

Notes to the Financial Statements

for the year ended December 31, 2010

1. LEGAL STATUS AND OPERATIONS

1.1 Pak Elektron Limited (“PEL” or “the Company”) was incorporated in Pakistan on March 03, 1956 as a public limited company under the Companies Act, 1913 (replaced by the Companies Ordinance, 1984). Registered office of the Company is situated at 17 - Aziz Avenue, Canal Bank, Gulberg - V, Lahore. The Company is currently listed on all three Stock Exchanges of Pakistan. The principal activity of the Company is manufacturing and sale of electrical capital goods and domestic appliances. The Company has been appointed as the official distributor of LG Electronics for five 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, air conditioners, microwave ovens, televisions, generators and washing machines.

1.2 These financial statements are presented in Pak Rupees, which is the functional currency of the Company and figures are rounded off to the nearest thousand of rupees unless otherwise stated.

2. CHANGE IN REPORTING PERIOD

The Company changed its accounting year from June 30 to December 31 during the previous year and presented audited financial statements for the six months ended December 31, 2009. The permission for the above change was obtained from the Commissioner of Income Tax and Securities and Exchange Commission of Pakistan (‘SECP’). The corresponding figures shown in these financial statements pertain to the audited financial statements for the six month ended December 31, 2009 and therefore, are not entirely comparable in respect of profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity.

3. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

3.1 STATEMENT OF COMPLIANCE

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

3.2 ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the company has adopted the following new Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the SECP that are relevant to its operations and effective for company’s accounting period beginning on or after January 01, 2010.

Notes to the Financial Statements

for the year ended December 31, 2010

IAS 1, (AMENDMENT) 'PRESENTATION OF FINANCIAL STATEMENTS'

IAS 1, (Amendment) 'Presentation of Financial Statements' (effective from annual periods beginning on or after January 1, 2010). The amendment provides clarification that potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current notwithstanding that the entity could be required by the counter party to settle in shares at any time.

IAS 7, (AMENDMENT) 'STATEMENT OF CASH FLOWS'

IAS 7, (Amendment) 'Statement of Cash Flows' (effective from annual periods beginning on or after January 1, 2010). It explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow for investing activities.

IAS 17, (AMENDMENT) 'LEASES'

IAS 17, (Amendment) 'Leases' (effective from annual periods beginning on or after January 1, 2010). The amendment clarifies that when a lease includes both the land and building elements, an entity should determine the classification of each element based on the criteria given in the IAS, taking into account the fact that land normally has an indefinite economic life.

IAS 36, (AMENDMENT) 'IMPAIRMENT OF ASSETS'

IAS 36, (Amendment) 'Impairment of Assets' (effective from annual periods beginning on or after January 1, 2010). It clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 39, (AMENDMENTS) 'FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT'

IAS 39, (Amendments) 'Financial Instruments: Recognition and Measurement' (effective from annual periods beginning on or after January 1, 2010). The amendments provide further guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated, clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

3.3 NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments to approved accounting standards are effective for accounting periods beginning on or after the dates specified below. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases.

IAS 32, 'FINANCIAL INSTRUMENTS: PRESENTATION'

IAS 32, 'Financial Instruments: Presentation' (effective from annual periods beginning on or after February 1, 2010). It changes the definition of financial liability in order to classify right issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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

IFRS 7, (Amendments) 'Financial Instruments: Disclosures' (effective from annual periods on or after January 1, 2011). The amendments add an explicit statement that qualitative disclosures should be made in line with the quantitative disclosures to better understand users to evaluate an entity's exposure to risks arising from financial instruments and amended the existing disclosures.

IAS 24, 'RELATED PARTY DISCLOSURES'

IAS 24, 'Related Party Disclosures' (effective from annual periods beginning on or after January 1, 2011). It simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party.

IAS 34, (AMENDMENT) 'INTERIM FINANCIAL REPORTING'

IAS 34, (Amendment) 'Interim Financial Reporting' (effective from annual periods on or after January 1, 2011). It adds further examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality that describe other minimum disclosures.

IFRS 9 - FINANCIAL INSTRUMENTS

IFRS 9 - 'Financial instruments' (effective from annual periods beginning on or after January 01, 2013) introduces new requirements for classifying and measuring financial assets that must be applied starting from January 1, 2013 with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting.

3.4 INTERPRETATIONS TO EXISTING STANDARDS THAT ARE EFFECTIVE AND NOT APPLICABLE TO THE COMPANY

The following interpretations to existing standards have been published and are mandatory for the Company's accounting year beginning on or after January 01, 2010 but are not relevant for the Company's operations:

Amendment to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 01, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

IFRS 3, (Amendments) 'Business Combinations' (effective from annual periods beginning on or after July 1, 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004), limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instrument that give rise to a present ownership interest and that currently entitle the holder to a share in the event of liquidation and expand the current guidance on the attribution of the market based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaces unexpired acquiree awards.

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IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after January 01, 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

IFRS 5, (Amendment) 'Non-current Assets Held for Sale and Discontinued Operations' (effective from annual periods beginning on or after January 1, 2010). It clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit and loss account / other comprehensive income.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged Items (effective for annual periods beginning on or after July 01, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

Amendments to IAS 39 and IFRIC 9 - Embedded Derivatives (effective for annual periods beginning on or after January 01, 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendment to IFRS 2 - Share-based Payment - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 01, 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit and loss account / other comprehensive income.

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

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IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the profit and loss account / other comprehensive income.

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after July 01, 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

3.5 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

PROPERTY, PLANT AND EQUIPMENT

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

STOCK IN TRADE

The Company reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

PROVISION FOR IMPAIRMENT OF TRADE DEBTS AND OTHER RECEIVABLES

The Company assesses the recoverability of its trade debts and other receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade debt is impaired.

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TAXATION

The Company takes into account the relevant provision of current income tax laws while providing for current and deferred tax as explained in relevant note to these financial statements.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of value in use requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention as modified by:

- revaluation of certain property, plant and equipment
- financial instruments at fair value
- long-term investment at equity method

4.2 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payments. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liabilities. Finance charges are charged to profit and loss account / other comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's policy on borrowing costs.

4.3 IJARAH TRANSACTIONS

Ujrah payments under an Ijarah are recognized as an expense in the profit and loss account / other comprehensive income on a straight-line basis over the Ijarah terms unless another systematic basis are representative of the time pattern of the user's benefit, even if the payments are not on that basis.

4.4 EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLAN

The Company operates an approved funded contributory provident fund for all its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and

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the employees at the rate of ten percent of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions are charged to profit and loss account / other comprehensive income.

COMPENSATED ABSENCES

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

4.5 DEFERRED INCOME - GRANT-IN-AID

Grant was received from United Nations Industrial Development Organization ("UNIDO") under Montreal Protocol for phasing out Ozone Depleting Substance ("ODS"). Grant relating to property, plant and equipment is treated as deferred income and an amount equivalent to depreciation charged on such assets is transferred to profit and loss account / other comprehensive income.

4.6 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are measured at the fair value of the consideration to be paid in future for goods and services received whether billed to the Company or not.

4.7 PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost except free hold land, building on lease hold land and plant and machinery, which are stated at re-valued amount, less accumulated depreciation and any identified accumulated impairment in value. Lease hold land, capital work-in-progress and stores held for capital expenditure are stated at cost. All other assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes borrowing cost as referred to in accounting policy for borrowing cost. Assets produced internally are valued by taking the material at moving average cost, labour at actual cost and factory overheads proportionate to labour cost.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

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Depreciation is charged to profit and loss account / statement of comprehensive income commencing when the asset is ready for its intended use by applying the reducing balance method except for computers, which are depreciated by using the straight-line method. Freehold land is not depreciated.

In respect of additions and disposals during the year, depreciation is charged when the asset is available for use and upto the month preceding the asset's classification as held for sale or de-recognition, whichever is earlier, respectively.

Assets are de-recognised when disposed or when no future economic benefits are expected from its use or disposal. Gains or losses on disposal of assets, if any, are recognised as and when incurred.

Surplus arising on revaluation is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related assets is transferred by the Company to its un-appropriated profits.

ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

4.9 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the excess of the cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. This is stated at cost less any accumulated impairment losses, if any.

TECHNOLOGY TRANSFER

The intangible assets in respect of technology transfer are amortized over the useful life of plant and machinery involved in use of such technology. Amortization of intangible commences when it becomes available for use.

COMPUTER SOFTWARE AND ERP

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the 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.

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for the year ended December 31, 2010

4.10 INVESTMENTS

INVESTMENTS IN EQUITY INSTRUMENTS OF ASSOCIATED COMPANIES

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate have been incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Company's share of net assets of the associate, less any impairment in the value of investment. Losses of an associate in excess of the Company's interest in that associate (which includes any long term interest that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligation or made payment on behalf of the associate.

INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

An investment is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All investments classified as investments at fair value through profit and loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account / other comprehensive income.

DE-RECOGNITION

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.11 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at lower of moving average cost or net realizable value less allowance for obsolete and slow moving items. Stores, spare parts and loose tools in bonded warehouse and in-transit are valued at cost comprising invoice price plus other charges incurred thereon up to the balance sheet date.

4.12 STOCK-IN-TRADE

Stock-in-trade, except for stock-in-transit and stock in bonded warehouse, are valued at lower of cost or net realizable value.

Stock-in-transit and stock in bonded warehouse are valued at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

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The cost in relation to raw material, packing material and goods purchased for resale represent the moving average cost.

