

# Interim Financial Report

for the six months ended  
June 30, 2013



Pak Elektron Limited



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## Company Information

### Board of Directors

Mr. Naseem Saigol  
Chief Executive Officer  
Mr. Azam Saigol  
Mr. Murad Saigol  
Mr. Muhammad Zeid Yousaf Saigol  
Mr. Haroon Ahmad Khan  
Syed Manzar Hassan  
Syed Zubair Ahmad Shah  
NIT Nominee  
Mrs. Tahira Raza  
NBP Nominee U/S 182 of the Ordinance  
Mr. Akbar Hasan Khan  
NBP Nominee U/S 182 of the Ordinance  
Mr. Muhammad Khurram Khawaja  
NBP Nominee U/S 182 of the Ordinance  
Mr. Khalid Siddiq Tirmizi  
BOP Nominee U/S 182 of the Ordinance

### Audit Committee

Mr. Azam Saigol  
Chairman/Member  
Mrs. Tahira Raza  
Member  
Syed Zubair Ahmad Shah  
Member  
Mr. Haroon Ahmad Khan  
Member

### HR & Remuneration Committee

Mr. Azam Saigol  
Chairman/Member  
Mr. Akbar Hasan Khan  
Member  
Syed Zubair Ahmad Shah  
Member  
Mr. Haroon Ahmad Khan  
Member

### Company Secretary

Muhammad Omer Farooq

### Chief Financial Officer

Syed Manzar Hassan, FCA

### Auditors

Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants  
(A member firm of Russell Bedford International)

### Legal Advisors

M/s Hassan & Hassan Advocates

### Shares Registrar

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

### Bankers

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

### Registered Office

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

### Works

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

### Transformer Facility

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

### Karachi

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

### Islamabad

Room # 301, 3<sup>rd</sup> 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

## Directors' Review

### DEAR SHAREHOLDERS,

Your directors are pleased to present the unaudited unconsolidated and consolidated condensed interim financial information of the Company and the Group respectively for the six months period ended June 30, 2013 duly reviewed by the Company's Auditors. Sales revenue for the six months period amounted to Rs. 10.977 billion as against Rs. 11.567 billion during the corresponding period of last financial year. Despite lower sales, the gross margins were significantly higher compared to corresponding period. By the Grace of Almighty ALLAH, the net profits after tax for the six months and earnings per share show significant improvement in the profitability of the Company. The results are summarized as under:

	Rupees in thousands		
	Six month ended June 30, 2013	Six months ended June 30, 2012	Increase / (Decrease)
Sales	<b>10,976,957</b>	11,566,956	(589,999)
Gross Profit	<b>2,172,446</b>	1,936,625	235,821
Profit before tax	<b>342,532</b>	106,024	236,508
Profit after tax	<b>309,276</b>	39,902	269,374
Earnings per share - Rupees	<b>2.36</b>	0.06	

During the period under review, the Country has gone through election process and a new government is in office. We expect and hope that the new government will live up to its commitment to be more business friendly and facilitate the businesses for furthering the objective of economic growth. The new government is also expected to address the core issues including the persistent high inflation, energy shortages, lowering the cost of power generation, falling value of rupee, and deteriorating law and order situation.

In the period under review, the rupee remained under pressure against dollar touching a new low of Rs. 103 per dollar. This is a cost push scenario which has increased the cost of imported raw materials and forcing us to increase the prices of our products.

The liquidity crunch faced by the government and public sector organizations has resulted in postponement of government's new projects and delayed execution of existing projects which would make the future challenging. The Company would continue to bring in efficiencies to reduce the cost of production to improve its bottom-line.

### RIGHT SHARES ISSUE

In order to reduce the financial cost and to meet working capital requirements of the company without resorting to additional bank borrowings, the directors of the company have recently announced a right issue of 120% at Rs. 12.50 per share amounting to Rs. 1.828 billion. This includes share premium of Rs. 365 M (Rs. 2.50 per share). Sponsoring directors have already contributed major part of their portion of right shares amounting to Rs. 600 Million up to June 30, 2013. The funds generated though right issue would be utilized towards improvement of working capital.

### POWER DIVISION

Power Division's sales have marginally reduced from corresponding period mainly due to more execution of billing in EPC Projects last year. It is heartening to see that present government is determined to eradicate the load shedding across the country. The additional generation would certainly require spending on distribution infrastructure. Government is planning to invest money on the distribution side as the generation problem is addressed through the recent measures such as payment of circular debt, reduction in theft and line losses etc.

Product margins continued to improve mainly owing to decrease in major raw material costs as a result of continued investment in research and development. Going forward, we expect healthy order intake for products as well as EPC business and are confident to post even better results for this division.

## Directors' Review

### APPLIANCES DIVISION

Refrigerator sales have shown increase in the six months ended June 30, 2013 against the corresponding period. Due to introduction of new models, the gross margins have improved. At present, under the corporate strategy, we are in the consolidation phase and we are focusing on refrigerator which is our core product. However, because of our strong brand there is a demand for other products which has been in our product range in the past such as air conditioners, microwaves etc. In Shaa Allah, we expect to take a gradual resumption of these products from the forthcoming year - 2014.

### FUTURE OUTLOOK

In the remaining six months of the current financial year, due to lower sales season of appliances, production and sales emphasis would be on power division. Your directors are optimistic about results for the year based on healthy orders outlook for power division.

We take this opportunity to thank all our stakeholders for their patronage and look forward to their continued support.

