	- carriage and freight		23,742	27,540
	- erection and testing		151,605	153,582
	- other factory overheads		13,282	12,143
			1,897,901	2,009,367
			19,102,527	19,247,030
	Work-in-process at end of the year		(758,928)	(848,453)
			18,343,599	18,398,577

35.2 These include charge in respect of employees retirement benefits amounting to Rs. 39.401 million (2017: Rs. 32.37 million).

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		Note	2018 Rupees '000	2017 Rupees '000
36	**OTHER INCOME**			
	Gain on financial instruments			
	Changes in fair value of short term investments	31	247	-
	Gain on disposal of property, plant and equipment		2,267	3,718
	Gain on sale and lease back activities		-	2,832
			2,514	6,550
	Other income			
	Amortization of grant-in-aid	16	1,936	2,038
	Others		12,934	9,205
			14,870	11,243
			17,384	17,793
37	**DISTRIBUTION COST**			
	Salaries and benefits	37.1	151,963	137,132
	Traveling and conveyance		59,254	61,035
	Rent, rates and taxes		9,812	9,710
	Electricity, gas, fuel and water		3,162	3,236
	Repairs and maintenance		1,302	1,510
	Vehicles running and maintenance		18,228	18,792
	Printing and stationery		3,368	3,256
	Postage, telegrams and telephones		4,469	4,158
	Entertainment and staff welfare		11,763	10,731
	Advertisement and sales promotion		191,524	258,034
	Insurance		7,524	7,003
	Freight and forwarding		121,588	132,209
	Contract and tendering		1,355	6,610
	Warranty period services		111,565	106,228
	Others		35,463	46,278
			732,340	805,922

37.1 These include charge in respect of employees retirement benefits amounting to Rs. 6.145 million (2017: Rs. 5.659 million).

		Note	2018 Rupees '000	2017 Rupees '000
38	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and benefits	38.1	203,176	176,258
	Traveling and conveyance		14,318	12,318
	Rent, rates and taxes		30,020	27,243
	Ujrah payments		21,620	31,591
	Legal and professional		56,932	60,952
	Electricity, gas and water		27,215	23,587
	Auditor's remuneration	38.2	4,827	4,557
	Repairs and maintenance		10,562	9,275
	Vehicles running and maintenance		14,782	13,218
	Printing, stationery and periodicals		3,150	2,803
	Postage, telegrams and telephones		7,553	6,615
	Entertainment and staff welfare		10,012	8,692
	Advertisement		8,168	12,152
	Insurance		8,882	6,786
	Provision for doubtful debts, advances and security deposits		10,330	132,382
	Depreciation	21.5	68,660	64,182
	Others		24,351	21,831
			524,558	614,442

38.1 These include charge in respect of employees retirement benefits amounting to Rs. 13.848 million (2017: Rs. 14.032 million).

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		Note	2018 Rupees '000	2017 Rupees '000
38.2	**Auditor's remuneration**			
	Annual statutory audit		3,300	3,300
	Limited scope review		800	600
	Review report under Code of Corporate Governance		500	430
	Out of pocket expenses		227	227
			4,827	4,557

39 OTHER EXPENSES

	Note	2018 Rupees '000	2017 Rupees '000
Loss on financial instruments			
Loss due to changes in fair value of short term investments	31	-	1,282
Loss on sale and lease back activities		4,721	-
Impairment of long term investments		1,863	17,493
		6,584	18,775
Others			
Workers' Profit Participation Fund	17.2	26,772	81,504
Workers' Welfare Fund	17.3	10,173	30,972
Others		-	7,372
		36,945	119,848
		43,529	138,623

40 FINANCE COST

	Note	2018 Rupees '000	2017 Rupees '000
Interest/markup/profit on borrowings:			
redeemable capital		19,655	288,312
long term finances		443,864	296,851
liabilities against assets subject to finance lease		6,362	10,922
short term borrowings		209,057	20,206
		678,938	616,291
Interest on Workers' Profit Participation Fund	17.2	4,940	5,655
Bank charges and commission		292,569	299,102
		976,447	921,048