Average manufacturing cost in relation to work-in-process and finished goods, consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.

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

4.13 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at their original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

4.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, cash in transit and balances with banks.

4.15 IMPAIRMENT

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account / other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the amount that would have been determined (net of depreciation and amortization), had no impairment loss been recognized in previous years. Reversal of impairment loss is recognized as income.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.16 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

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OFF-SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.17 REVENUE RECOGNITION

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales of goods are recognized when goods are delivered and title has been transferred.
- Commission income is recognized on receipt of credit advice from supplier.
- Profit on saving account and investment is accrued on a time basis with reference to the principal outstanding and at the effective profit rate applicable.
- Dividend income from investments is recognized when right to receive payment has been established.

Contract revenue and contract costs relating to long-term construction contracts are recognized as revenue and expenses respectively by reference to stage of completion of contract activity at the balance sheet date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost 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.

4.18 BORROWINGS

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of amount remaining unpaid, if any. Overdraft also includes cheques issued by the Company in excess of the balances at bank.

4.19 BORROWING COSTS

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

All other borrowing costs are recognized in profit and loss account / other comprehensive income in the period in which these are incurred.

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4.20 TAXATION

CURRENT

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates, losses and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes prior year adjustments, arising due to assessments finalized during the year.

DEFERRED

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" and "Technical Release - 30" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account / other comprehensive income, except in the case of items credited or charged to equity in which case it is included in equity.

4.21 FOREIGN CURRENCIES

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the date of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the balance sheet date, except where forward exchange contracts have been entered into for repayments of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on translation are included in profit and loss account / other comprehensive income for the year.

4.22 RELATED PARTY TRANSACTIONS

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price with reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

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4.23 DIVIDEND

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

4.24 SEGMENT REPORTING

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, share of profit/(loss) of associates, finance costs, and provision for taxes.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment. The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments.

4.25 WARRANTY COST

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

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	Note	December 31, 2010	December 31, 2009
5. AUTHORIZED CAPITAL			
150,000,000 (December 31, 2009: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
100,000,000 (December 31, 2009: 100,000,000) preference shares of Rs. 10 each divided in to:			
62,500,000 'A' class preference shares of Rs. 10 each		625,000	625,000
37,500,000 'B' class preference shares of Rs. 10 each		375,000	375,000
		1,000,000	1,000,000
		2,500,000	2,500,000

6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31 2010	December 31, 2009			
Number of shares		Ordinary shares of Rs. 10 each fully paid		
23,749,434	23,749,434	In cash	237,494	237,494
137,500	137,500	Other than cash:	1,375	1,375
408,273	408,273	- against machinery	4,083	4,083
6,040,820	1,593,725	- issued on acquisition of PEL Appliances Ltd.	60,408	15,937
91,532,718	80,858,023	- issued against conversion of preference shares	915,328	808,581
121,868,745	106,746,955	- as bonus shares	1,218,688	1,067,470
		Fully paid A class preference shares of Rs. 10 each		
44,957,592	52,625,000	In cash	449,576	526,250
166,826,337	159,371,955		1,668,264	1,593,720

6.1 Reconciliation of number of shares of Rs. 10 each:

	December 31, 2010	December 31, 2009
Number of shares		
Ordinary shares		
At beginning of year / period	106,746,955	97,042,687
Add: - Issued during the year as bonus shares	10,674,695	9,704,268
- Issued against conversion of preference shares	4,447,095	-
At end of year / period	121,868,745	106,746,955

6.2 'A' Class Preference Shares

The Company issued 'A' class preference shares to various Institutional Investors amounting to Rs. 605.00 million against authorized share capital of this class amounting to Rs. 625.00 million. As at December 31, 2010 outstanding balance of such preference shares amounted to Rs. 449.58 million (December 31, 2009: Rs. 526.25 million) after partial conversion of Rs. 155.42 million (Rs. 78.75 million in previous years and Rs. 76.67 million during the current year)

Notes to the Financial Statements

for the year ended December 31, 2010

into ordinary shares. The conversion during the year was made after the matter of conversion ratio was resolved by the Securities and Exchange Commission of Pakistan ("SECP"). The SECP issued order to Lahore Stock Exchange (Guarantee) Limited ("LSE") dated February 6, 2009 against the listing of these preference shares. However, the Company took up the matter with the Honorable Lahore High Court which granted the Stay Order against the said order of SECP and also directed LSE not to delist the shares. The matter is pending adjudication to date.

The Company offered Re-profiling of shares to the preference shareholders, who did not convert their preference shares into ordinary shares in response to the conversion notices issued by the Company. The Company has appointed an Advisor who has confirmed that the Investors to the instrument have, in principle, agreed to the Re-profiling Term Sheet and commercial terms and conditions therein. The SECP has allowed the Company to proceed with the Re-profiling subject to fulfillment of legal requirements. The legal documentation has been prepared and circulated amongst the concerned Investors and is due for signing before April 30, 2011. The Re-profiling arrangement is subject to the approval of the share holders.

Voting Right

The revised terms of Re-profiling are:

Coupon Rate

Investors will be entitled to an annual Coupon Rate of 14.70% p.a. (based on 1 year KIBOR as of Modification Date) on cumulative basis.

Voting Right

Preference shares do not carry any voting rights.

Call Option

The Company shall have the option to redeem the Issue in full or in part, within ninety days of the end of the financial year, commencing from the expiry of the 6th anniversary of the Issue Date ("Redemption Period") by giving at least thirty days notice.

The Redemption will be at the option of the Company and subject to availability of funds and compliance with the provisions of Section 85 of the Companies Ordinance 1984.

Company shall create a Capital Redemption Reserve fund in accordance with the provisions of the Companies Ordinance 1984.

Conversion Option

Preference Shares will be convertible only at the option of the Investors into common shares of the Company at the Conversion Date, i.e. Last Business Day of each financial quarter commencing from the 7th (seventh) anniversary of the Issue Date. This option will be available from 7th (seventh) anniversary till the 9th (ninth) anniversary of the Issue. During this period the Investors can convert up to 25% of their preferred shares at the Conversion Ratio by giving a thirty days notice to the Issuer.

In case the Issuer does not exercise the Redemption Option within 60 days of 9th (ninth) anniversary of the Issue, the Investors will have the option to convert their entire holding of preference shares in full or a part at Conversion Price on the Conversion Date by giving a 30 days notice to the Company.

Conversion Ratio

The conversion of preference shares will be based on the Conversion Ratio A/B, where:

Notes to the Financial Statements

for the year ended December 31, 2010

Conversion between 7th and 9th anniversary

- A =** Preference Share price, i.e. Issue Price plus any cumulative unpaid dividends.
- B =** Minimum Conversion Price, i.e. 32.5% discount to the average price of the common share quoted in the daily quotation of Karachi Stock Exchange during the 360 working days prior to the Conversion Date.

Conversion after the 9th anniversary

- A =** PKR 10 plus unpaid dividend.
- B =** Spot Price of PEL Ordinary shares on Conversion Date.

	Note	December 31, 2010	December 31, 2009
(Rupees in thousand)			
7. RESERVES			
Capital:			
Premium on issue of shares	7.1	164,134	131,931
Reserve for bonus shares	7.2	-	-
Revenue:			
Un-appropriated profits		2,733,582	2,461,255
		2,897,716	2,593,186
7.1 Premium on issue of shares			
Balance at beginning of the year / period		131,931	131,931
Add: premium on conversion of preference shares		32,203	-
Balance at end of the year / period		164,134	131,931
7.2 Reserve for bonus shares			
Balance at beginning of the year / period		-	-
Add: transfer for issue of bonus shares during the year / period		106,747	97,043
		106,747	97,043
Less: bonus shares issued during the year / period		106,747	97,043
Balance at end of the year / period		-	-

Notes to the Financial Statements

for the year ended December 31, 2010

	December 31, 2010	December 31, 2009
Note	(Rupees in thousand)	
8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of deferred tax		
Surplus on revaluation of property, plant and equipment at beginning of the year / period	4,373,769	2,788,311
Add: surplus on revaluation of property, plant and equipment during the year / period	-	2,493,480
	4,373,769	5,281,791
Less:		
- deferred taxation relating to surplus on revaluation carried out during the year / period	-	839,731
- transfer to un-appropriated profits on account of incremental depreciation charged during the year / period - net of deferred taxation	211,143	68,291
Surplus on revaluation of property, plant and equipment at end of year / period	4,162,626	4,373,769

9. LONG TERM FINANCING - Secured

Description	Note	Dec. 31 2010	Dec. 31 2009	Mark up	Security	Arrangements and Repayment
		(Rupees in thousand)				
9.1 From banking companies and financial institutions						
Demand finance		72,970	150,000	KIBOR plus 3.00% per annum (December 31, 2009: KIBOR plus 3.00% per annum). KIBOR (six months average ask side rate) will be set on the last working day at the beginning of each bi-annual period for the mark-up due at the end of that period. (Rate setting date.)	First pari passu charge over fixed assets of the Company and personal guarantees of sponsoring directors of the Company.	This loan was obtained from the National Bank of Pakistan. Sixteen quarterly equal installments of Rs. 18.750 million each would be paid commencing from December 31, 2007.
Demand finance II		-	20,075	Aggregate mark-up is of Rs. 4.971 million.	First registered hypothecation charge over current assets of the Company ranking pari passu charge in favour of Askari Commercial Bank. First registered pari passu charge by way of equitable mortgage of Company's fixed assets. Personal guarantees of all the directors.	This loan was obtained from the Muslim Commercial Bank Limited. Markup and principal has been paid semiannually in four installments commencing from the January 2008. The loan has been paid off during the year.
Term finance		-	37,334	Six month KIBOR plus 260 bps (December 31, 2009: Six months KIBOR plus 260 bps).	Charge on present and future fixed assets of the Company. Shares with 30% margin to be maintained at all times.	This loan was obtained from the Pak Oman Investment Company. Markup has been paid on quarterly basis in arrears, whereas principal amount has been repaid in Six (6) quarterly equal installments, commencing from February 6, 2009. The loan has been paid off during the year.
Sukuk Funds (I)		600,000	942,857	Three month KIBOR plus 175 bps (December 31, 2009: Three (3) month KIBOR plus 175 bps) with Floor of 10% and Cap of 25%. Three months KIBOR will be set on the last business day before the first drawdown and subsequently on the last business day prior to the beginning of each semi-annual period for the usage payment due at the end of the period.	First pari passu charge on present and future plant and machinery of the Company amounting to Rs. 1,600 million.	These were issued for the purpose of refinance of existing machinery with diminishing musharaka facility. Profit would be paid on quarterly basis in arrears, whereas principal amount would be paid in Fourteen consecutive quarterly units commencing from June 30, 2009.