For and on behalf of the Board of Directors

Lahore  
August 29, 2013

**Naseem Saigol**  
Chairman

## Condensed Interim Consolidated Financial Information

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# Auditors' report to the Members on Review of Interim Consolidated Financial Information

## **Introduction**

We have reviewed the accompanying condensed interim consolidated balance sheet of Pak Elektron Limited ("the Company") as at June 30, 2013 and the related condensed interim consolidated profit and loss account/statement of comprehensive income, condensed interim consolidated cash flow statement, condensed interim consolidated statement of changes in equity and notes to the condensed interim consolidated financial statements for the six months period then ended (here-in-after referred to as "the condensed interim consolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim consolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review. The figures for the quarter ended June 30, 2013 of the condensed interim consolidated profit and loss account/statement of comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The condensed interim consolidated financial information for the six months ended June 30, 2012 were reviewed and the financial statements for the year ended December 31, 2012 were audited by another firm of chartered accountants who gave an unqualified opinion in their review/audit reports.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

**Chartered Accountants**

**Engagement Partner: ZUBAIR IRFAN MALIK**

**Date: AUGUST 29, 2013**

**Place: LAHORE**



# Condensed Interim Consolidated Balance Sheet (Un-audited)

as at June 30, 2013

	<i>Note</i>	<b>June 30, 2013</b> <i>Rupees '000</i> <i>(Un-Audited)</i>	<b>December 31, 2012</b> <i>Rupees '000</i> <i>(Audited)</i>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	4	<b>2,500,000</b>	2,500,000
Issued, subscribed and paid-up capital	5	<b>1,668,264</b>	1,668,264
Advance against issue of ordinary shares		<b>600,000</b>	-
Share premium		<b>164,134</b>	164,134
Accumulated profit		<b>2,475,721</b>	2,075,931
		<b>4,908,119</b>	3,908,329
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		<b>5,170,532</b>	3,873,505
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - Secured	7	<b>5,572,200</b>	5,587,486
Liabilities against assets subject to finance lease - Secured	8	<b>27,087</b>	33,555
Deferred taxation		<b>1,916,518</b>	1,930,107
Deferred income		<b>47,535</b>	50,037
		<b>7,563,340</b>	7,601,185
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>1,690,468</b>	1,692,148
Accrued interest/mark-up		<b>1,346,554</b>	1,245,579
Short term borrowings	9	<b>6,410,443</b>	6,815,091
Current portion of non-current liabilities		<b>59,433</b>	78,947
		<b>9,506,898</b>	9,831,765
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10		
		<b>27,148,889</b>	25,214,784

**The annexed notes 1 to 20 form an integral part of this condensed interim consolidated financial information.**

**NASEEM SAIGOL**  
Chief Executive Officer

	<b>Note</b>	<b>June 30, 2013</b>	<b>December 31, 2012</b>
		<b>Rupees '000</b> (Un-Audited)	<b>Rupees '000</b> (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>14,996,582</b>	13,811,250
Intangible assets		<b>309,243</b>	310,969
Long term investments	12	<b>15,952</b>	10,216
Long term deposits		<b>64,787</b>	65,898
		<b>15,386,564</b>	14,198,333
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<b>152,653</b>	126,792
Stock in trade		<b>4,622,704</b>	3,789,580
Trade debts		<b>5,724,861</b>	5,775,681
Advances, prepayments and other receivables		<b>730,612</b>	838,212
Short term investments		<b>16,289</b>	11,663
Advance income tax/income tax refundable		<b>363,039</b>	258,174
Cash and bank balances		<b>152,167</b>	216,349
		<b>11,762,325</b>	11,016,451
		<b>27,148,889</b>	25,214,784

**HAROON A. KHAN**  
Director

## Condensed Interim Consolidated Profit and Loss Account/Consolidated Statement of Comprehensive Income (Un-audited) for the six months ended June 30, 2013

	Note	Six months ended		Quarter ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		Rupees '000 (Un-Audited)	Rupees '000 (Un-Audited)	Rupees '000 (Un-Audited)	Rupees '000 (Un-Audited)
<b>Gross sales</b>	13	<b>10,976,957</b>	11,566,956	<b>6,857,900</b>	7,200,570
Sales tax and discounts		<b>(1,607,924)</b>	(1,612,956)	<b>(1,034,876)</b>	(1,032,133)
<b>Net sales</b>		<b>9,369,033</b>	9,954,000	<b>5,823,024</b>	6,168,437
Cost of sales	14	<b>(7,196,587)</b>	(8,017,375)	<b>(4,605,615)</b>	(4,847,526)
<b>Gross profit</b>		<b>2,172,446</b>	1,936,625	<b>1,217,409</b>	1,320,911
Distribution cost		<b>(498,787)</b>	(441,746)	<b>(303,727)</b>	(231,931)
Administrative expenses		<b>(323,506)</b>	(289,226)	<b>(149,060)</b>	(126,184)
Other operating expenses		<b>(11,523)</b>	(419)	<b>(11,470)</b>	(419)
		<b>(833,816)</b>	(731,391)	<b>(464,257)</b>	(358,534)
Other operating income		<b>1,338,630</b>	1,205,234	<b>753,152</b>	962,377
		<b>31,459</b>	25,964	<b>29,564</b>	15,335
<b>Operating profit</b>		<b>1,370,089</b>	1,231,198	<b>782,716</b>	977,712
Finance cost		<b>(1,013,492)</b>	(1,109,839)	<b>(512,350)</b>	(580,593)
		<b>356,597</b>	121,359	<b>270,366</b>	397,119
Share of loss of associate		<b>(14,065)</b>	(15,335)	<b>(11,693)</b>	(15,335)
<b>Profit before taxation</b>		<b>342,532</b>	106,024	<b>258,673</b>	381,784
Provision for taxation		<b>(33,256)</b>	(66,122)	<b>(17,984)</b>	(116,608)
<b>Profit after taxation</b>		<b>309,276</b>	39,902	<b>240,689</b>	265,176
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>309,276</b>	39,902	<b>240,689</b>	265,176
<b>Earnings per share - Basic and diluted</b>	15	<b>2.36</b>	0.06	<b>1.89</b>	2.04

The annexed notes 1 to 20 form an integral part of this condensed interim consolidated financial information.

