

DIRECTORS' REVIEW

We are pleased to present results for the 1st quarter ended March 31, 2010. Sales for the period at Rs. 4.858 billion are higher by Rs. 350 million (8%) over corresponding period's figure of Rs. 4.508 billion. Profit has consequently increased by Rs. 42 million on account of improved margins and slight increase in sales volume.

Summary of financial results is as under:

	2010	2009	Rupees in thousands Increase/(decrease)
Sales	4,858,541	4,508,852	349,689
Gross profit	1,016,824	901,490	115,334
Finance cost	365,965	341,813	24,152
Profit before tax	199,799	124,778	75,021
Profit after tax	129,869	87,407	42,462
Earnings per share (Basic) - Rupees	1.22	0.77	
Earnings per share (Diluted) - Rupees	1.00	0.74	

The resilient Pakistan's economy after taking a dip in the past two years is moving forward on recovery path. Few positive indicators such as improved law and order situation, enhanced Foreign exchange reserves, stability in exchange rates, ease in political situation, improvement in Agricultural products and large scale manufacturing is leading us towards a positive direction. With these positive indicators, we are also expecting better revenues and profitability in the remaining part of the year.

In Power division due to funding of international financial institutions, the orders in hand position has strengthened as compared to corresponding period. Our electrical distribution equipment is in high demand especially the cash point energy meters (almost fully converted into digital meter from electro mechanical earlier), we are now producing distribution transformer with low losses entitling us to capitalize on its benefits. Further, power transformer & switching equipments are playing their part in managing the limited resources of electric utilities at its best. The new Transformer Facility has become fully operational and expected production efficiencies have already started to materialize.

Government's efforts plan to overcome ongoing power crisis are bringing greater opportunities for your company which is fully equipped and experienced to carry out construction of grid stations and laying down of electrical distribution network in addition to supply of electrical distribution equipments.

In Appliances division, the induction of LG business is contributing positively towards increase in revenues and profitability. With proven increase in disposable income of farmers due to high volume & prices of crops, the home appliances market especially refrigerators has already increased and is likely to expand further. Following the reversal of recessionary trends and increased buying power due to growing agricultural income, we have set optimum sales targets for the year and with the addition of LG brand in our range, we are confident of achieving the desired sales targets. Our relationship with LG is strengthening day by day and we are in process to enter into more long lasting relationship.

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

For and on behalf of the Board of Directors

Naseem Saigol
Chairman & Chief Executive

Lahore, April 23, 2010

PAK ELEKTRON LIMITED

BALANCE SHEET

AS AT MARCH 31, 2010 (Un-audited)

		Un-audited March 31 2010 (Rupees in thousand)	Audited December 31 2009			Un-audited March 31 2010 (Rupees in thousand)	Audited December 31 2009
EQUITY AND LIABILITIES	Note			ASSETS	Note		
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorized capital		2,500,000	2,500,000	Property, plant and equipment	7	13,404,592	13,457,138
Issued, subscribed and paid up capital	3	1,593,720	1,593,720	Intangible assets		528,525	511,134
Reserves		131,931	131,931			13,933,117	13,968,272
Unappropriated profits		2,643,910	2,461,255				
		4,369,561	4,186,906				
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		4,320,983	4,373,769				
NON-CURRENT LIABILITIES				Long-term investments		19,501	22,906
Long-term financing	4	4,083,444	4,079,149	Long-term deposits		83,879	92,152
Liabilities against assets subject to finance lease	5	91,973	119,368				
Deferred taxation		2,883,631	2,883,631				
Deferred income		93,315	101,108				
CURRENT LIABILITIES				CURRENT ASSETS			
Trade and other payables		1,525,730	1,284,080	Stores, spare parts and loose tools		93,402	90,721
Interest / mark-up accrued on loans and other payables		328,137	333,763	Stock-in-trade		3,974,490	3,826,744
Short-term borrowings		4,571,462	4,706,890	Trade debts		3,422,835	3,227,219
Current portion of:				Advances		732,026	825,807
- long-term financing	4	771,347	783,597	Deposits, short-term prepayments and other receivables		697,976	730,614
- liabilities against assets subject to finance lease	5	67,459	82,959	Other financial assets		24,416	27,522
		7,264,135	7,191,289	Cash and bank balances		125,400	123,263
CONTINGENCIES AND COMMITMENTS	6					9,070,545	8,851,890
		23,107,042	22,935,220			23,107,042	22,935,220

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

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

PROFIT AND LOSS ACCOUNT**For the First quarter ended March 31, 2010 (Un-audited)**

	Note	March 31 2010 (Rupees in thousand)	March 31 2009
Revenue	8	4,858,541	4,508,852
Less: sales tax and discount	8	523,651	485,536
Revenue - net		<u>4,334,890</u>	<u>4,023,316</u>
Cost of sales	9	<u>3,318,066</u>	<u>3,121,826</u>
Gross profit		1,016,824	901,490
Other operating income		<u>(2,939)</u>	<u>(20,905)</u>
		1,013,885	880,585
Distribution cost		268,325	251,535
Administrative expenses		165,524	154,138
Other operating expenses		14,808	9,248
Finance cost		365,965	341,813
Share of profit of associate		536	927
Profit before taxation		<u>199,799</u>	<u>124,778</u>
Provision for taxation		69,930	37,371
Profit for the period		<u><u>129,869</u></u>	<u><u>87,407</u></u>
Earnings per share		Rupees	Rupees
Basic	10	<u>1.22</u>	<u>0.77</u>
Diluted	10	<u>1.00</u>	<u>0.74</u>