Notes to the Financial Statements

for the year ended December 31, 2010

Description	Note	Dec. 31 2010 (Rupees in thousand)	Dec. 31 2009	Mark up	Security	Arrangements and Repayment
Sukuk Funds (II)		1,100,000	1,100,000	Three month KIBOR plus 100 bps (December 31, 2009: Three month KIBOR plus 100 bps) with Floor of 8% and Cap of 25%. Three months KIBOR will be set on the last business day before the first drawdown and subsequently on the last business day prior to the beginning of each semi-annual period for the usage payment due at the end of the period.	First pari passu charge on present and future property, plant and machinery of the Company amounting to Rs. 1,467 million.	These were issued for the purpose of refinance of existing machinery with diminishing musharaka facility. Profit would be paid on quarterly basis in arrears, whereas principal amount would be paid in Sixteen consecutive quarterly units commencing from June 30, 2011.
Term finance		475,000	500,000	Three month KIBOR ask side plus 300 bps (December 31, 2009: Three month KIBOR ask side plus 300 bps).	First charge on present and future fixed assets of the company with 25% margin, assignments of receivables two times of monthly requirements, personal guarantees of sponsoring directors of the Company and mortgage of Land or any other security acceptable to Pak-Libya up to 50% of the financing amount.	This syndicate term finance is obtained from the Pak-Libya Holding Company (Private) Limited for the purpose of meeting its existing operational expenses. Markup on it would be paid on quarterly basis in arrears, whereas principal amount shall be paid in twenty quarterly equal installments of Rs. 25 million each commencing from August 26, 2010.
Demand Finance		466,666	600,000	Three month KIBOR average ask side plus 3% per annum (December 31, 2009: Three month KIBOR average ask side plus 3% per annum). KIBOR will be set on the last working day before start of the calendar quarter for which mark-up is to be applied.	First charge of Rs. 750 million on fixed assets of new transformer unit and first charge on all present and future fixed assets of Rs 250 million out of existing charge by way execution joint pari passu agreement.	This loan was obtained from the National Bank of Pakistan for the purpose of setting up a new Transformer Manufacturing plant of the Company. Mark-up shall be paid on quarterly basis in arrears, whereas principal amount would be paid in eighteen consecutive quarterly installments of Rs. 33.333 million each, with six months grace period, commencing from December 31, 2009.
Term finance PPTFCs		912,500	1,050,000	Six months KIBOR plus 300 bps (December 31, 2009: Six months KIBOR plus 300 bps). KIBOR will be set for the first time on the issue date and then on the first day of the start of each six month period form mark-up due at the end of that period.	First pari passu charge over fixed assets including land, building, plant and machinery to fully secure facility amount with 25% margin in favors of the trustee. Personal guarantee of Mr. Naseem Saigol.	Company had issued Privately Placed Term Finance Certificates ("PPTFCs") of Rs. 50 million each for the purpose of financing its capacity expansion program. It arranged from the Faysal Bank Limited (Trustee), Pak Iran Joint Investment Company Limited and Bank of Punjab. Redemption of PPTFC will be in Twelve half yearly installments commencing from March 31, 2010. Profit would be paid semi annually.
Demand finance IV - SUKUK		342,859	171,430	6 months KIBOR + 250 bps (December 31, 2009: 6 months KIBOR + 250 bps). KIBOR will be set on the last working day before start of the calendar half year for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Company and personal guarantee of sponsoring directors of the company.	This loan was obtained from National Bank of Pakistan. This loan has limit up to Rs. 342.856 million. Principal amount would be paid in twelve quarterly installments of Rs. 28.571 million in arrears. Grace period of one and half year up to March 31, 2011.
Demand finance III		400,000	291,050	6 months KIBOR + 250 bps (December 31, 2009: 6 months KIBOR + 250 bps). KIBOR will be set on the last working day before start of the calendar half year for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Company and personal guarantee of sponsoring directors of the company.	This loan was obtained from National Bank of Pakistan to support the Capacity Expansion Program (CAPEX) of the company. This loan has the limit upto 400 million. Mark-up would be paid on quarterly basis. Principal amount will be paid in 16 quarterly installments of Rs. 25 million each with 1st installment became due on December 31, 2010 including the grace period of one year upto December 31, 2010.

Notes to the Financial Statements

for the year ended December 31, 2010

Description	Note	Dec. 31 2010 (Rupees in thousand)	Dec. 31 2009	Mark up	Security	Arrangements and Repayment
Demand Finance Re-profiled		898,927	-	3 months KIBOR + 175 bps. KIBOR will be set on the last working day before start of the calendar quarter for which mark-up is to be applied.	First pari passu charge over the Fixed assets of the Company, hypothecation over all the present and future moveable fixed assets of the company, mortgage over the immovable property of the company and personal guarantees of sponsor directors of the company.	This loan is obtained from National Bank of Pakistan for the long term working capital lines of the company. Mark-up shall be paid on quarterly basis whereas, Principal amount shall be paid in 16 quarterly installments of Rs. 56.250 million each.
Term Finance		435,937	-	Three month KIBOR average ask side plus 3.50% per annum. KIBOR will be set at the start of three monthly period.	Registered hypothecation charge over present and future fixed assets (other than land and building). Mortgage by way of constructive deposit of the title deeds over the immovable properties. Right to present and future DISCOs Receivables. Lien over the balances in the collection accounts and installment reserve accounts.	This syndicate term finance is obtained from the Standard Chartered Bank (Pakistan) Limited for the purpose of meeting its permanent working capital requirements. Markup on it shall be paid on quarterly basis, whereas principal amount shall be paid in thirty two quarterly equal installments of Rs. 14.062 million each commencing from 5th month from the date of first disbursement.
Musharaka		387,500	-	Three month KIBOR average ask side plus 3.50% per annum. KIBOR will be set at the start of three monthly period.	Registered hypothecation charge over present and future fixed assets (other than land and building). Mortgage by way of constructive deposit of the title deeds over the immovable properties. Right to present and future DISCOs Receivables. Lien over the balances in the collection accounts and installment reserve accounts.	This syndicate musharaka is obtained from the Standard Chartered Bank (Pakistan) Limited for the purpose of meeting its permanent working capital requirements. Markup on it shall be paid on quarterly basis, whereas principal amount shall be paid in thirty one quarterly equal installments of Rs. 12.5 million each commencing from 5th month from the date of first disbursement.
Total		6,092,359	4,862,746			
Less: current portion		1,138,026	783,597			
		4,954,333	(783,597)			

9.2 The Company has issued twenty one privately placed TFCs (PPTFCs) of Rs. 50 million each to various financial institutions for the purpose of expansion of its power division. FAYSAL BANK LIMITED has been appointed as trustee to the PPTFCs issue. Reserve fund equal to 1/6th of the installment amount on monthly basis to be maintained in FAYSAL BANK LIMITED.

9.3 These facilities carry mark-up rate ranging from 13.27% to 16.27% (December 31, 2009: 12.60% to 16.73%).

Notes to the Financial Statements

for the year ended December 31, 2010

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

	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
Maturity		
6 months or less	607,790	383,003
6-12 months	530,236	400,594
1-5 years	4,954,333	3,710,399
Over 5 years	-	368,750
	6,092,359	4,862,746

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	110,961	202,327
Less Current portion	96,185	82,959
	14,776	119,368

- 10.1 The Company has entered into lease agreements with various leasing companies, banks and modarabas to acquire various assets. The rentals under these lease agreements are payable on monthly / quarterly basis in arrears and are subject to mark-up rate ranging from 14.40% to 16.22% (December 31, 2009: 12.36% to 16.58%) per annum.

Purchase options are available to the Company after the expiry of lease periods. The Company intends to exercise this option to purchase the leased assets at its salvage value upon the completion of respective lease periods.

Taxes, repairs and insurance costs are borne by the Company.