**NASEEM SAIGOL**  
Chief Executive Officer

**HAROON A. KHAN**  
Director

## Condensed Interim Consolidated Cash Flow Statement (Un-audited) for the six months ended June 30, 2013

	June 30, 2013	June 30, 2012
	<b>Rupees '000 (Un-Audited)</b>	<i>Rupees '000 (Un-Audited)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>342,532</b>	106,024
Adjustments for non-cash and other items	<b>1,277,167</b>	1,372,414
Operating profit before changes in working capital	<b>1,619,699</b>	1,478,438
Changes in working capital	<b>(704,717)</b>	151,083
<b>Cash generated from operations</b>	<b>914,982</b>	1,629,521
<b>Payments for</b>		
Interest/mark-up on borrowings	<b>(843,517)</b>	(703,961)
Income tax	<b>(151,710)</b>	(115,632)
Compensated absences	<b>(4,216)</b>	(23,490)
<b>Net cash (used in)/generated from operating activities</b>	<b>(84,461)</b>	786,438
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(160,481)</b>	(237,194)
Proceeds from disposal of property, plant and equipment	<b>25,565</b>	11,173
Long term deposits	<b>1,111</b>	(2,273)
<b>Net cash used in investing activities</b>	<b>(133,805)</b>	(228,294)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	<b>(21,175)</b>	-
Repayment of liabilities against assets subject to finance lease	<b>(20,093)</b>	(26,299)
Advances against issue of ordinary shares	<b>600,000</b>	-
Net decrease in short term borrowings	<b>(404,648)</b>	(426,102)
<b>Net cash generated from/(used in) financing activities</b>	<b>154,084</b>	(452,401)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(64,182)</b>	105,743
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>216,349</b>	161,866
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>152,167</b>	267,609

**The annexed notes 1 to 20 form an integral part of this condensed interim consolidated financial information.**

**NASEEM SAIGOL**  
Chief Executive Officer

**HAROON A. KHAN**  
Director

## Condensed Interim Consolidated Statement of Changes in Equity for the six months ended June 30, 2013

	Issued subscribed and paid-up capital <i>Rupees '000</i>	Advance against issue of ordinary shares <i>Rupees '000</i>	Share premium <i>Rupees '000</i>	Accumulated profit <i>Rupees '000</i>	Total equity <i>Rupees '000</i>
<b>Balance as at January 01, 2012 - Audited</b>	1,668,264	-	164,134	1,770,706	3,603,104
Comprehensive income					
Profit after taxation	-	-	-	39,902	39,902
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	39,902	39,902
Incremental depreciation - <i>net of deferred taxation</i>	-	-	-	95,283	95,283
Transaction with owners	-	-	-	-	-
<b>Balance as at June 30, 2012 - Un-audited</b>	1,668,264	-	164,134	1,905,891	3,738,289
Comprehensive income					
Profit after taxation	-	-	-	74,763	74,763
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	74,763	74,763
Incremental depreciation - <i>net of deferred taxation</i>	-	-	-	95,277	95,277
Transaction with owners	-	-	-	-	-
<b>Balance as at December 31, 2012 - Audited</b>	1,668,264	-	164,134	2,075,931	3,908,329
Comprehensive income					
Profit after taxation	-	-	-	309,276	309,276
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	309,276	309,276
Incremental depreciation - <i>net of deferred taxation</i>	-	-	-	90,514	90,514
Transaction with owners					
Advance against issue of ordinary shares	-	600,000	-	-	600,000
<b>Balance as at June 30, 2013 - Un-audited</b>	1,668,264	600,000	164,134	2,475,721	4,908,119

*The annexed notes 1 to 20 form an integral part of this condensed interim consolidated financial information.*

**NASEEM SAIGOL**  
Chief Executive Officer

**HAROON A. KHAN**  
Director

# Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

## 1 REPORTING ENTITY

The Group comprises of the following companies

### Parent Company

Pak Elektron Limited ("PEL") was incorporated in Pakistan on March 03, 1956 as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984). Registered office of PEL is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. PEL is currently listed on all three Stock Exchanges of Pakistan. The principal activity of PEL is manufacture and sale of electrical capital goods and domestic appliances.

PEL is currently organized into two main operating divisions - Power Division & 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, air conditioners, microwave ovens, televisions, generators and washing machines.

### Subsidiary Company

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

## 2 BASIS OF PREPARATION

This interim consolidated financial information is not audited and has been presented in condensed form and does not include all the information and disclosures as are required to be provided or made in a full set of annual financial statements. This condensed interim consolidated financial information should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2012.

The comparative interim consolidated balance sheet as at December 31, 2012 and the related notes to the condensed interim consolidated financial information are based on audited financial statements. The comparative interim consolidated profit and loss account/statement of comprehensive income, interim consolidated cash flow statement, interim consolidated statement of changes in equity and related notes to the condensed interim consolidated financial information for the six months ended June 30, 2012 are based on unaudited, reviewed interim financial information.

### 2.1 Statement of compliance

This condensed interim consolidated financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

### 2.2 Basis of measurement

This condensed interim consolidated financial information has been prepared under the historical cost convention except for property, plant and equipment at revalued amounts and certain financial instruments at fair value/amortized cost. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

## Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

### 2.3 Judgements, estimates and assumptions

The preparation of financial information 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. 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.

### 2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Group's functional currency.

## 3 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of the financial statements of the Group for the year ended December 31, 2012.

	June 30, 2013	December 31, 2012
	<i>Rupees '000 (Un-Audited)</i>	<i>Rupees '000 (Audited)</i>
<b>4 AUTHORIZED SHARE CAPITAL</b>		
150,000,000 (December 31, 2012: 150,000,000) ordinary shares of Rs. 10 each	1,500,000	1,500,000
62,500,000 (December 31, 2012: 62,500,000) A' Class preference shares of Rs. 10 each	625,000	625,000
37,500,000 (December 31, 2012: 37,500,000) B' Class preference shares of Rs. 10 each	375,000	375,000
	1,000,000	1,000,000
	<b>2,500,000</b>	<b>2,500,000</b>
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
<b>Ordinary shares of Rs. 10 each</b>		
23,749,434 (December 31, 2012: 23,749,434) issued for cash	237,494	237,494
91,532,718 (December 31, 2012: 91,532,718) issued as fully paid bonus shares	915,328	915,328
137,500 (December 31, 2012: 137,500) issued against machinery	1,375	1,375
408,273 (December 31, 2012: 408,273) shares issued on acquisition of PEL Appliances Limited	4,083	4,083
6,040,820 (December 31, 2012: 6,040,820) shares issued on conversion of preference shares	60,408	60,408
	1,218,688	1,218,688
<b>A' class Preference shares of Rs. 10 each</b>		
44,957,592 (December 31, 2012: 44,957,592) A' Class preference shares of Rs. 10 each	449,576	449,576
	<b>1,668,264</b>	<b>1,668,264</b>

## Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

### 6 ADVANCE AGAINST ISSUE OF SHARES

This represents advance against issue of ordinary shares received from sponsors of PEL. Ordinary shares will be issued by PEL there against in the form of rights issue as referred to in note 18.