41 TAXATION

	Note	2018 Rupees '000	2017 Rupees '000
Provision for taxation			
for current year	32 & 41.1	-	-
for prior years		-	-
		-	-
Deferred taxation			
adjustment attributable to origination and reversal of temporary differences		(22,893)	118,792
adjustment attributable to changes in tax rates	15.1	(11,906)	-
		(34,799)	118,792
		(34,799)	118,792

41.1 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. No provision for taxation is charged due to available tax credits. There is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

41.2 Assessments upto tax year 2017 have been finalized under the relevant provisions of the Ordinance.

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42 EARNINGS PER SHARE - BASIC AND DILUTED

	Unit	2018	2017
Earnings			
Profit after taxation	*Rupees '000*	528,345	1,393,163
Preference dividend for the year	*Rupees '000*	(42,710)	(42,710)
Profit attributable to ordinary shareholders	*Rupees '000*	485,635	1,350,453
Shares			
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	497,681,485	497,681,485
Earnings per share			
Basic and diluted	*Rupees*	0.98	2.71

42.1 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.

42.2 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.

42.3 The effect of issue of ordinary and preference shares on conversion of redeemable capital, as referred to in note 12, 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.

43 CASH GENERATED FROM OPERATIONS

	Note	2018 Rupees '000	2017 Rupees '000
Profit before taxation		493,546	1,511,955
Adjustments for non-cash and other items			
Interest/markup on borrowings		678,938	616,291
Gain on disposal of property, plant and equipment		(2,267)	(3,718)
Amortization of grant-in-aid		(1,936)	(2,038)
Amortization of intangible assets		10,203	12,050
Gain on sale and lease back activities		-	(2,832)
Impairment of long term investments		1,863	17,493
Changes in fair value of financial assets at fair value through profit or loss		(247)	1,282
Impairment allowance for doubtful debts, advances and security deposits		10,330	132,382
Provision for obsolete and slow moving stock		2,522	8,868
Loss on sale and lease back activities		4,721	-
Depreciation		840,901	869,876
		1,545,028	1,649,654
		2,038,574	3,161,609
Changes in working capital			
Stores, spares and loose tools		(112,737)	66,507
Stock in trade		(1,987,854)	1,295,803
Trade debts		604,247	(1,774,707)
Due against construction work in progress		(142,550)	(265,189)
Advances		(139,398)	128,665
Trade deposits and short term prepayments		4,053	149,642
Other receivables		(49,872)	169,154
Trade and other payables		(51,332)	85,374
		(1,875,443)	(144,751)
Cash generated from operations		163,131	3,016,858

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	Note	2018 Rupees '000	2017 Rupees '000
44 CASH AND CASH EQUIVALENTS			
Cash and bank balances	33	357,910	401,824
		357,910	401,824

45 TRANSACTIDNS AND BALANCES WITH RELATED PARTIES

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. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the
Pak Elektron Limited Employees Provident Fund Trust	Provident Fund Trust	Contribution to providend fund	N/A
PEL Marketing (Private) Limited	Subsidiary	Investment	N/A
Kohinoor Power Company Limited	Associated company	Investment	N/A
Mr. M. Murad Saigol	Key management personnel	Chief executive	0.0025%
Mr. M. Zeid Yousuf Saigol	Key management personnel	Director	2.9637%
Mr. Syed Manzar Hassan	Key management personnel	Director	0.0004%

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. Transactions with post employment benefits plan are limited to employers' contribution made. 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:

		Note	2018 Rupees '000	2017 Rupees '000
45.1 Transactions with related parties				
Nature of relationship	**Nature of transactions**			
Provident Fund Trust	Contribution for the year		59,394	62,720
Subsidiary	Sale of goods		14,159,484	14,008,319
	Allocation of common expenses		1,379,621	1,300,446
Associated companies	Purchase of services		50,304	136,462
Key management personnel	Short term employee benefits	51	50,125	46,941
	Post employment benefits	51	1,600	1,600
Directors and sponsors	Dividend paid		295,933	813,143
45.2 Balances with related parties				
Nature of relationship	**Nature of balances**			
Provident Fund Trust	Contribution payable		11,247	13,423
Key management personnel	Short term employee benefits payable		2,805	2,897

