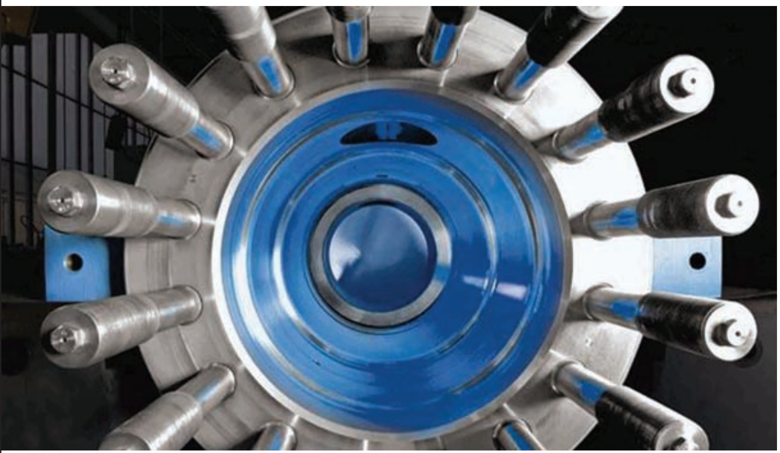
KSB Pumps Company Limited
16/2, Sir Aga Khan Road, Lahore
Telephone: +92 42 3630 4173, Fax: +92 42 3636 8878
UAN: 111 572 786, Email: info@ksb.com.pk, URL: www.ksb.com