	June 30, 2013	December 31, 2012
	<i>Rupees '000</i> <i>(Un-Audited)</i>	<i>Rupees '000</i> <i>(Audited)</i>
<b>7 LONG TERM FINANCES - SECURED</b>		
As at beginning of the period/year	5,628,215	5,655,227
Obtained during the period/year	-	-
Repaid during the period/year	(21,175)	(27,012)
As at end of the period/year	5,607,040	5,628,215
Current maturity presented under current liabilities	(34,840)	(40,729)
	<b>5,572,200</b>	5,587,486

**7.1** PEL has applied for reprofiling of these finances requesting two years moratorium in repayment of principal. Reprofiling of all finances has been implemented with the exception of finances obtained from National Bank of Pakistan. The matter of reprofiling is still under consideration of National Bank of Pakistan. PEL is confident that the reprofiling will be finalized soon. Accordingly, the amounts falling due within twelve months under the original agreements have not been presented as current maturity.

	June 30, 2013	December 31, 2012
	<i>Rupees '000</i> <i>(Un-Audited)</i>	<i>Rupees '000</i> <i>(Audited)</i>
<b>8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	51,680	71,773
Current maturity presented under current liabilities	(24,593)	(38,218)
	<b>27,087</b>	33,555

### 9 SHORT TERM BORROWINGS

The aggregate un-availed short term borrowing facilities amounts to Rs. 1,427 million (December 31, 2012: Rs. 1,345 million).



## Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

### 10 CONTINGENCIES AND COMMITMENTS

There is no significant change in the status of contingencies and commitments since December 31, 2012, with the exception of the following:

	Note	June 30, 2013	December 31, 2012
		Rupees '000 (Un-Audited)	Rupees '000 (Audited)
Tender bonds		186,688	213,874
Performance bonds		1,196,511	1,352,641
Advance guarantees		824,908	874,935
Custom guarantees		94,170	93,781
Foreign guarantees		116,907	141,321
Letters of credit		554,981	669,926
Ijarah rentals		7,843	20,385

### 11 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	11.1	14,615,829	13,465,258
Capital work in progress		380,753	345,992
		<b>14,996,582</b>	<b>13,811,250</b>

#### 11.1 Operating fixed assets

Net book value at the beginning of the period/year		13,465,258	13,765,829
Surplus on revaluation		1,387,541	102,025
Additions during the period/year			
Plant and machinery		105,577	226,303
Office equipment and furniture		52	2,242
Computer hardware and allied items		2,304	5,582
Vehicles		17,787	80,035
		<b>125,720</b>	<b>314,162</b>
Net book value of assets disposed during the period/year		(22,273)	(14,313)
Depreciation for the period/year		(340,417)	(702,445)
Net book value at the end of the period/year		<b>14,615,829</b>	<b>13,465,258</b>

### 12 LONG TERM INVESTMENTS

These represent investment in ordinary shares of an associated company.

The details are as follows:

Kohinoor Power Company Limited - quoted			
2,910,600 shares (December 31, 2012: 2,910,600 shares) of Rs. 10 each	12.1	15,952	10,216
Nature of relationship: Associate			
Ownership interest: 23.10% (December 31, 2012: 23.10%)			
		<b>15,952</b>	<b>10,216</b>

#### 12.1 Kohinoor Power Company Limited

Cost of investment		54,701	54,701
Share of post acquisition profit - net of dividend received		29,956	44,021
		<b>84,657</b>	<b>98,722</b>
Accumulated impairment		(68,705)	(88,506)
		<b>15,952</b>	<b>10,216</b>

## Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

	Six months ended		Quarter ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	<b>Rupees '000</b> <b>(Un-Audited)</b>	<i>Rupees '000</i> <i>(Un-Audited)</i>	<b>Rupees '000</b> <b>(Un-Audited)</b>	<i>Rupees '000</i> <i>(Un-Audited)</i>
<b>13 SALES - NET</b>				
Contract revenue	<b>716,607</b>	1,442,273	<b>657,842</b>	1,190,359
Sale of goods				
Local	<b>9,637,571</b>	8,989,571	<b>6,143,382</b>	5,460,663
Export	<b>622,779</b>	1,135,112	<b>56,676</b>	549,548
	<b>10,976,957</b>	11,566,956	<b>6,857,900</b>	7,200,570
Sales tax and excise duty	<b>(1,050,912)</b>	(1,014,222)	<b>(614,886)</b>	(557,754)
Discounts	<b>(557,012)</b>	(598,734)	<b>(419,990)</b>	(474,379)
	<b>9,369,033</b>	9,954,000	<b>5,823,024</b>	6,168,437
<b>14 COST OF SALES</b>				
Raw material consumed	<b>5,731,763</b>	5,586,267	<b>3,263,383</b>	3,300,053
Direct wages	<b>275,135</b>	265,220	<b>140,342</b>	137,099
Factory overhead	<b>810,628</b>	790,851	<b>403,140</b>	411,461
	<b>6,817,526</b>	6,642,338	<b>3,806,865</b>	3,848,613
Work in process				
- at the beginning of the period	<b>855,069</b>	939,364	<b>815,982</b>	776,417
- at the end of the period	<b>(970,166)</b>	(773,211)	<b>(970,166)</b>	(773,211)
	<b>(115,097)</b>	166,153	<b>(154,184)</b>	3,206
Cost of goods manufactured	<b>6,702,429</b>	6,808,491	<b>3,652,681</b>	3,851,819
Finished goods				
- at the beginning of the period	<b>354,649</b>	405,301	<b>864,611</b>	460,084
- purchases during the period	<b>-</b>	135,012	<b>-</b>	54,997
- at the end of the period	<b>(476,067)</b>	(475,369)	<b>(476,067)</b>	(475,369)
	<b>(121,418)</b>	64,944	<b>388,544</b>	39,712
Cost of goods sold	<b>6,581,011</b>	6,873,435	<b>4,041,225</b>	3,891,531
Contract cost	<b>615,576</b>	1,143,940	<b>564,390</b>	955,995
	<b>7,196,587</b>	8,017,375	<b>4,605,615</b>	4,847,526

## Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

		Six months ended	
	Unit	June 30, 2013	June 30, 2012
		(Un-Audited)	(Un-Audited)
<b>15 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
<b>Earnings</b>			
Profit for the period attributable to ordinary shareholders	<i>Rupees' 000</i>	<b>309,276</b>	39,902
Dividend on preference shares	<i>Rupees' 000</i>	<b>(21,355)</b>	(33,044)
		<b>287,921</b>	6,858
<b>Shares</b>			
Weighted average number of ordinary shares outstanding during the period	<i>No. of shares</i>	<b>121,868,745</b>	121,868,745
Earnings per share - <i>Basic and diluted</i>	<i>Rupees</i>	<b>2.36</b>	0.06

## 16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Transactions with key management personnel are limited to payment of short term employee benefits only. The Group in the normal course of business carries out various transactions with other related parties 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 is as follows:

		Six months ended	
		June 30, 2013	June 30, 2012
		(Un-Audited)	(Un-Audited)
<b>16.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Associated companies	Services acquired	<b>44,556</b>	53,733
	Sales of goods	-	1,014
Key management personnel	Short term employee benefits	<b>9,856</b>	9,521
	Contribution to post employment benefit plan	<b>278</b>	161
Post employment benefit plans	Contribution for the period	<b>24,184</b>	23,856

# Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

## 17 OPERATING SEGMENTS

The Group has two reportable segments, which offer different products and are managed separately.

### Reportable segment

### Principal activity

Power Division

Manufacturing and distribution of transformers, switchgears, energy meters, power transformers, construction of grid stations and electrification works.

Appliances Division

Manufacturing, assembling and distribution of refrigerators, air conditioners, microwave ovens, televisions, generators and washing machines.

Information about operating segments as at June 30, 2013 and for the six months then ended is as follows:

Six months ended June 30, 2013				
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Revenue from external customers	4,674,849	4,694,184	-	9,369,033
Segment profit/(loss) before taxation	94,452	242,211	5,869	342,532
Six months ended June 30, 2012				
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Revenue from external customers	5,553,079	4,400,921	-	9,954,000
Segment profit/(loss) before taxation	16,038	79,776	10,210	106,024
As at June 30, 2013				
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Segment assets	13,766,829	11,358,860	2,023,200	27,148,889
As at December 31, 2012				
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Segment assets	10,927,950	12,921,597	1,365,237	25,214,784

## Notes to the Condensed Consolidated Interim Financial Information (Un-audited) for the six months ended June 30, 2013

### 18 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of PEL in their meeting held on August 15, 2013 have approved and announced further issue of 146,242,494 ordinary shares in PEL as right shares, at 120 ordinary shares for every 100 ordinary shares held, at Rs. 12.5 per ordinary share including a premium of Rs. 2.5 per share. The resolution for increase in authorized capital has been circulated and will placed before the members for their approval in the extraordinary general meeting to be held on September 06, 2013.

### 19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information have been approved by the Board of Directors of PEL and authorized for issue on August 29, 2013.

### 20 GENERAL

- 20.1** There are no other significant activities since December 31, 2012 affecting the condensed interim consolidated financial information.
- 20.2** Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 20.3** Figures have been rounded off to the nearest thousand of Rupee unless stated otherwise.

## Condensed Interim Financial Information

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# Auditors' report to the Members on Review of Financial Information

## **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Pak Elektron Limited ("the Company") as at June 30, 2013 and the related condensed interim profit and loss account/statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as "the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the quarter ended June 30, 2013 of the condensed interim profit and loss account/statement of comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The condensed interim financial information for the six months ended June 30, 2012 were reviewed and the financial statements for the year ended December 31, 2012 were audited by another firm of chartered accountants who gave an unqualified opinion in their review/audit reports.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

**Chartered Accountants**

**Engagement Partner: ZUBAIR IRFAN MALIK**

**Date: AUGUST 29, 2013**

**Place: LAHORE**



## Condensed Interim Balance Sheet (Un-audited) as at June 30, 2013

	Note	June 30, 2013	December 31, 2012
		Rupees '000 (Un-Audited)	Rupees '000 (Audited)
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital	4	2,500,000	2,500,000
Issued, subscribed and paid-up capital	5	1,668,264	1,668,264
Advance against issue of ordinary shares		600,000	-
Share premium		164,134	164,134
Accumulated profit		2,119,879	1,906,460
		4,552,277	3,738,858
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
		5,170,532	3,873,505
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term finances - Secured	7	5,572,200	5,587,486
Liabilities against assets subject to finance lease - Secured	8	27,087	33,555
Deferred taxation		1,915,252	1,905,840
Deferred income		47,535	50,037
		7,562,074	7,576,918
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,541,466	1,558,305
Accrued interest/mark-up		1,346,554	1,245,579
Short term borrowings	9	6,410,443	6,815,091
Current portion of non-current liabilities		59,433	78,947
		9,357,896	9,697,922
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10		
		26,642,779	24,887,203

**The annexed notes 1 to 20 form an integral part of this condensed interim financial information.**

**NASEEM SAIGOL**  
Chief Executive Officer

	<b>Note</b>	<b>June 30, 2013</b>	<b>December 31, 2012</b>
		<b>Rupees '000</b> (Un-Audited)	<b>Rupees '000</b> (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>14,996,582</b>	13,811,250
Intangible assets		<b>309,243</b>	310,969
Long term investments	12	<b>16,052</b>	10,316
Long term deposits		<b>64,787</b>	65,898
		<b>15,386,664</b>	14,198,433
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<b>152,653</b>	126,792
Stock in trade		<b>4,479,148</b>	3,673,456
Trade debts		<b>5,371,147</b>	5,581,876
Advances, prepayments and other receivables		<b>730,612</b>	838,212
Short term investments		<b>16,289</b>	11,663
Advance income tax/income tax refundable		<b>381,643</b>	271,584
Cash and bank balances		<b>124,623</b>	185,187
		<b>11,256,115</b>	10,688,770
		<b>26,642,779</b>	24,887,203

**HAROON A. KHAN**  
Director

## Condensed Interim Profit and Loss Account/Statement of Comprehensive Income (Un-audited) for the six months ended June 30, 2013