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

	December 31, 2010		December 31 2009	
 (Rupees in thousand)			
	Minimum lease payments	Present value	Minimum lease payments	Present value
Not later than one year	103,411	96,185	103,925	82,959
Later than one year but not later than five years	15,512	14,776	120,908	119,368
	118,923	110,961	224,833	202,327
Less: amount representing finance cost	7,962	-	22,506	-
Present value of minimum lease payments	110,961	110,961	202,327	202,327
Less: current portion	96,185	96,185	82,959	82,959
	14,776	14,776	119,368	119,368

Notes to the Financial Statements

for the year ended December 31, 2010

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

	December 31, 2010	December 31, 2009
Note	(Rupees in thousand)	
Maturity		
6 months or less	76,204	39,779
6 - 12 months	19,981	43,180
1 - 5 years	14,776	119,368
	110,961	202,327

11. DEFERRED TAXATION

Deferred taxation	11.1	2,751,515	2,883,631
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11.1 This comprises following:

Deferred tax liability on taxable temporary differences:

- tax depreciation allowance	1,362,464	1,286,768
- finance lease	55,715	70,804
- surplus on revaluation of property, plant and equipment	2,160,156	2,273,849
	3,578,335	3,631,421

Deferred tax asset on deductible temporary differences:

- provision for obsolete and slow moving inventories	(8,883)	(7,735)
- provision for doubtful debts and advances	(104,734)	(76,483)
- available tax losses	(504,917)	(628,646)
- provision for leave absences	(10,870)	(10,870)
- minimum tax adjustable against future tax liability	(197,416)	(24,056)
	(826,820)	(747,790)

	2,751,515	2,883,631
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Notes to the Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
	Note	(Rupees in thousand)	
12. DEFERRED INCOME			
Deferred income on:			
- grant-in-aid	12.1	55,442	58,360
- sale and lease back activities	12.2	19,493	42,748
		74,935	101,108
12.1 Grant-in-aid			
Balance at beginning of the year / period		58,360	59,857
Less: transferred to income	32	2,918	1,497
Balance at end of the year / period		55,442	58,360

The UNIDO vide its contract number 2000/257 dated December 15, 2000 out of the multilateral fund for the implementation of the Montreal Protocol, has given grant-in-aid to the Company for the purpose of phasing out ODS at the Refrigerator and Chest Freezer Plant of the Company. The total grant-in-aid of US \$ 1,367,633 (Rs. 91,073,838) comprises the capital cost of the project included in fixed assets amounting to US \$ 1,185,929 (Rs. 79,338,650) and grant recoverable in cash of US \$181,704 (Rs. 11,735,188) being the incremental operating cost for six months.

The grant recoverable in cash amounting to Rs.11,735,188 was recognized as income in the year of receipt i.e. year ended June 30, 2001. The value of machinery received in grant was capitalized in year 2001 which started its operation in January 2003. The grant amounting to Rs. 2,918,000 (December 31, 2009: Rs. 1,496,500) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

12.2 Sale and lease back activities

Gain on sale and lease back activities at beginning of the year		42,748	50,350
Addition made during the year / period		-	6,006
		42,748	56,356
Less: transferred to income	32	23,255	13,608
Gain on sale and lease back activities at end of the year / period		19,493	42,748

This represents the balance of sale proceeds over the carrying amount of machinery and vehicles under the sale and lease back arrangements that resulted in finance lease. The excess is being amortized over the lease period of three years.

Notes to the Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
	Note	(Rupees in thousand)	
13. TRADE AND OTHER PAYABLES			
Creditors		548,939	363,509
Foreign bills payable	13.1	486,505	531,614
Accrued liabilities		106,206	74,409
Advances from customers		203,144	147,533
Employees' provident fund		8,626	7,643
Compensated absences		19,288	31,057
Advance against contracts	38	15,976	57,135
Workers' profit participation fund	13.2	14,028	34,740
Workers' welfare fund		16,582	11,252
Others		77,195	25,188
		1,496,489	1,284,080

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

13.2 Workers' profit participation fund

Balance at beginning of year / period		34,740	21,138
Add: interest on funds utilized in the Company's business	36	2,145	1,585
- allocation for the year / period	35	14,028	12,017
Less: amount paid during year / period		36,885	-
Balance at end of year / period		14,028	34,740

13.3 Interest on workers' profit participation fund has been provided at the rate of 15.00% (2009: 15.00%) per annum.

14. INTEREST / MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

Mark up accrued on:			
- long-term financing		91,311	94,590
- liabilities against assets subject to finance lease		7	73
- short-term borrowings		288,879	239,100
		380,197	333,763

Notes to the Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
(Rupees in thousand)			
15. SHORT-TERM BORROWINGS			
Secured			
Borrowings from:			
- banking companies	15.2	5,335,445	4,234,131
- non banking finance companies (NBFCs)	15.3	77,778	100,000
		5,413,223	4,334,131
Unsecured			
Book overdraft	15.4	481,854	372,759
		5,895,077	4,706,890

15.1 These facilities have been obtained from various banks under mark-up arrangements for working capital requirements and carrying mark-up rate ranging from 14.27% to 18.30% (December 31, 2009: 14.45% to 17.76%) per annum. These facilities are secured against the pledge / hypothecation of raw materials and components, work-in-process, finished goods, machinery, spare parts, charge over book debts, shares of public companies, and other assets having aggregate value of Rs. 7,271 million (December 31, 2009: Rs. 4,550 million) and personal guarantees of the sponsoring directors of the Company. These facilities are generally for a period of one year and renewed at the end of the period.

15.2 This facility has been obtained from NBFCs for purchase of raw material and carries mark-up rate ranging from 14.43% to 15.37% (December 31, 2009: 13.59% to 16.73%) per annum. This facility is secured against first pari-passu charge on fixed assets of the company inclusive of 25% margin to be maintained at all times and personal guarantees of the directors of the Company.

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

Notes to the Financial Statements

for the year ended December 31, 2010

16. CONTINGENCIES AND COMMITMENTS

The banks and insurance companies have issued guarantees, letters of credit and discounting of receivables on behalf of the Company as detailed below:

	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
16.1 Contingencies		
Tender bonds	248,101	204,293
Performance bonds	668,771	637,473
Advance guarantees	547,367	181,864
Custom guarantees	13,051	13,051
Bills discounted	2,366,697	1,853,454
Foreign guarantees	94,074	9,393

The Company received notices from Excise and Taxation Department, Karachi regarding professional tax from the year 2001 amounting to Rs. 100,000 for the Company and Rs. 1,650 for the employees of the Company (which total to Rs. 101,650 per year). The liability accumulates to Rs. 1,016,500 till December 31, 2009. However, the Company pays professional tax in the province of Punjab and therefore has taken up the matter to the Honorable Sindh High Court. The matter is pending adjudication to date. No provision has been made in these financial statements as the management is confident that the decision will be made in favour of the Company.

16.2 Commitments

Letters of credit	751,506	1,590,575
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The aggregate amount of ujrah payments for Ijarah financing and the period in which these payments will become due are as follows:

Not later than one year	65,881	95,748
Later than one year but not later than five years	59,437	66,010
	125,318	161,758

Notes to the Financial Statements

for the year ended December 31, 2010

17. PROPERTY, PLANT AND EQUIPMENT AT DECEMBER 31, 2010

(Rupees in thousand)

Particulars	Cost / revaluation			Accumulated depreciation				Book value as at Dec. 31, 2010	Annual rate of depreciation	
	As at January 01, 2010	Additions/ (disposals)	Transfer/ adjustment	As at December 31, 2010	As at January 01, 2010	Charge for the period	Transfers/ (disposals) / (Adjustments)			As at December 31, 2010
Owned										
Leasehold land	13,256	-	-	13,256	-	-	-	-	13,256	
Freehold land	270,793	56,019	-	326,812	-	-	-	-	326,812	
Building on leasehold land	1,227,258	-	-	1,227,258	272,746	47,726	-	320,472	906,786	5%
Building on freehold land	2,409,216	-	-	2,409,216	11,911	119,865	-	131,776	2,277,440	5%
Plant and machinery	10,754,189	369,432 (68,490)	94,986	11,150,117	1,547,835	467,034	9,122 (2,914)	2,021,077	9,129,040	5%
Office equipment and furniture	155,147	24,739 (1,122)	-	178,764	50,111	12,196	- (304)	62,003	116,761	10%
Computer hardware & allied items	72,260	13,033	-	85,293	37,151	12,929	-	50,080	35,213	30%
Vehicles	119,504	15,944 (26,813)	32,684	141,319	69,959	11,220	10,490 (10,357)	81,312	60,007	20%
	15,021,623	479,167 (96,425)	127,670	15,532,035	1,989,713	670,970	19,612 (13,575)	2,666,720	12,865,315	
Held under finance lease										
Plant and machinery	350,193	-	(94,986)	255,207	9,705	15,832	(9,122)	16,415	238,792	5%
Vehicles	75,078	1,225	(32,684)	43,619	10,942	11,213	(10,490)	11,665	31,954	20%
	425,271	1,225	(127,670)	298,826	20,647	27,045	(19,612)	28,080	270,746	
Capital work-in-progress										
Building on leasehold land	4,849	137,260	-	142,109	-	-	-	-	142,109	
Building on freehold land	15,710	95,655	-	111,365	-	-	-	-	111,365	
Plant and machinery	45	45,129	-	45,174	-	-	-	-	45,174	
	20,604	278,044	-	298,648	-	-	-	-	298,648	
December 31, 2010	15,467,498	758,436 (96,425)	127,670 (127,670)	16,129,509	2,010,360	698,015	19,612 (33,187)	2,694,800	13,434,709	

17.1 Transfer to owned assets includes both transfers from capital work-in-progress on the related assets becoming available for use and leased assets on completion of the respective lease arrangements.