Makhdooms 049-37595165

KSB Pumps Company Limited

Annual Report 2010

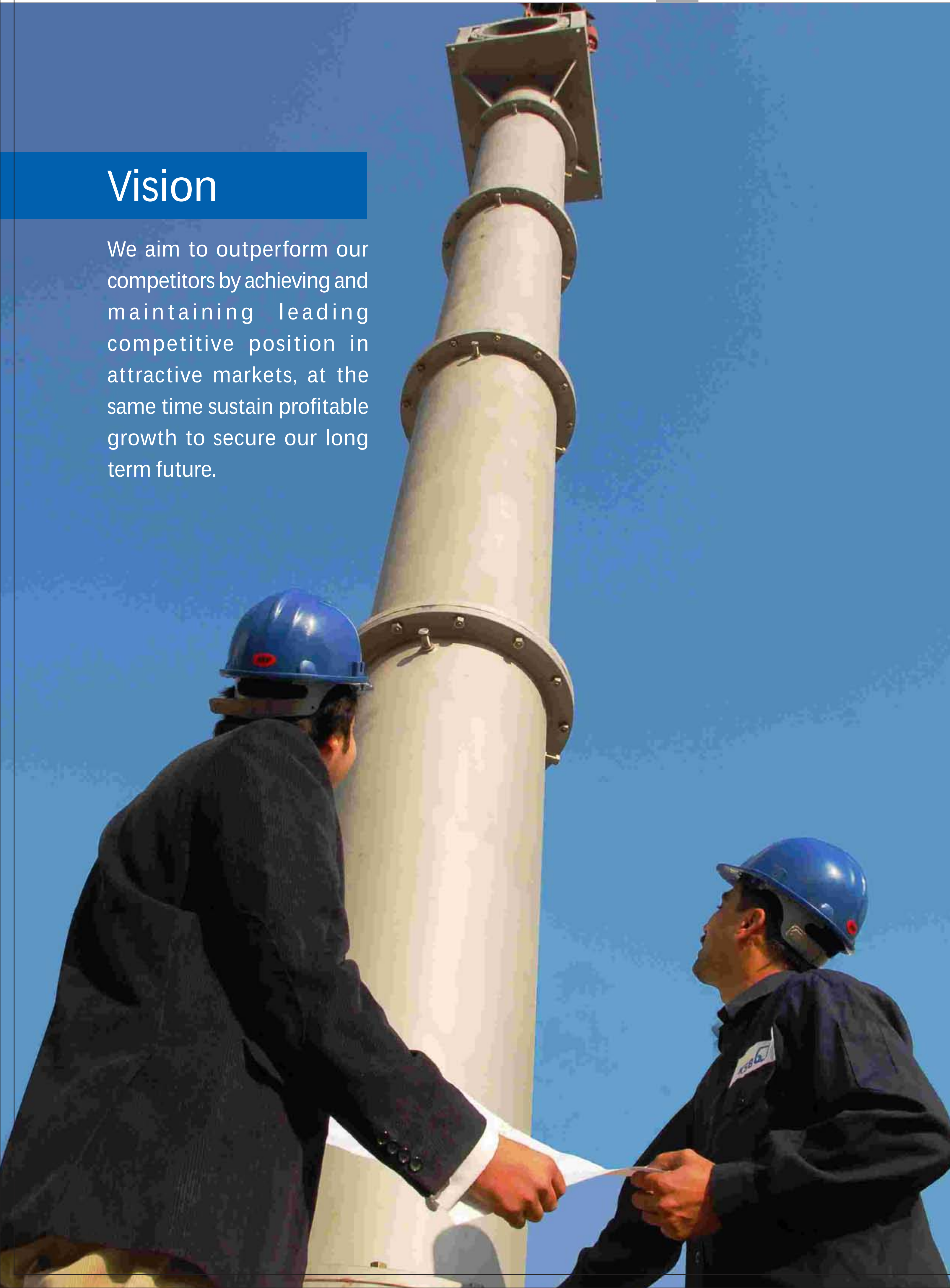
Intelligent Solutions - with a Tomorrow



Contents

Vision

We aim to outperform our competitors by achieving and maintaining leading competitive position in attractive markets, at the same time sustain profitable growth to secure our long term future.



Mission Statement

We manufacture and market a selected range of standard and engineered pumps and castings of world class quality. Our efforts are directed to have delighted customers in the water, sewage, oil, energy, industry and building services sectors.

In line with the Group strategy, we are committed to develop into a center of excellence in water application pumps and be a strong regional player. We want to market valves, complete system solutions and foundry products including patterns for captive, automotive and other industries. We will develop a world class human resource with highly motivated and empowered employees.

The measure of our success is, being a clear market leader, achieving quantum growth and providing attractive returns to stakeholders.

Strategic Objectives

Focus business lines

1. We grow more strongly than the market
2. We achieve above average profitability
3. We gain or build on a leading competitive position

Further business lines

1. We continue our business profitability
2. We make the most of sales potential
3. We contribute to the revenue and profitability of the group

Values

Trust – Trust has to be earned. It requires a level of credibility, which each of us should seek to achieve and actively develop through reliability and professionalism in our day – to – day work.

Honesty – The overall interest of the Company has top priority in our work and ranks ahead of departmental and individual interests. What we do therefore should not serve to gain advantage at the expense of others. Integrity and appropriate level of modesty are defining elements of the way we present ourselves.

Responsibility – Responsibility means accepting the consequences of one's actions. This especially applies to each and every one of us in our work. And it also applies to our Company in its business and social relations.

Professionalism – We have a good command of the techniques and methods we need for our work, and seek to continually acquire further knowledge to improve our effectiveness and efficiency. In the search of solutions to problems we apply due care and act with foresight.

Appreciation – We are attentive to others and further our cooperation by showing respect and appreciation. Remaining receptive and open to other people and ideas enables us to learn from each other and develop together.

Quality Principles

Achieving maximum customer satisfaction

- Our customers set the standards for the quality of our products and services. We satisfy their wishes in full and on time.

Promoting quality consciousness

- We ensure that all our employees are highly qualified by providing them with ongoing training and comprehensive information. Each of our managers is an example in putting quality - mindedness into practice.

Every employee meets the customer's wishes

- The principle of customer - supplier relations also applies internally. The next in line during the work process is a customer; he/she receives impeccable work results.

Avoiding mistakes instead of remedying them

- We establish causes so that we can prevent errors and put a stop to them.

Improving quality

- The steady improvement of work processes, methods of work and the work environment ensures that every employee is successful and satisfied. At the same time, this helps to secure our leading position in the market.

Involving suppliers

- In fair and open partnership we support our suppliers in the pursuit of shared quality objectives.

Quality, Environment, Occupational Health & Safety Policy

The EFQM model for business excellence provides the framework of the KSB Group policy for quality, environment, occupational health and safety. This Total Quality Management concept helps us to ensure a sustainable Improvement in our products, processes, services and working conditions.