	Note	Six months ended		Quarter ended	
		June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		Rupees '000 (Un-Audited)	Rupees '000 (Un-Audited)	Rupees '000 (Un-Audited)	Rupees '000 (Un-Audited)
<b>Gross sales</b>	13	<b>8,685,565</b>	9,994,739	<b>4,881,674</b>	6,079,876
Sales tax and discounts		<b>(1,051,443)</b>	(1,015,842)	<b>(615,003)</b>	(559,291)
<b>Net sales</b>		<b>7,634,122</b>	8,978,897	<b>4,266,671</b>	5,520,585
Cost of sales	14	<b>(6,524,019)</b>	(7,935,477)	<b>(3,659,961)</b>	(4,775,180)
<b>Gross profit</b>		<b>1,110,103</b>	1,043,420	<b>606,710</b>	745,405
Distribution cost		<b>(117,689)</b>	(124,599)	<b>(59,762)</b>	(56,830)
Administrative expenses		<b>(166,501)</b>	(193,709)	<b>(77,819)</b>	(30,667)
Other operating expenses		<b>(11,523)</b>	(419)	<b>(9,258)</b>	(419)
		<b>(295,713)</b>	(318,727)	<b>(146,839)</b>	(87,916)
Other operating income		<b>814,390</b>	724,693	<b>459,871</b>	657,489
		<b>17,392</b>	10,629	<b>15,657</b>	-
<b>Operating profit</b>		<b>831,782</b>	735,322	<b>475,528</b>	657,489
Finance cost		<b>(661,293)</b>	(738,972)	<b>(325,100)</b>	(219,252)
<b>Profit/(loss) before taxation</b>		<b>170,489</b>	(3,650)	<b>150,428</b>	438,237
Provision for taxation		<b>(47,584)</b>	(44,894)	<b>(45,538)</b>	(110,634)
<b>Profit/(loss) after taxation</b>		<b>122,905</b>	(48,544)	<b>104,890</b>	327,603
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/(loss)</b>		<b>122,905</b>	(48,544)	<b>104,890</b>	327,603
<b>Earnings/(loss) per share - Basic and diluted</b>	15	<b>0.83</b>	(0.67)	<b>0.77</b>	2.55

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

**NASEEM SAIGOL**  
Chief Executive Officer

**HAROON A. KHAN**  
Director

## Condensed Interim Cash Flow Statement (Un-audited)

### for the six months ended June 30, 2013

	June 30, 2013	June 30, 2012
	<b>Rupees '000</b> <b>(Un-Audited)</b>	<b>Rupees '000</b> <b>(Un-Audited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	170,489	(3,650)
Adjustments for non-cash and other items	1,277,167	1,001,547
Operating profit before changes in working capital	1,447,656	997,897
Changes in working capital	(532,535)	193,879
<b>Cash generated from operations</b>	<b>915,121</b>	<b>1,191,776</b>
<b>Payments for</b>		
Interest/mark-up on borrowings	(843,517)	(333,094)
Income tax	(148,231)	(114,387)
Compensated absences	(4,216)	(23,490)
<b>Net cash (used in)/generated from operating activities</b>	<b>(80,843)</b>	<b>720,805</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(160,481)	(237,194)
Proceeds from disposal of property, plant and equipment	25,565	11,173
Long term deposits	1,111	(2,273)
<b>Net cash used in investing activities</b>	<b>(133,805)</b>	<b>(228,294)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(21,175)	-
Repayment of liabilities against assets subject to finance lease	(20,093)	(26,299)
Advances against issue of ordinary shares	600,000	-
Net decrease in short term borrowings	(404,648)	(426,102)
<b>Net cash generated from/(used in) financing activities</b>	<b>154,084</b>	<b>(452,401)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(60,564)</b>	<b>40,110</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>185,187</b>	<b>123,324</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>124,623</b>	<b>163,434</b>

*The annexed notes 1 to 20 form an integral part of this condensed interim financial information.*

**NASEEM SAIGOL**  
Chief Executive Officer

**HAROON A. KHAN**  
Director

## Condensed Interim Statement of Changes in Equity (Un-audited) for the six months ended June 30, 2013

	Issued subscribed and paid-up capital <i>Rupees '000</i>	Advance against issue of ordinary shares <i>Rupees '000</i>	Share premium <i>Rupees '000</i>	Accumulated profit <i>Rupees '000</i>	Total equity <i>Rupees '000</i>
<b>Balance as at January 01, 2012 - Audited</b>	1,668,264	-	164,134	1,665,649	3,498,047
Comprehensive income					
Profit after taxation	-	-	-	(48,544)	(48,544)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(48,544)	(48,544)
Incremental depreciation - <i>net of deferred taxation</i>	-	-	-	95,283	95,283
Transaction with owners	-	-	-	-	-
<b>Balance as at June 30, 2012 - Un-audited</b>	1,668,264	-	164,134	1,712,388	3,544,786
Comprehensive income					
Profit after taxation	-	-	-	98,795	98,795
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	98,795	98,795
Incremental depreciation - <i>net of deferred taxation</i>	-	-	-	95,277	95,277
Transaction with owners	-	-	-	-	-
<b>Balance as at December 31, 2012 - Audited</b>	1,668,264	-	164,134	1,906,460	3,738,858
Comprehensive income					
Profit after taxation	-	-	-	122,905	122,905
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	122,905	122,905
Incremental depreciation - <i>net of deferred taxation</i>	-	-	-	90,514	90,514
Transaction with owners					
Advance against issue of ordinary shares	-	600,000	-	-	600,000
<b>Balance as at June 30, 2013 - Un-audited</b>	1,668,264	600,000	164,134	2,119,879	4,552,277

*The annexed notes 1 to 20 form an integral part of this condensed interim financial information.*

**NASEEM SAIGOL**  
Chief Executive Officer

**HAROON A. KHAN**  
Director

# Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

## 1 REPORTING ENTITY

Pak Elektron Limited ("the Company") was incorporated in Pakistan on March 03, 1956 as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984). Registered office of the Company is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The Company is currently listed on all three Stock Exchanges of Pakistan. The principal activity of the Company is manufacture and sale of electrical capital goods and domestic appliances.