	Note	December 31, 2010	December 31, 2009
(Rupees in thousand)			
17.2 Depreciation for the year / period has been allocated as under:-			
Cost of sales	31.1	674,236	204,674
Administrative expenses	34	23,779	11,906
		698,015	216,580

Notes to the Financial Statements

for the year ended December 31, 2010

17.3 Property, plant and equipment at December 31, 2009

(Rupees in thousand)

Particular	Cost / revaluation					Accumulated depreciation				Book value as at Dec. 31, 2009	Annual rate of depreciation	
	As at July 01, 2009	Additions/ (disposals)	Transfer/ (adjustment)	Revaluation Surplus	As at Dec. 31, 2009	As at July 01, 2009	Charge for the period	Transfers/ (disposals) / (adjustments)	As at Dec. 31, 2009			
Owned												
Leasehold land	13,256	-	-	-	13,256	-	-	-	-	13,256		
Freehold land	174,468	2,077	-	94,248	270,793	-	-	-	-	270,793		
Building on leasehold land	1,195,183	-	32,075	-	1,227,258	249,140	23,606	-	272,746	954,512	5%	
Building on freehold land	6,508	-	1,737,980	664,728	2,409,216	4,438	7,473	-	11,911	2,397,305	5%	
Plant and machinery	7,148,750	268,824 (49,840)	1,651,951	1,734,504	10,754,189	1,399,608	152,010	5,845 (9,628)	1,547,835	9,206,354	5%	
Office equipment and furniture	135,078	20,069	-	-	155,147	45,140	4,971	-	50,111	105,036	10%	
Computer hardware & allied items	68,455	3,805	-	-	72,260	31,243	5,908	-	37,151	35,109	30%	
Vehicles	132,015	5,554 (19,558)	1,493	-	119,504	68,977	6,201	221 (5,440)	69,959	49,545	20%	
	8,873,713	300,329 (69,398)	3,423,499	2,493,480	15,021,623	1,798,546	200,169	6,066 (15,068)	1,989,713	13,031,910		
Held under finance lease												
Plant and machinery	390,245	44,000	(84,052)	-	350,193	5,870	9,680	(5,845)	9,705	340,488	5%	
Vehicles	67,475	9,096	(1,493)	-	75,078	4,432	6,731	(221)	10,942	64,136	20%	
	457,720	53,096	(85,545)	-	425,271	10,302	16,411	(6,066)	20,647	404,624		
Capital work-in-progress												
Building on leasehold land	33,494	3,430	(32,075)	-	4,849	-	-	-	-	4,849		
Building on freehold land	1,143,122	610,568	(1,737,980)	-	15,710	-	-	-	-	15,710		
Plant and machinery	1,020,821	547,123	(1,567,899)	-	45	-	-	-	-	45		
	2,197,437	1,161,121	(3,337,954)	-	20,604	-	-	-	-	20,604		
December 31, 2009	11,528,870	1,514,546 (69,398)	3,423,499 (3,423,499)	2,493,480	15,467,498	1,808,848	216,580	6,066 (21,134)	2,010,360	13,457,138		

17.4 Disposal of property, plant and equipment

(Rupees in thousand)

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
Vehicles							
Honda City	791	585	206	725	519	As per Company's Policy	Zafer Pir Zada
Suzuki Baleno	774	561	213	170	(43)	-do-	Ahmed Jamshed
Suzuki Mehran	390	128	262	114	(148)	-do-	M Asif
Toyota Corolla	969	697	272	288	16	-do-	Imtiaz Ahmed
Suzuki Alto	521	217	304	497	193	-do-	Rehan A Razaq
D. Couré	492	167	325	252	(73)	-do-	Ch Arshad
Suzuki Mehran	470	139	331	378	47	-do-	Shah Nawaz
Suzuki Cultus	655	323	332	59	(273)	-do-	A Sami Shakir
Hundai Santro	628	241	387	564	177	-do-	M Zubair
Suzuki Cultus	640	232	408	600	192	-do-	Kashif Manzoor Sherazi
Suzuki Mehran	504	95	409	451	42	-do-	Sabir Hussain
Honda Civic	1,228	807	421	324	(97)	-do-	Syed Umer Farooq
Honda Civic	1,143	657	486	258	(228)	-do-	Liaqat H Minto
Suzuki Cultus	682	157	525	660	135	-do-	Asif
Toyota Corolla	910	222	688	530	(158)	-do-	Alamgir Shams awan
Suzuki Mehran	433	152	281	390	109	Sales & Lease back	Al Baraka Islamic Bank
Suzuki Liana	845	277	568	700	132	-do-	Al Baraka Islamic Bank
Suzuki Mehran	433	142	291	390	99	-do-	Al Baraka Islamic Bank
Honda City	872	285	587	872	285	-do-	Al Baraka Islamic Bank
Honda Civic	1,457	442	1,015	1,388	373	-do-	Al Baraka Islamic Bank
Suzuki Mehran	534	-	534	534	-	-do-	Standard Chartered Modaraba
Suzuki Alto	680	-	680	680	-	-do-	Standard Chartered Modaraba
Suzuki Cultus	868	-	868	868	-	-do-	Standard Chartered Modaraba
Suzuki Cultus	868	-	868	868	-	-do-	Standard Chartered Modaraba
Honda Civic	155	-	155	1,579	1,424	Negotiation	Saleem
Honda City	88	-	88	755	667	-do-	Nasir
Suzuki Liana	845	267	578	710	132	-do-	Imran
Suzuki Cultus	875	295	580	780	200	-do-	Kamran
Suzuki Cultus	682	202	480	660	180	-do-	Farooq
Toyota Corolla	230	21	209	1,365	1,156	-do-	Kamran
Suzuki Cultus	834	-	834	834	-	-	Rectify & reversal
	21,496	7,311	14,185	19,243	5,058		
Other vehicles	5,317	3,046	2,271	6,175	3,904	As per Company's Policy	Various Individuals
Machinery	39,041	1,658	37,383	35,000	(2,383)	Sales & Lease Back	First Punjab Modaraba
Other Machinery	29,448	1,256	28,192	28,192	-		
Office Equipment	1,122	304	818	172	(646)	As per Company's Policy	
December 31, 2010	96,424	13,575	82,849	88,782	5,933		
December 31, 2009	69,398	15,068	54,330	59,220	4,890		

Notes to the Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
	Note	(Rupees in thousand)	
17.5	Gain/(loss) has been allocated as follows:		
Gain/(loss) on disposal of Property, plant and equipment	32	7,318	748
Deferred income on sale and lease back		998	6,006
Loss on sale and lease back	35	(2,383)	(1,864)
		5,933	4,890

- 17.6** The latest revaluation of building on free hold land, buildings and plant and machinery was carried out by M/S. Asif Associates (Pvt.) Ltd. independent valuers on the Pakistan Bankers' Association as on December 31, 2009, which resulted in revaluation surplus of Rs. 2,494 million and incorporated in the financial statements for the period ended December 31, 2009. The previous revaluation of building on lease hold land and plant and machinery was carried out in 1999 and surplus was determined at Rs. 910 million. Further revaluation was carried out in 2001 with additional surplus of Rs.144 million and further revaluation was carried out in December 2006 by M/S. Hamid Mukhtar & Co. (Pvt.) Limited, which resulted in additional surplus of Rs. 603 million. Revaluation was carried out again on freehold land, building on lease hold land and plant and machinery in 2008 by M/S. Hamid Mukhtar & Co. (Pvt.) Limited, which resulted in additional surplus of Rs. 1,751 million. During the year ended June 30, 2009 revaluation was again carried out by M/S. Asif Associates (Pvt.) Ltd. resulting in a revaluation surplus of Rs. 1,449 million.

The basis used for revaluation of these property, plant and equipment are as follows:

Free hold land	The value of free hold land is ascertained according to the local market value.
Buildings	Present day construction rates for different types of building structures depreciated to account for the age and condition of the building.
Plant and machinery	The value has been determined with reference to prevailing prices of similar plants and machinery depreciated to account for the age, usage and physical condition.

- 17.7** Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at December 31, 2010 would have been as follows:

	Cost	Accumulated depreciation	Book value
	(Rupees in thousand)		
Freehold land	175,909	-	175,909
Building on lease hold land	2,479,109	160,473	2,318,636
Plant and machinery	5,084,906	647,642	4,437,264
December 31, 2010	7,739,924	808,115	6,931,809
December 31, 2009	7,314,303	1,132,951	6,181,352

Notes to the Financial Statements

for the year ended December 31, 2010

18. INTANGIBLE ASSETS AT DECEMBER 31, 2010

(Rupees in thousand)

	Cost			Accumulated Amortization			Net book value as at December 31, 2010	
	As at January 01, 2010	Impairment losses	Additions	As at December 31, 2010	As at January 01, 2010	Amortization for the period		As at December 31, 2010
Technology transfer agreement	75,434	-	-	75,434	8,643	3,340	11,983	63,451
Goodwill	533,235	80,325	-	452,910	91,859	-	91,859	361,051
Software	1,619	-	2,696	4,315	212	1,162	1,374	2,941
Intangible assets under development - ERP	1,560	-	28,741	30,301	-	-	-	30,301
	611,848	80,325	31,437	562,960	100,714	4,502	105,216	457,744

18.1 Intangible assets at December 31, 2009

(Rupees in thousand)

	Cost			Accumulated Amortization			Net book value as at December 31, 2009	
	As at July 01, 2009	Impairment losses	Additions	As at December 31, 2009	As at July 01, 2009	Amortization for the period		As at December 31, 2009
Technology transfer agreement	75,434	-	-	75,434	6,930	1,713	8,643	66,791
Goodwill	606,867	73,632	-	533,235	91,859	-	91,859	441,376
Software	-	-	1,619	1,619	-	212	212	1,407
Intangible assets under development - ERP	-	-	1,560	1,560	-	-	-	1,560
	682,301	73,632	3,179	611,848	98,789	1,925	100,714	511,134

18.2 The Company has obtained technology of single phase meters, three phase digital meters and also of power transformers from different foreign companies. These are amortized on the same rate as of the depreciation of the relevant plant.