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	Note	2018 Rupees '000	2017 Rupees '000
46 LONG TERM CONSTRUCTION CONTRACTS			
Contract revenue for the year	34	2,899,882	2,841,124
Cost incurred to date		7,402,753	4,969,171
Contract costs for the year	35	2,433,581	2,410,694
Gross profit realized to date		1,340,197	2,095,351
Advances against contracts	17	11,852	9,615
Retention money receivable	27.1	617,648	855,500
Gross amount due from customers		3,972,791	3,279,668
Gross amount due to customers		43,031	151,688
Estimated future costs to complete projects in progress		1,358,721	2,340,622

47 FINANCIAL INSTRUMENTS

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

	2018 Rupees '000	2017 Rupees '000
47.1 Financial assets		
Cash in hand	8,102	12,012
Loan and receivables		
Long term deposits	358,099	340,805
Trade debts	4,870,122	5,484,699
Due against construction work in progress	1,535,735	1,393,185
Short term deposits	724,425	866,070
Bank balances	349,808	389,812
	7,838,189	8,474,571
Financial assets at fair value through profit or loss		
Short term investments	22,071	21,824
	7,868,362	8,508,407
47.2 Financial liabilities		
Financial liabilities at amortized cost		
Redeemable capital	101,875	376,875
Long term finances	4,315,878	5,632,678
Liabilities against assets subject to finance lease	102,368	68,062
Trade creditors - *unsecured*	414,995	399,217
Foreign bills payable - *secured*	108,823	99,102
Accrued liabilities	121,826	107,146
Employees' provident fund	11,247	13,423
Compensated absences	34,162	33,114
Unclaimed dividend	18,650	12,766
Other payables - *unsecured*	18,705	11,938
Accrued interest/markup/profit	390,172	165,579
Short term borrowings	12,843,848	7,227,368
	18,482,549	14,147,268

48 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.

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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 cevelop 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:

48.1 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.

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:

	Note	2018	2017
		Rupees '000	Rupees '000
Loan and receivables			
Long term deposits	24	358,099	340,805
Trade debts	27	5,457,423	6,061,670
Due against construction work in progress	28	1,535,735	1,393,185
Short term deposits	30	735,183	876,828
Cash at banks	33	349,808	389,812
		8,436,248	9,062,300
Financial assets at fair value through profit or loss			
Short term investments	31	22,071	21,824
		8,458,319	9,084,124

48.1.2 Concentration of credit risk

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

	2018	2017
	Rupees '000	Rupees '000
Customers	7,308,906	7,753,309
Banking companies and financial institutions	1,107,062	1,288,464
Others	42,351	42,351
	8,458,319	9,084,124

48.1.3 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:

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	2018		2017	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
Not yet due and past due by 1 year	4,401,729	-	5,014,835	-
1 to 2 years	431,246	-	431,245	-
2 to 3 years	317,664	280,517	317,328	278,710
More than 3 years	306,784	306,784	298,261	298,261
	5,457,423	587,301	6,061,670	576,971

The Company's three (2017: two) significant customers accounts for Rs. 930.603 million (2017: Rs. 647.89 million) of trade debts as at the reporting date, apart from this, exposure to any single customer does not exceed 5% (2017: 5%) of trade debts. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

	2018	2017
	Rupees '000	*Rupees '000*
General customers	4,001,648	4,877,512
Corporate customers	1,455,775	1,184,158
	5,457,423	6,061,670

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.

48.1.4 Collateral held

The Company 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 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.

48.2 Liquidity risk

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

48.2.1 Exposure to liquidity risk

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

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	2018				
	Carrying amount *Rupees '000'*	Contractual cash flows *Rupees '000'*	One year or less *Rupees '000'*	One to five years *Rupees '000'*	More than five years *Rupees '000'*
Redeemable capital	101,875	103,885	103,885	-	-
Long term finances	4,315,878	4,962,564	2,059,357	2,903,207	-
Liabilities against assets subject to finance lease	102,368	114,924	50,351	64,573	-
Trade and other payables	414,995	414,995	414,995	-	-
Accrued interest/markup/profit	390,172	390,172	390,172	-	-
Short term borrowings	12,843,848	13,126,746	13,126,746	-	-
	18,169,136	19,113,286	16,145,506	2,967,780	-