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

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

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

## 2 BASIS OF PREPARATION

This interim financial information is not audited and has been presented in condensed form and does not include all the information and disclosures as are required to be provided or made in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2012.

The comparative interim balance sheet as at December 31, 2012 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account/statement of comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the six months ended June 30, 2012 are based on unaudited, reviewed interim financial information.

### 2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

### 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for property, plant and equipment at revalued amounts and certain financial instruments at fair value/amortized cost. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

### 2.3 Judgements, estimates and assumptions

The preparation of financial information 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. 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.

# Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

## 2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

## 3 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2012.

	June 30, 2013	December 31, 2012
	<i>Rupees '000</i> <i>(Un-Audited)</i>	<i>Rupees '000</i> <i>(Audited)</i>
<b>4 AUTHORIZED SHARE CAPITAL</b>		
150,000,000 (December 31, 2012: 150,000,000) ordinary shares of Rs. 10 each	<b>1,500,000</b>	1,500,000
62,500,000 (December 31, 2012: 62,500,000) A' Class preference shares of Rs. 10 each	<b>625,000</b>	625,000
37,500,000 (December 31, 2012: 37,500,000) B' Class preference shares of Rs. 10 each	<b>375,000</b>	375,000
	<b>1,000,000</b>	1,000,000
	<b>2,500,000</b>	2,500,000
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
<b>Ordinary shares of Rs. 10 each</b>		
23,749,434 (December 31, 2012: 23,749,434) issued for cash	<b>237,494</b>	237,494
91,532,718 (December 31, 2012: 91,532,718) issued as fully paid bonus shares	<b>915,328</b>	915,328
137,500 (December 31, 2012: 137,500) issued against machinery	<b>1,375</b>	1,375
408,273 (December 31, 2012: 408,273) shares issued on acquisition of PEL Appliances Limited	<b>4,083</b>	4,083
6,040,820 (December 31, 2012: 6,040,820) shares issued on conversion of preference shares	<b>60,408</b>	60,408
	<b>1,218,688</b>	1,218,688
<b>A' class Preference shares of Rs. 10 each</b>		
44,957,592 (December 31, 2012: 44,957,592) A' Class preference shares of Rs. 10 each	<b>449,576</b>	449,576
	<b>1,668,264</b>	1,668,264

## 6 ADVANCE AGAINST ISSUE OF SHARES

This represents advance against issue of ordinary shares received from sponsors of the Company. Ordinary shares will be issued there against in the form of rights issue as referred to in note 18.

## Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

	June 30, 2013	December 31, 2012
	<i>Rupees '000</i> <i>(Un-Audited)</i>	<i>Rupees '000</i> <i>(Audited)</i>
<b>7 LONG TERM FINANCES - SECURED</b>		
As at beginning of the period/year	5,628,215	5,655,227
Obtained during the period/year	-	-
Repaid during the period/year	(21,175)	(27,012)
As at end of the period/year	5,607,040	5,628,215
Current maturity presented under current liabilities	(34,840)	(40,729)
	5,572,200	5,587,486

- 7.1** PEL has applied for reprofiling of these finances requesting two years moratorium in repayment of principal. Reprofiting of all finances has been implemented with the exception of finances obtained from National Bank of Pakistan. The matter of reprofiling is still under consideration of National Bank of Pakistan. PEL is confident that the reprofiling will be finalized soon. Accordingly, the amounts falling due within twelve months under the original agreements have not been presented as current maturity.

	June 30, 2013	December 31, 2012
	<i>Rupees '000</i> <i>(Un-Audited)</i>	<i>Rupees '000</i> <i>(Audited)</i>
<b>8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of minimum lease payments	51,680	71,773
Current maturity presented under current liabilities	(24,593)	(38,218)
	27,087	33,555

## 9 SHORT TERM BORROWINGS

The aggregate un-availed short term borrowing facilities amounts to Rs. 1,427 million (December 31, 2012: Rs. 1,345 million).

## 10 CONTINGENCIES AND COMMITMENTS

There is no significant change in the status of contingencies and commitments since December 31, 2012, with the exception of the following:

	June 30, 2013	December 31, 2012
	<i>Rupees '000</i> <i>(Un-Audited)</i>	<i>Rupees '000</i> <i>(Audited)</i>
Tender bonds	186,688	213,874
Performance bonds	1,196,511	1,352,641
Advance guarantees	824,908	874,935
Custom guarantees	94,170	93,781
Foreign guarantees	116,907	141,321
Commitments under irrevocable letters of credit	554,981	669,926
Commitments under Ijarah financing	7,843	20,385



## Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

	Note	June 30, 2013 Rupees '000 (Un-Audited)	December 31, 2012 Rupees '000 (Audited)
<b>11 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	11.1	14,615,829	13,465,258
Capital work in progress		380,753	345,992
		<b>14,996,582</b>	<b>13,811,250</b>
<b>11.1 Operating fixed assets</b>			
Net book value at the beginning of the period/year		13,465,258	13,765,829
Surplus on revaluation		1,387,541	102,025
Additions during the period/year			
Plant and machinery		105,577	226,303
Office equipment and furniture		52	2,242
Computer hardware and allied items		2,304	5,582
Vehicles		17,787	80,035
		<b>125,720</b>	<b>314,162</b>
Net book value of assets disposed during the period/year		(22,273)	(14,313)
Depreciation for the period/year		(340,417)	(702,445)
Net book value at the end of the period/year		<b>14,615,829</b>	<b>13,465,258</b>
<b>12 LONG TERM INVESTMENTS</b>			
These represent investments in ordinary shares of related parties. The details are as follows:			
Pel Marketing (Private) Limited - <i>unquoted</i>			
10,000 shares (December 31, 2012: 10,000 shares) of Rs. 10 each		100	100
Nature of relationship: Subsidiary			
Ownership interest: 100% (December 31, 2012: 100%)			
Kohinoor Power Company Limited - <i>quoted</i>			
2,910,600 shares (December 31, 2012: 2,910,600 shares) of Rs. 10 each	12.1	15,952	10,216
Nature of relationship: Associate			
Ownership interest: 23.10% (December 31, 2012: 23.10%)			
		<b>16,052</b>	<b>10,316</b>
<b>12.1 Kohinoor Power Company Limited</b>			
Cost of investment		54,701	54,701
Accumulated impairment		(38,749)	(44,485)
		<b>15,952</b>	<b>10,216</b>

# Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

	Six months ended		Quarter ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	<b>Rupees '000</b>	<i>Rupees '000</i>	<b>Rupees '000</b>	<i>Rupees '000</i>
	<b>(Un-Audited)</b>	<i>(Un-Audited)</i>	<b>(Un-Audited)</b>	<i>(Un-Audited)</i>
<b>13 SALES - NET</b>				
Contract revenue	<b>716,607</b>	1,442,273	<b>657,842</b>	1,190,359
Sale of goods				
Local	<b>7,346,179</b>	7,417,354	<b>4,167,156</b>	4,339,969
Export	<b>622,779</b>	1,135,112	<b>56,676</b>	549,548
Sales tax and excise duty	<b>8,685,565</b>	9,994,739	<b>4,881,674</b>	6,079,876
Discounts	<b>(1,050,912)</b>	(1,014,222)	<b>(614,886)</b>	(557,754)
	<b>(531)</b>	(1,620)	<b>(117)</b>	(1,537)
	<b>7,634,122</b>	8,978,897	<b>4,266,671</b>	5,520,585
<b>14 COST OF SALES</b>				
Raw material consumed	<b>5,031,763</b>	5,586,267	<b>2,563,383</b>	3,323,836
Direct wages	<b>274,604</b>	265,220	<b>139,811</b>	137,099
Factory overhead	<b>811,159</b>	790,851	<b>403,671</b>	411,461
	<b>6,117,526</b>	6,642,338	<b>3,106,865</b>	3,872,396
Work in process				
- at the beginning of the period	<b>855,069</b>	939,364	<b>815,982</b>	776,417
- at the end of the period	<b>(970,166)</b>	(773,211)	<b>(970,166)</b>	(773,211)
	<b>(115,097)</b>	166,153	<b>(154,184)</b>	3,206
Cost of goods manufactured	<b>6,002,429</b>	6,808,491	<b>2,952,681</b>	3,875,602
Finished goods				
- at the beginning of the period	<b>238,525</b>	294,560	<b>475,401</b>	335,112
- purchases during the period	<b>-</b>	135,012	<b>-</b>	54,997
- at the end of the period	<b>(332,511)</b>	(446,526)	<b>(332,511)</b>	(446,526)
	<b>(93,986)</b>	(16,954)	<b>142,890</b>	(56,417)
Cost of goods sold	<b>5,908,443</b>	6,791,537	<b>3,095,571</b>	3,819,185
Contract cost	<b>615,576</b>	1,143,940	<b>564,390</b>	955,995
	<b>6,524,019</b>	7,935,477	<b>3,659,961</b>	4,775,180

## Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

		Six months ended	
	Unit	June 30, 2013	June 30, 2012
		(Un-Audited)	(Un-Audited)
<b>15 EARNINGS/(LOSS) PER SHARE</b>			
<b>Earnings/(loss)</b>			
Profit/(loss) for the period attributable to ordinary shareholders	<b>Rupees' 000</b>	<b>122,905</b>	(48,544)
Dividend on preference shares	<b>Rupees' 000</b>	<b>(21,355)</b>	(33,044)
		<b>101,550</b>	(81,588)
<b>Shares</b>			
Weighted average number of ordinary shares outstanding during the period	<b>No. of shares</b>	<b>121,868,745</b>	121,868,745
Earnings/(loss) per share - Basic and diluted	<b>Rupees</b>	<b>0.83</b>	(0.67)

## 16 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Transactions with key management personnel are limited to payment of short term employee benefits only. The Company in the normal course of business carries out various transactions with other related parties 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 is as follows:

		Six months ended	
		June 30, 2013	June 30, 2012
		(Un-Audited)	(Un-Audited)
<b>16.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Subsidiary	Sale of goods	<b>3,366,081</b>	3,270,532
	Provision of services	<b>892,395</b>	782,659
Associated companies	Services acquired	<b>44,556</b>	53,733
	Sales of goods	-	1,014
Key management personnel	Short term employee benefits	<b>9,856</b>	9,521
	Contribution to post employment benefit plan	<b>278</b>	161
Post employment benefit plans	Contribution for the period	<b>24,184</b>	23,856

# Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

## 17 OPERATING SEGMENTS

The Company has two reportable segments, which offer different products and are managed separately.

Reportable segment	Principal activity
Power Division	Manufacturing and distribution of transformers, switch gears Energy Meters, Power Transformers and EPC.
Appliances Division	Manufacturing, assembling and distribution of Refrigerators, Air Conditioners, Microwave Ovens, Televisions, Generators and Washing Machines.

Information about operating segments as at June 30, 2013 and for the six months then ended is as follows:

	Six months ended June 30, 2013			
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Revenue from external customers	4,674,849	2,959,273	-	7,634,122
Segment profit/(loss) before taxation	94,452	70,168	5,869	170,489
	Six months ended June 30, 2012			
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Revenue from external customers	5,553,079	3,425,818	-	8,978,897
Segment profit/(loss) before taxation	16,038	(29,898)	10,210	(3,650)
	As at June 30, 2013			
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Segment assets	13,769,885	10,858,535	2,014,359	26,642,779
	As at December 31, 2012			
	Power Division	Appliances Division	Unallocated Items	Total
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Segment assets	10,927,950	12,594,016	1,365,237	24,887,203

## Notes to the Condensed Interim Financial Information (Un-Audited) for the six months ended June 30, 2013

### 18 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on August 15, 2013 have approved and announced further issue of 146,242,494 ordinary shares in the Company as right shares, at 120 ordinary shares for every 100 ordinary shares held, at Rs. 12.5 per ordinary share including a premium of Rs. 2.5 per share. The resolution for increase in authorized capital has been circulated and will be placed before the members for their approval in the extraordinary general meeting to be held on September 06, 2013.

### 19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on August 29, 2013.

### 20 GENERAL

- 20.1** There are no other significant activities since December 31, 2012 affecting the condensed interim financial information.
- 20.2** Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 20.3** Figures have been rounded off to the nearest thousand of Rupee unless stated otherwise.



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