18.3 The Company has acquired different software for its business purpose. These have been amortized @ 33.33% per annum on reducing balance method.

18.4 Goodwill represents the difference between the cost of the acquisition (fair value of consideration paid) and the fair value of the net identifiable assets acquired at the time of acquisition of Pel Appliances Limited and Pel Daewoo Electronics Limited by Pak Elektron Limited.

The Company engaged RAHMAN SARFARAZ RAHIM IQBAL RAFIQ, Chartered Accountants (the "Consultants") in December 2009 to carry out detailed review and analysis of the business plan and financial information for valuation of goodwill that was recognized on acquisition of Pel Daewoo Electronics Limited. The scope of the consultancy, in accordance with International Standards on Assurance Engagements, was to examine the prospective financial information and value in use of TV Assembly Line. The scope also included examination of the underlying assumptions and the bases used for the preparation of the prospective financial information and the derived value in use.

The recoverable amount was calculated by the Consultants on the basis of financial business plan prepared by the management. The prospective results have not been achieved by the Company so far due to economic uncertainties. Based on the Prudence Concept, impairment loss in goodwill of Rs. 80.325 million (December 31, 2009: Rs. 73.63 million) has been assessed in these financial statements. The discount rate of 17% p.a. (December 31, 2009: 17% p.a) was used for the calculation of discounted cash flows. The cash flows beyond the five years period have been extrapolated using a steady 3% p.a. growth rate which is consistent with the long-term average growth rate for the industry.

Notes to the Financial Statements

for the year ended December 31, 2010

	December 31, 2010	December 31, 2009
19. LONG-TERM INVESTMENTS		
Investment in associate at equity method - Quoted Kohinoor Power Company Limited		
Ownership interest %	23.10	23.10

	December 31, 2010	December 31, 2009
Note	(Rupees in thousand)	
Cost of investment		
2,910,600 shares (December 31, 2009: 2,910,600 shares)	54,701	54,701
Share of post acquisition profit - net of dividend received	66,912	61,623
	121,613	116,324
Less: provision for impairment in value of investment	35 108,166	93,418
	13,447	22,906

19.1 The associated company has not been able to pay dividend since 2003. Further, the chances of improvement in its result are remote and depend upon heavy capital investment. Considering all these factors, the amount of investment has been impaired to the extent that is recoverable from the sale of shares.

19.2 Extracts of financial statements of the associated company

The assets, liabilities and equity of Kohinoor Power Company Limited as at December 31, 2010 and related revenue and profit for the half year then ended based on latest un-audited financial statements are as follows:

Assets	450,450	432,070
Liabilities	33,344	37,861
Revenue	762,787	392,994
Profit for the year	22,897	10,556
Share of profit of associate	5,289	2,438
Market value per share (Rupees)	4.62	7.87

20. LONG-TERM DEPOSITS

Security deposits with leasing companies		51,097	65,634
Less: current portion	25	22,202	20,102
		28,895	45,532
Other deposits		46,620	46,620
		75,515	92,152

Notes to the Financial Statements

for the year ended December 31, 2010

	December 31, 2010	December 31, 2009
Note	(Rupees in thousand)	
21. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	2,124	2,299
Spare parts	81,732	64,463
Loose tools	41,802	35,258
	125,658	102,020
Less: provision for slow moving and obsolete items	17,253	11,299
	108,405	90,721

22. STOCK-IN-TRADE

Raw material and components		
- in stores	2,531,378	1,662,365
- in-transit	1,473,448	580,437
Less: provision for slow moving and obsolete items	7,592	10,801
	3,997,234	2,232,001
Work-in-process	874,748	756,549
Finished goods	780,642	838,729
Less: provision for slow moving and obsolete items	535	535
	780,107	838,194
	5,652,089	3,826,744

22.1 Stocks with carrying value of Rs. 3,745 million (December 31, 2009: Rs. 2,645 million) have been pledged as security with certain banks against financing facilities.

23. TRADE DEBTS - unsecured

Considered good:		
- against sale of goods	2,815,348	2,492,388
- against execution of contracts	23.1 1,109,424	734,831
	3,924,772	3,227,219
Considered doubtful	202,168	141,972
	4,126,940	3,369,191
Less: provision for doubtful debts	23.2 202,168	141,972
	3,924,772	3,227,219

23.1 These include receivables from Kohinoor Industries Limited - associated company in the ordinary course of business amounting to Rs. Nil (December 31, 2009: Rs. 25.78 million).

Notes to the Financial Statements

for the year ended December 31, 2010

	December 31, 2010	December 31, 2009
Note	(Rupees in thousand)	
23.2 Movement in provision during the year		
	141,972	106,287
Balance at beginning of the year / period	60,196	35,685
Provision for the year / period	202,168	141,972
Balance at the end of the year / period		
24. ADVANCES		
Advances to employees - Considered good:		
- purchases	23,783	14,468
- expenses	32,419	15,423
- traveling	3,703	3,984
- others	1,128	1,372
24.1	61,033	35,247
Advances to employees - considered doubtful	1,449	1,449
Less: Provision for doubtful advances	1,449	1,449
	61,033	35,247
Advances to suppliers and contractors	573,097	698,180
Less: Provision for doubtful advances against suppliers	97,072	76,551
	476,025	621,629
Retention money:		
- for contracts in progress	143,553	150,587
- for completed contracts	-	18,344
	143,553	168,931
38	680,611	825,807

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

24.2 These include advance to Red Communication Arts Private Limited related party in ordinary course of business amounting to Rs. Nil (December 31, 2009: Rs. 70.078 million).

Notes to the Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
	Note	(Rupees in thousand)	
25. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Security deposits		33,742	28,215
Less: provision for security deposits considered doubtful		5,379	5,379
		28,363	22,836
Current portion of long-term deposits	20	22,202	20,102
Margin deposits		166,030	115,177
Prepayments		29,145	31,218
Letters of credit		1,526	4,630
		247,266	193,963

26. OTHER FINANCIAL ASSETS

Investments at fair value through profit or loss

Standard Chartered Bank (Formerly Union Bank Limited)	26.1	26,446	27,522
Wateen Telecom Limited	26.2	364	-
		26,810	27,522

26.1 Standard Chartered Bank (Formerly Union Bank Limited)

3,075,070 (2009: 3,075,070) ordinary shares of Rs. 10 each

Balance at beginning of the year / period	27,522	26,107
(Loss) / gain due to change in the fair value of investment	(1,076)	1,415
	26,446	27,522

26.1.1 Market value per share is Rs. 8.60 (December 31, 2009: Rs. 8.95)

26.2 Wateen Telecom Limited 100,000 (2009: Nil) ordinary shares of Rs. 10 each

Balance at beginning of the year / period	-	-
Shares purchased during the year / period	1,000	-
	1,000	-
Loss due to change in the fair value of investment	(636)	-
	364	-

26.2.1 Market value per share is Rs. 3.64 as at December 31, 2010.

Notes to the Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
	Note	(Rupees in thousand)	
27. SALES TAX REFUNDABLE			
Sales tax refundable		169,589	154,374
28. CASH AND BANK BALANCES			
In local currency			
Cash in hand		10,065	3,464
Balances with banks			
in current accounts		283,681	119,792
in deposit account	28.1	50,000	-
		333,681	119,792
In foreign currency			
US Dollar account ((US \$ 84.95 @ Rs.85.77)			
(December 31, 2009: US \$ 82.90 @ Rs. 84.00))		7	7
		343,753	123,263

28.1 This represents deposit account under lien with Trust Investment Bank Limited carrying return at the rate of 3 months KIBOR plus 1% p.a.

		Year ended December 31, 2010	Six months ended December 31, 2009
	Note	(Rupees in thousand)	
29. REVENUE			
Contract revenue	38	507,842	372,909
Sales - Local		19,128,378	4,773,557
Sales - Export		259,228	56,686
		19,895,448	5,203,152
30. SALES TAX AND DISCOUNT			
Sales tax and excise duty		1,910,901	484,647
Trade discounts		461,891	87,074
		2,372,792	571,721

Notes to the Financial Statements

for the year ended December 31, 2010

		Year ended December 31, 2010	Six months ended December 31, 2009
		(Rupees in thousand)	
31. COST OF SALES	Note		
Finished goods at beginning of the year / period		838,729	403,736
Cost of goods manufactured	31.1	13,208,099	3,224,249
Finished goods purchased		198,498	120,821
		13,406,597	3,345,070
Finished goods at end of the year / period		(780,642)	(838,729)
Cost of goods sold		13,464,684	2,910,077
Contract cost	38	350,070	238,324
		13,814,754	3,148,401
31.1 Cost of goods manufactured			
Work-in-process at beginning of the year / period		756,549	397,145
Raw material and components consumed		11,070,227	2,850,735
Direct wages		574,876	216,823
Factory overheads:			
- salaries, wages and benefits	31.2	318,879	91,305
- traveling and conveyance		30,433	12,427
- electricity, gas and water		216,513	38,719
- repairs and maintenance		100,164	28,767
- vehicles running and maintenance		24,613	7,145
- insurance		28,881	7,230
- depreciation	17.2	674,236	204,674
- amortization of intangible assets		4,502	1,925
- provision for obsolete and slow moving stock		2,745	381
- impairment loss on goodwill	18	80,325	73,632
- carriage and freight		19,450	6,868
- erection and testing		161,312	37,117
- other factory overheads		19,142	5,905
		1,681,195	516,095
		14,082,847	3,980,798
Work-in-process at end of the year / period		(874,748)	(756,549)
		13,208,099	3,224,249