	2017				
	Carrying amount *Rupees '000'*	Contractual cash flows *Rupees '000'*	One year or less *Rupees '000'*	One to five years *Rupees '000'*	More than five years *Rupees '000'*
Redeemable capital	376,875	398,082	70,106	327,976	-
Long term finances	5,632,678	6,433,662	4,391,407	2,042,255	-
Liabilities against assets subject to finance lease	68,062	73,389	49,686	23,703	-
Trade and other payables	399,217	399,217	399,217	-	-
Accrued interest/markup/profit	165,579	165,579	165,579	-	-
Short term borrowings	7,227,368	7,303,482	7,303,482	-	-
	13,869,779	14,773,411	12,379,477	2,393,934	-

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 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 18.4 the Company has additional undrawn facilities of Rs. 12,014 million (2017: Rs. 10,727 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 Company's exposure to currency risk as at the reporting date is as follows:

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	2018	2017
	Rupees '000	Rupees '000
Financial assets	-	-
Financial liabilities		
Foreign bills payable		
USD	(92,204)	(80,601)
CNY	(16,619)	-
EUR	-	(18,501)
	(108,823)	(99,102)
Net balance sheet exposure	(108,823)	(99,102)
Foreign currency commitments		
CHF	(17,235)	(12,895)
CNY	(28,496)	(70)
EUR	(156,714)	(305,925)
GBP	(1,059)	-
USD	(1,809,135)	(1,607,712)
	(2,012,639)	(1,926,602)
Net exposure	(2,121,462)	(2,025,704)

(b) *Exchange rates applied as at the reporting date*

The following spot exchange rates were applied as at the reporting date.

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
GBP	-	176.5100	-	-
EUR	-	159.1000	-	131.7900
USD	-	139.1000	-	110.5000
CHF	-	141.2700	-	112.9000
CNY	-	20.2100	-	17.3300

(c) *Sensitivity analysis*

A five percent appreciation in Pak Rupee against foreign currencies would have increased profit and equity for the year by Rs. 5.44 million (2017: Rs. 4.96 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.

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

(a) ***Interest/markup/profit bearing financial instruments***

The effective interest/markup rates for interest/markup/profit bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup/profit bearing financial instruments as at the reporting date are as follows:

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	2018	2017
	Rupees '000	*Rupees '000*
Fixed rate instruments	-	-
Variable rate instruments		
Financial liabilities	16,777,372	13,236,211

(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. 167.774 million (2017: Rs. 132.362 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.

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 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.

49 FAIR VALUE MEASUREMENTS

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

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:

49.1 Financial instruments measured at fair value

49.1.1 Recurring fair value measurements

Financial instruments	Hierarchy	Valuation techniques and key inputs	2018	2017
			Rupees '000	*Rupees '000*
Financial assets at fair value through profit or loss				
Investments in quoted equity securities	Level 1	Quoted bid prices in an active market	22,071	21,824

49.1.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

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49.2 Financial instruments not measured at fair value

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

49.3 Assets and liabilities other than financial instruments

49.3.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2018	2017
				Rupees '000	*Rupees '000*
Freehold land	-	1,022,000	-	**1,022,000**	539,232
Buildings	-	3,444,504	-	**3,444,504**	2,883,880
Plant and machinery	-	13,797,790	-	**13,797,790**	12,234,678

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 51.1 million (2017: Rs. 26.962 million).
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 172.225 million (2017: Rs. 144.194 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 689.890 million (2017: Rs. 611.734 million).

50 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 finances lease, including current maturity. Total capital employed includes total equity plus debt. During the period, the Company's strategy was to maintain the gearing ratio below 30% and 'A' credit rating. The gearing ratios as at the reporting date are as follows:

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	Unit	2018	2017
Total debt	Rupees '000'	4,520,121	6,077,615
Total equity	Rupees '000'	23,169,419	20,733,438
Total capital employed	Rupees '000'	27,689,540	26,811,053
Gearing ratio	% age	16.32	22.67

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.

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.