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

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

CASH FLOW STATEMENT

For the First quarter ended March 31, 2010 (Un-audited)

	March 31 2010	March 31 2009
	(Rupees in thousand)	
Cash flows from operating activities		
Profit before taxation	199,799	124,778
Adjustments for:		
Depreciation on property, plant and equipment	114,974	94,150
Amortization of intangible assets	894	1,367
Share of profit of associate	(536)	(927)
provision for impairment in value of investments	3,941	29,859
Finance cost	365,965	341,813
Provision for compensated absences	(1,661)	(5,188)
Loss due to change in the fair value of investments	3,106	461
Amortization of grant-in-aid	(730)	(2,363)
Amortization of deferred income	(7,063)	(3,109)
Loss / (Gain) on disposal of property, plant and equipment	(1,343)	970
	477,547	457,033
	677,346	581,811
Working capital changes	23,340	354,699
Cash (used in) / generated from operations	700,686	936,510
Finance cost paid	(371,591)	(297,205)
Income tax paid	(67,169)	(36,744)
	(438,760)	(333,949)
Net cash used in operating activities	261,926	602,561
Cash flows from investing activities		
Purchase of property, plant and equipment	(65,803)	(415,474)
Proceeds from disposal of property, plant and equipment	4,901	2,901
Payment of intangible assets	(18,283)	(31,148)
Proceeds from sale and leaseback activities	-	92,093
(Increase)/decrease in long-term deposits	5,850	(1,831)
Net cash used in investing activities	(73,335)	(353,459)
Cash flows from financing activities		
Increase / (decrease) in long-term financing	(7,955)	(18,750)
Payment of liabilities against assets subject to finance lease	(43,071)	(39,152)
Net cash from financing activities	(51,026)	(57,902)
Net (decrease)/ increase in cash and cash equivalents	137,565	191,200
Cash and cash equivalents at beginning of the period	(4,583,627)	(4,365,716)
Cash and cash equivalents at the end of the period	(4,446,062)	(4,174,516)

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

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

STATEMENT OF CHANGES IN EQUITY

For the First quarter ended March 31, 2010 (Un-audited)

	Share capital	Capital reserves		Revenue reserves	Total
		Premium on issue of shares	Reserve for bonus shares	Unappropriated profits	
..... (Rupees in thousand)					
Balance as at December 31, 2008-restated	1,496,677	131,931	-	2,209,950	3,838,558
Profit for the period	-	-	-	87,407	87,407
Transfer to unappropriated profits on account of incremental depreciation charged during the period - net of deferred taxation	-	-	-	23,546	23,546
Balance as at March 31, 2009	1,496,677	131,931	-	2,320,903	3,949,511
Profit for the period	-	-	-	195,552	195,552
Final dividend for the year ended June 30, 2009 @ Rs. 0.95 per preference share	-	-	-	(49,994)	(49,994)
Transferred to reserve for bonus shares	-	-	97,043	(97,043)	-
Issue of bonus shares	97,043	-	(97,043)	-	-
Transfer to unappropriated profits on account of incremental depreciation charged during the period - net of deferred taxation	-	-	-	91,837	91,837
Balance as at December 31, 2009	1,593,720	131,931	-	2,461,255	4,186,906
Profit for the period	-	-	-	129,869	129,869
Transfer to unappropriated profits on account of incremental depreciation charged during the period - net of deferred taxation	-	-	-	52,786	52,786
Balance as at March 31, 2010	1,593,720	131,931	-	2,643,910	4,369,561

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

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the First Quarter ended March 31, 2010 (Un-audited)

1. GENERAL INFORMATION

The Pak Elektron Limited ("PEL" or "the Company") was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a public limited company and its shares are quoted on all stock exchanges of Pakistan. The Company is principally engaged in the manufacturing and sale of electrical capital goods and domestic appliances.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard 34 " Interim Financial Reporting " and being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984.

These financial statements have been prepared under " Historical cost convention " except for certain fixed assets which are stated at revalued amount / fair value and certain financial assets which are stated at fair value.

2.1 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these un-audited financial statements are consistent with those applied in preparation of preceding published financial statements of the Company for the six months ended December 31, 2009.