31.2 These include employee benefits amounting to Rs.24.433 million (December 31, 2009: Rs. 8.768 million).

Notes to the Financial Statements

for the year ended December 31, 2010

		Year ended December 31, 2010	Six months ended December 31, 2009
	Note	(Rupees in thousand)	
32. OTHER OPERATING INCOME			
Income from financial assets			
Gain due to change in the fair value of investment at fair value through profit and loss	26.1	-	1,415
Mark-up income		16	-
Income from assets other than financial assets			
Reversal of provision of slow moving and obsolete items		-	-
Gain on disposal of property, plant and equipment	17.5	7,318	748
Gain on sale and lease back activities	12.2	23,255	13,608
Grant-in-aid	12.1	2,918	1,497
Commission income		15,745	19,886
Exchange gain		-	150
Others		1,684	3,404
		50,936	40,708
33. DISTRIBUTION COST			
Salaries, wages and benefits	33.1	292,831	124,172
Traveling and conveyance		37,455	21,181
Rent, rates and taxes		45,919	20,014
Electricity, gas, fuel and water		8,681	3,681
Repairs and maintenance		3,665	1,910
Vehicles running and maintenance		24,917	11,857
Printing and stationery		8,735	3,797
Postage, telegrams and telephones		16,334	7,480
Entertainment and staff welfare		9,936	3,792
Advertisement and sales promotion		215,847	36,783
Insurance		5,209	2,276
Freight and forwarding		286,501	42,614
Contract and tendering		954	721
Warranty period services		75,133	28,244
Others		24,894	6,648
		1,057,011	315,170

33.1 This includes employee benefits amounting to Rs.13.081 million (December 31, 2009: Rs. 5.60 million).

Notes to the Financial Statements

for the year ended December 31, 2010

		Year ended December 31, 2010	Six months ended December 31, 2009
	Note	(Rupees in thousand)	
34. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	34.1	346,557	139,316
Traveling and conveyance		14,831	6,619
Rent, rates and taxes		65,270	22,234
Ujrah payments		88,095	57,899
Legal and professional		4,365	1,390
Electricity, gas and water		19,514	7,523
Auditors' remuneration	34.2	2,181	1,454
Repairs and maintenance		27,524	17,601
Vehicles running and maintenance		17,909	7,681
Printing, stationery and periodicals		6,381	2,679
Postage, telegrams and telephones		10,140	4,470
Entertainment and staff welfare		30,290	11,551
Advertisement		603	467
Insurance		8,423	3,378
Provision for doubtful debts and advances		80,717	52,042
Depreciation	17.2	23,779	11,906
Others		4,495	1,240
		751,074	349,450

34.1 These include employee benefits amounting to Rs.10.517 million (December 31, 2009: Rs. 5.746 million).

34.2 Auditors' remuneration

Audit fee		1,000	1,000
Half yearly and COCG review and special certificates		925	250
Out of pocket expenses		256	204
		2,181	1,454

35. OTHER OPERATING EXPENSES

Workers' profit participation fund	13.2	14,028	12,017
Workers' welfare fund		5,331	4,567
Loss on sale and lease back	17.5	1,385	1,864
Loss due to change in the fair value of investment at fair value through profit and loss	26	1,712	-
Provision for impairment in value of long-term investments	19	14,748	1,303
Exchange Loss		34,019	-
		71,223	19,751

Notes to the Financial Statements

for the year ended December 31, 2010

		Year ended December 31, 2010	Six months ended December 31, 2009
	Note	(Rupees in thousand)	
36. FINANCE COST			
Interest / mark-up on:			
- long-term financing - secured		741,194	224,561
- short-term borrowings		754,921	320,548
- workers' profit participation fund	13.2	2,145	1,585
- liabilities against assets subject to finance lease		20,826	14,454
Bank charges and commission		104,525	58,763
		1,623,611	619,911

37. PROVISION FOR TAXATION

For the year / period			
Current		175,216	24,055
Deferred		(137,296)	10,989
		37,920	35,044
Prior year			
Current		29,086	6,231
Deferred		5,178	19,368
		34,264	25,599
		72,184	60,643

	Year ended December 31, 2010	Six months ended December 31, 2009
	----- % -----	
37.1 Numerical reconciliation between the average effective tax rate and applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effects of amounts that are:		
Not allowable for tax purpose	2.54	(0.80)
Effect of difference in tax rates under normal assessment and final tax regime	(14.09)	(11.17)
Effect of change in prior year tax	8.26	4.30
Average effective tax rate	31.71	27.33

Notes to the Financial Statements

for the year ended December 31, 2010

	Note	Year ended December 31, 2010	Six months ended December 31, 2009
(Rupees in thousand)			
38. LONG-TERM CONSTRUCTION CONTRACTS			
Contract revenue for the year / period	29	507,842	372,909
Cost incurred to date		1,624,315	1,364,763
Contract costs for the year / period	31	350,070	238,324
Gross profit realized to date		801,562	668,195
Balance of advance received	13	15,976	57,135
Retention money receivable	24	143,553	150,587
Gross amount due from customers		34,030	33,030
Gross amount due to customers		14,293	1,582
Estimated future costs to complete projects in progress	38.1	936,319	254,910

38.1 As part of the application of percentage of completion method on contract accounting, the project costs are estimated. These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year / period for remuneration including certain benefits to directors and executives of the Company are as follows:-

	Directors		Executives	
	December 31, 2010	December 31 2009	December 31, 2010	December 31 2009
..... (Rupees in thousand)				
Remuneration	16,888	7,795	145,960	49,627
House rent	4,959	2,055	50,244	17,599
Utilities	1,689	603	14,185	4,777
Bonus	-	-	23,187	9,301
Employment benefits	1,056	457	13,144	4,634
Reimbursable expenses				
Motor vehicles expenses	355	304	12,036	4,703
Medical expenses	56	23	8,005	3,166
TOTAL	25,003	11,237	266,761	93,807
Number of persons	3	4	110	87

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

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

Notes to the Financial Statements

for the year ended December 31, 2010

	Year ended December 31, 2010	Six months ended December 31, 2009
(Rupees in thousand)		
40. EARNINGS PER SHARE - BASIC AND DILUTED		
The calculation of basic and diluted earnings per ordinary share is based on the following data:		
Earnings		
Profit for the year / period	189,024	161,251
Less: dividend payable on preference shares	42,709	21,093
Earnings attributable to ordinary shares	146,315	140,158
Number of shares (Numbers)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	118,445,091	117,421,650
Effect of dilutive potential ordinary shares	40,736,294	23,155,000
	159,181,385	140,576,650
Basic and diluted earnings per share have been calculated through dividing earnings as stated above by weighted average number of ordinary shares.		
Basic earnings per share (Rupees)	1.24	1.19
Diluted earnings per share (Rupees)	1.19	1.15

40.1 In respect of current period, the directors propose to issue bonus shares @ Nil% (December 31, 2009: 10%).

Notes to the Financial Statements

for the year ended December 31, 2010

41. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from related parties are shown under receivables and remuneration of directors and key management personnel is disclosed in respective note to these financial statements. Other significant transactions with related parties are as follows:

Relationship	Nature of transaction	Year ended	Six months ended
		December 31, 2010	December 31, 2009
(Rupees in thousand)			
Related parties	Purchase of services	171,312	25,373
	Sales	9,533	6,010
Compensation of key management personnel	Remuneration and other benefits	23,947	10,780
	Post employment benefits	1,056	457

41.1 All transactions with related parties have been carried out on commercial terms and conditions.

42. PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	Annual Production capacity	Year ended	Six months ended
			December 31, 2010	December 31, 2009
			Actual production during the year	Actual production during the period
Transformers / Power Transformers	MVA	5,000	2,999	1,010
Switchgears	Nos.	4,500	3,443	564
Energy meters	Nos.	1,700,000	843,880	225,657
Air conditioners	Tonnes	90,000	91,952	21,545
Refrigerators/deep freezers	Cfts.	5,000,000	3,660,858	1,283,145

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

Notes to the Financial Statements

for the year ended December 31, 2010

43. SEGMENT INFORMATION

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

Types of Segments

Nature of Business

Power Division

Manufacturing and distribution of Transformers, Switch Gears, Energy Meters, Power Transformers and EPC.

Appliances Division

Manufacturing, assembling and distribution of Refrigerators, Air conditioners, Microwave ovens, Televisions, Generators and Washing Machines. The Company, under agreement with LG Electronics Inc., distribute products of LG. However, activities under this distribution arrangement have been aggregated with Appliances division as per criteria given in IFRS-8 "Operating segment".