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'	Rupees '000'
Remuneration	12,046	12,046	28,042	28,965	156,009	293,230
House rent	1,205	1,205	1,844	1,937	33,930	79,345
Utilities	1,205	1,205	1,205	1,297	15,601	28,454
Bonus	-	-	-	-	7,481	40,880
Medical allowance	1,205	1,205	2,804	2,897	15,376	24,628
Post employment benefits	-	-	1,600	1,600	14,889	17,293
Meeting fee	-	-	345	225	-	-
Reimbursable expenses						
Motor vehicles expenses	-	-	-	-	15,501	25,790
Medical expenses	-	-	224	286	6,008	14,222
	15,661	15,661	36,064	37,207	264,795	523,842
Number of persons	1	1	2	3	73	230

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

51.2 No remuneration has been paid to non-executive directors

52 SEGMENT INFORMATION

An operating segment is a component of an entity:

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

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

(c) for which discrete financial information is available.

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 Freezes, Microwave ovens, Washing Machines, Water Dispensers and other Home Appliances

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	Power Division		Appliances Division		Total	
	2018	2017	2018	2017	2018	2017
	Rupees '000'	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*	*Rupees '000'*
Revenue	11,714,746	14,591,864	15,468,152	15,637,239	27,182,898	30,229,103
Finance cost	688,585	636,799	287,862	284,249	976,447	921,048
Depreciation and amortization	393,077	423,324	458,027	458,602	851,104	881,926
Segment profit before tax	279,840	545,397	239,851	1,087,388	519,691	1,632,785
Segment assets	19,668,173	18,731,142	21,396,929	16,023,465	41,065,102	34,754,607

	2018	2017
	Rupees '000'	*Rupees '000'*
52.1 Reconciliation of segment profit		
Total profit for reportable segments	519,691	1,632,785
Un-allocated other expenses	(26,145)	(120,830)
Profit before taxation	493,546	1,511,955
52.2 Reconciliation of segment assets		
Total assets for reportable segments	41,065,102	34,754,607
Other corporate assets	3,161,684	2,294,441
Total assets	44,226,786	37,049,048
52.3 Information about major customers		
Revenue derived from PEL Marketing (Private) Limited	14,159,484	14,008,319
Revenue derived from Multan Electric Power Company	2,650,670	-

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, 2018.

		2018	2017
Size of the fund - *total assets*	*Rupees '000'*	389,017	401,413
Fair value of investments	*Rupees '000'*	351,027	356,969
Percentage of investments made	*% age*	90.23	88.93

The break-up of investments is as follows:

	2018		2017	
	Rupees '000'	*% age*	*Rupees '000'*	*% age*
Listed equity collective investment schemes	-	-	148,830	41.69
Government securities	118,131	33.65	105,890	29.66
Deposit accounts with commercial banks	232,896	66.35	102,249	28.64
	351,027	100.00	356,969	100.00

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

54 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2018 Annual production capacity	2018 Actual production during the year	2017 Annual production capacity	2017 Actual production during the year
Transformers/Power Transformers	MVA	7,000	2,397	7,000	3,239
Switch gears	Nos.	12,000	4,805	12,000	3,318
Energy meters	Nos.	1,700,000	826,007	1,700,000	1,045,231
Air conditioners	Tonnes	200,000	103,220	200,000	139,396
Refrigerators/deep freezers	Cfts.	6,950,000	5,075,992	6,950,000	5,608,735
Microwave ovens	Litres	2,500,000	1,945,097	2,500,000	2,072,617
LED TVs	Sets	200,000	24,190	-	-
Washing machines	Kgs	50,000	7,005	-	-

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

55 NUMBER OF EMPLOYEES

	Manufacturing facilities 2018	Manufacturing facilities 2017	Area offices 2018	Area offices 2017
Total number of employees	4,792	4,889	46	107
Average number of employees	4,994	4,029	113	767

56 RECLASSIFICATIONS

The following have been reclassified for compliance with Fourth Schedule to the Companies Act, 2017.

Particulars	From	To	2018	2017
Unclaimed dividend	Trade and other payables	Statement of Financial Position	18,650	12,766

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

The Board of Directors in their meeting held on April 04, 2019 has proposed a dividend on ordinary shares at Rs. ___ per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by shareholders in the forthcoming annual general meeting.

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 other than those referred to in note 56.

M. MURAD SAIGOL
Chief Executive Officer

M. ZEID YOUSUF SAIGOL
Director

SYED MANZAR HASSAN
Chief Financial Officer

for identification