3. SHARE CAPITAL

			Un-audited March 31 2010	Audited December 31 2009
			(Rupees in thousand)	
Authorized share capital:				
	March 31 2010	December 31 2009		
	Number of shares			
	<u>150,000,000</u>	150,000,000	Ordinary shares of Rs. 10/- each	<u>1,500,000</u> 1,500,000
	<u>100,000,000</u>	100,000,000	Preference shares of Rs. 10/- each	<u>1,000,000</u> 1,000,000
	<u>250,000,000</u>	<u>250,000,000</u>		<u>2,500,000</u> 2,500,000
Issued, subscribed and paid-up:				
	Number of shares			
	<u>23,749,434</u>	23,749,434	Fully paid ordinary shares of Rs. 10/- each	
			In cash	<u>237,494</u> 237,494
			Other than cash:	
	<u>80,858,023</u>	80,858,023	-as bonus shares	<u>808,581</u> 808,581
	<u>137,500</u>	137,500	-against machinery	<u>1,375</u> 1,375
	<u>408,273</u>	408,273	-issued on acquisition of PEL Appliance Ltd.	<u>4,083</u> 4,083
	<u>1,593,725</u>	1,593,725	-issued against conversion of preference shares	<u>15,937</u> 15,937
	<u>106,746,955</u>	106,746,955		<u>1,067,470</u> 1,067,470
			Fully paid A class preference shares of Rs. 10/- each	
	<u>52,625,000</u>	52,625,000	In cash	<u>526,250</u> 526,250
	<u>159,371,955</u>	159,371,955		<u>1,593,720</u> 1,593,720

	Un-audited March 31 2010	Audited December 31 2009
4. LONG-TERM FINANCING-SECURED	(Rupees in thousand)	
Opening balance	4,862,746	4,170,766
Add:		
Obtained during the period	<u>227,614</u>	<u>959,242</u>
	5,090,360	5,130,008
Less:		
Paid during the period	<u>235,569</u>	<u>267,262</u>
	4,854,791	4,862,746
Less:		
Current portion payable within next twelve months	<u>771,347</u>	<u>783,597</u>
	4,083,444	4,079,149
5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	159,432	202,327
Less: Current portion payable within next twelve months	<u>67,459</u>	<u>82,959</u>
	91,973	119,368
6. CONTINGENCIES AND COMMITMENTS		
There are no material changes in contingencies and commitments as disclosed in the notes to the financial statements for the six months period ended December 31, 2009.		
7. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	13,339,680	13,436,534
Capital work in progress	<u>64,912</u>	<u>20,604</u>
	13,404,592	13,457,138
Opening written down value	13,436,534	7,522,585
Surplus on revaluation of property, plant and equipments	-	2,493,480
Additions / transferd during the period (at cost)	<u>21,670</u>	<u>3,691,379</u>
	13,458,204	13,707,444
Written down value of the assets disposed off	3,550	54,330
Depreciation charged during the period	<u>114,974</u>	<u>216,580</u>
	13,339,680	13,436,534
8. SALES	March 31 2010	March 31 2009
	(Rupees in thousand)	
Local	4,804,136	4,481,952
Export	<u>54,405</u>	<u>26,900</u>
	4,858,541	4,508,852
Less:		
Sales tax and excise duty	<u>451,370</u>	<u>416,462</u>
Discount	<u>72,281</u>	<u>69,074</u>
	523,651	485,536
	4,334,890	4,023,316

	March 31 2010	March 31 2009
	(Rupees in thousand)	
9. COST OF SALES		
Raw material consumed	2,634,356	2,234,583
Direct wages	138,590	127,141
Factory overhead	<u>312,178</u>	<u>280,523</u>
	3,085,124	2,642,247
Decrease in work in process		
Opening inventory	<u>756,549</u>	<u>505,703</u>
Closing inventory	<u>548,912</u>	<u>456,226</u>
	<u>(207,637)</u>	<u>(49,477)</u>
	3,292,761	2,691,724
Finished goods purchased	50,405	38,850
Increase / (decrease) in finished goods		
Opening inventory	<u>838,729</u>	<u>1,446,038</u>
Closing inventory	<u>863,829</u>	<u>1,054,786</u>
	<u>25,100</u>	<u>(391,252)</u>
	<u>3,318,066</u>	<u>3,121,826</u>

10. EARNING PER SHARE - Basic and Diluted

The calculation of basic and diluted earning per share is based on following data:

Earnings

Net profit after tax	129,869	87,407
Less: Dividend on preference shares	-	12,499
Earnings for the purpose of basic earnings per share	<u>129,869</u>	<u>74,908</u>

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	106,746,955	97,042,687
Effect of dilutive potential ordinary shares	<u>23,155,000</u>	<u>21,050,000</u>
	<u>129,901,955</u>	<u>118,092,687</u>

Basic earnings per share (Rupees)	<u>1.22</u>	<u>0.77</u>
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Diluted earnings per share (Rupees)	<u>1.00</u>	<u>0.74</u>
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10.1 Basic earnings per shares has been calculated dividing earnings as stated above with weighted average number of ordinary shares.

10.2 The effect of potential ordinary shares (convertible preference shares) is antidilutive.

11. CASH AND CASH EQUIVALENTS

Cash and bank balances	125,400	354,554
Short term borrowings	<u>(4,571,462)</u>	<u>(4,529,070)</u>
	<u>(4,446,062)</u>	<u>(4,174,516)</u>

12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 23, 2010 by the Board of Directors of the Company.

13. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

NASEEM SAIGOL
Chief Executive Officer

HAROON A. KHAN
Managing Director