	POWER DIVISION		APPLIANCES DIVISION		CONSOLIDATED	
	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended December 31, 2010	Six months ended December 31, 2009	Year ended December 31, 2010	Six months ended December 31, 2009
Rupees in thousand.....					
Revenue	8,320,016	2,226,034	9,202,640	2,405,397	17,522,656	4,631,431
Less : Intersegment Revenue	-	-	-	-	-	-
Total Revenue	8,320,016	2,226,034	9,202,640	2,405,397	17,522,656	4,631,431
Finance cost	770,907	299,433	852,704	318,448	1,623,611	617,881
Depreciation and Amortization	315,473	69,705	387,044	148,799	702,517	218,504
Segment Profit/(Loss) before tax	136,516	124,052	87,130	76,472	223,646	200,524
Segment assets	10,062,854	9,386,354	12,645,971	11,954,412	22,708,825	21,340,766

	Year ended December 31, 2010	Six months ended December 31, 2009
	(Rupees in thousand)	
Reconciliation of Segment Profits :		
Total Profit for Reportable Segments	223,646	200,524
Un-allocated other Income	37,562	21,370
Profit before Taxation	261,208	221,894

Notes to the Financial Statements

for the year ended December 31, 2010

	Year ended December 31, 2010	Six months ended December 31, 2009
(Rupees in thousand)		
Reconciliation of Reportable Segment Assets:		
Total assets for Reportable Segments	22,708,825	21,340,766
Other Corporate Assets	2,821,314	1,594,454
Total Assets	25,530,139	22,935,220

Information about major customers:

Revenue of Rs. 5,286.595 million (December 31, 2009: Rs. 1,373.148 million) is derived from WAPDA Distribution Companies. This revenue is attributable to Power Division of the Company.

44. FINANCIAL INSTRUMENTS

44.1 Capital risk management

The Company's objective when measuring capital are to safeguard the Company's ability to continue as going concern while providing returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure through debt and equity balance.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue of new shares.

Consistent with others in industry, the Company monitors capital on the basis of gearing ratio. During the period, the Company's strategy was to maintain the gearing ratio between 30% to 40% and 'A' credit rating. The gearing ratios as at December 31, 2010 and December 31, 2009 were as follows:

		December 31, 2010	December 31, 2009
(Rupees in thousand)			
Long Term Finances	A	6,092,359	4,862,746
Total Equity	B	8,728,606	8,560,675
Total Capital	C=A+B	14,820,965	13,423,500
Gearing Ratio	D=A / C	41%	36%

It arises on financial instruments because changes in, for example, commodity prices or equity prices. The Company is exposed to price risks arising from equity investments. Equity investments are held for strategic purposes rather than trading purposes. The Company does not actively trade these investments.

44.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

Notes to the Financial Statements

for the year ended December 31, 2010

44.3 Financial risk management objectives

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

Credit risk
Liquidity risk
Market risk

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

44.3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Company conducts major types of transactions with the following counterparties:

Trade debts

Trade debts are essentially due from customers against sale of electrical goods. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance.

Notes to the Financial Statements

for the year ended December 31, 2010

Bank and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
Investments	13,447	22,906
Other financial assets	26,810	27,522
Trade debts	4,126,940	3,369,191
Advances	144,681	170,303
Trade deposits and short-term prepayments	79,710	74,156
Other receivables	45,869	14,952
Bank balances	333,688	119,799
	4,771,145	3,798,829

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

General customers	3,682,912	2,634,360
Corporate customers	444,028	734,831
	4,126,940	3,369,191

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

Aging analysis of trade debts

1 year or less	3,488,846	2,852,898
1 - 2 year	218,720	201,169
2 - 3 year	154,770	178,101
3 year and above	264,604	137,023
Less: provision for doubtful debts	202,168	141,972
	3,924,772	3,227,219

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.

Notes to the Financial Statements

for the year ended December 31, 2010

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings.

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

Name of Bank	Ratings Short-term	Ratings Long-term	Rating Agency	Balance As at	
				Dec. 31, 2010	Dec. 31 2009
(Rupees in thousand)					
Allied Bank Ltd.	A1+	AA	PACRA	376	866
Askari Commercial Bank	A1+	AA	PACRA	684	184
Bank Al - Falah Ltd.	A1+	AA	PACRA	25,912	13,773
Bank Al - Habib Ltd.	A1+	AA	PACRA	1,095	431
Bank of Khyber	A2	A-	PACRA	4,978	1,929
Bank of Punjab	A1+	AA-	PACRA	6,519	8,334
Barclays Bank	A1+	AA-	S&P	126	100
Faysal Bank Ltd.	A1+	AA	JCR-VIS	28,868	10,664
H.S.B.C Bank Ltd.	P1	AA2	MOODY'S	-	31
Habib Bank Limited	A1+	AA+	JCR-VIS	26,670	4,113
Habib Metropolitan Bank Ltd.	A1+	AA+	PACRA	-	4,111
KASB Bank Ltd.	A2	A-	PACRA	3,282	5
MCB Bank Ltd.	A1+	AA+	PACRA	1,424	3,042
Meezan Bank Ltd.	A1	A+	JCR-VIS	-	13
My Bank Ltd.	A2	A-	PACRA	869	8,150
National Bank of Pakistan	A1+	AAA	JCR-VIS	29,783	4,211
NIB Bank Ltd.	A1+	AA-	PACRA	87,077	28,606
Samba Bank X-Crescent Commercial Bank Ltd.	A1+	AA-	PACRA	222	167
Silk Bank Ltd.	A-3	A-	JCR-VIS	13,040	3,017
Soneri Bank Ltd.	A1+	AA-	PACRA	152	266
Standard Chartered Bank	A1+	AAA	JCR-VIS	41,107	6,762
The Royal Bank of Scotland	A1+	AA	PACRA	742	5,360
United Bank Limited	A1+	AA+	JCR-VIS	9,166	13,698
Albarka Islamic Bank	A1	A	JCR-VIS	-	104
Dawood Islamic Bank	A1	A+	JCR-VIS	4,644	1,804
Emirates Bank International	A1+	AAA	JCR-VIS	52	-
Bank Al-Islamic	A1	A+	JCR-VIS	10	10
Arif Habib Bank Ltd.	A3	A-	JCR-VIS	90	47

44.3.2 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note of short term borrowing in these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

Notes to the Financial Statements

for the year ended December 31, 2010

Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective markup rate please see note of long term financing - secured and liabilities against assets subject to finance lease in these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	December 31, 2010	December 31, 2009
	(Rupees in thousand)	
Trade and other Payables		
Maturity upto one year	1,657,566	1,413,180
Short term borrowings		
Maturity upto one year	5,895,077	4,706,890
Long term financing		
Maturity upto one year	1,138,026	783,597
Maturity after one year and upto five years	4,954,333	3,710,399
Maturity after five years	-	368,750
Liabilities against assets subject to finance lease		
Maturity upto one year	96,185	82,959
Maturity after one year and upto five years	14,776	119,368
	13,755,963	11,185,143

44.3.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(a) Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise:

Notes to the Financial Statements

for the year ended December 31, 2010

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below:

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk is as follows based on notional amounts:

	December 31, 2010	December 31, 2009
(USD in thousand)		
Foreign bills payable	4,151.00	2,429.00
Cash and bank balances	0.08	0.08
	4,151.08	2,429.08
(EUROS in thousand)		
Foreign bills payable	994	2,762

Commitments outstanding at year / period end amounted to Rs. 753 million (December 31, 2009: Rs. 1,591 million) relating to letter of credits for import of stores, spare parts and raw material.

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	---- Rupees ----		---- Rupees ----	
USD 1	84.88	83.32	85.70	84.30
EURO 1	117.17	121.22	113.93	121.10

Notes to the Financial Statements

for the year ended December 31, 2010

Foreign currency sensitivity analysis

A 10 percent strengthening of the Pak Rupee against the foreign currencies at December 31, 2010 would have increased/decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for December 31, 2009.

	December 31, 2010	December 31, 2009
(Rupees in thousand)		
Increase in profit and loss account	46,899	53,925

A 10 percent weakening of the Pak Rupee against the foreign currency at December 31, 2010 would have had the equal but opposite effect on foreign currency to the amounts shown above, on the basis that all other variables remain constant.

(b) Interest rate risk management

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

- Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	---- % ----		(Rupees in thousand)	
Floating rate instruments				
Financial assets				
Bank balances	Nil	Nil	-	-
Financial liabilities				
Long term financing	13.27 to 16.27	12.60 to 16.73	4,973,707	5,065,073
Short-term borrowings	14.36 to 17.43	14.45 to 17.76	5,413,223	4,334,131
			10,386,930	9,399,204

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Company's equity.

Notes to the Financial Statements

for the year ended December 31, 2010

	Increase / (Decrease) in basis points %	Effect on profit before tax (Rupees in thousand)
December 31, 2010		
Short term borrowings	1%	53,010
Long term financing		54,776
Liabilities against assets subject to finance lease		1,566
		109,352
December 31, 2009		
Short term borrowings	1%	25,588
Long term financing		46,383
Liabilities against assets subject to finance lease		1,212
		73,183

(c) Equity Price Risk Management

The Company's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

44.4 Determination of fair values

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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	December 31, 2010	December 31, 2009
(Rupees in thousand)		
45. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
- Stores, spare parts and loose tools	(23,638)	(8,988)
- Stock-in-trade	(1,822,136)	(573,397)
- Trade debts	(757,749)	544,872
- Advances	124,675	(156,120)
- Trade deposits and short-term prepayments	(51,203)	(14,274)
- Other receivables	(46,132)	(25,062)
	(2,576,183)	(232,969)
Decrease in trade and other payables	224,178	(222,698)
	(2,352,005)	(455,667)

46. RE-ARRANGEMENT AND RE-CLASSIFICATION

From	To	Reason	Amount (Rupees in thousand)
Long-term deposits	Long-term deposits		
Security deposits with leasing companies	Other deposits	Better Presentation	46,620

47. NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the period amounting to Rs.1.225 million (December 31, 2009: Rs. 53.096 million) were financed by new finance leases.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 09, 2011 .