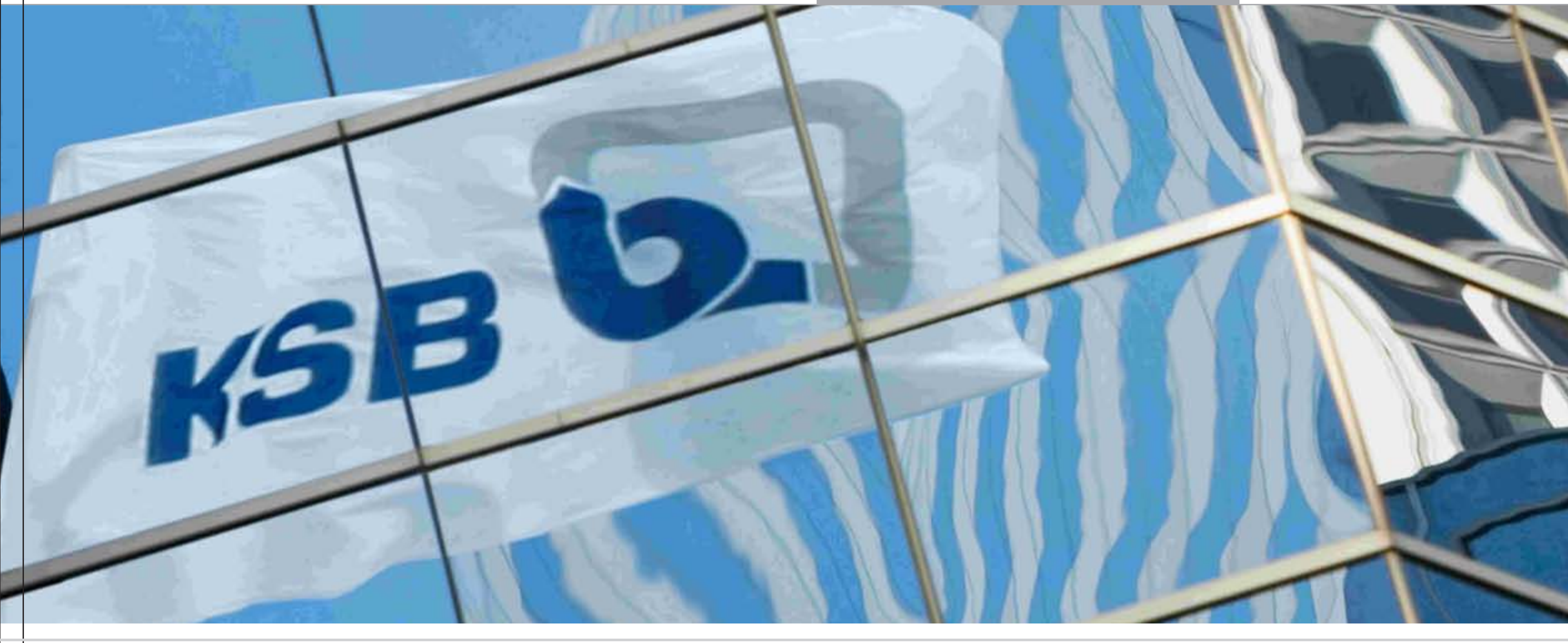
Our key guidelines are:

- Focus on results
- Customer focus
- Leadership and consistency of objectives
- Management with processes and facts
- Development and participation of employees
- Continuous learning, innovation and improvement
- Establishment of partnerships with customers and suppliers
- Responsibility towards the public and the environment

We achieve these objectives through the worldwide implementation of management systems is line with ISO 9001, ISO 14001 and OHSAS 18001 and also through the future-oriented development of our products.

The KSB principles on quality, environment, occupational health and safety set forth for our employees the standards which inform our policy.

The principles are binding for all sites and companies within the KSB Group. They form one of the preconditions for the manufacture of our products and the provision of our services “Made by KSB”.



KSB Pakistan - 52 Years of Setting Standards

KSB Pakistan is an affiliate company of the world famous German KSB Group, which was founded in 1871. The KSB Group is among the leading companies in the field of pumps and valves with subsidiaries and affiliated companies all over the world. The KSB name stands for the highest standards of product and service quality. KSB Pakistan was established in July 1959 in Lahore. The production facilities at Hassanabdal were completed in 1964 and a full-fledged foundry was commissioned in the same premises in 1980. The Company is ISO 9001 certified since 1994 and lately has added ISO-14001 and 18001 certifications for complete Integrated Management System certified by TUV, Germany. Now the Company employs more than 400 people and operates through its Sales offices at Lahore, Karachi, Quetta, Rawalpindi, Hassanabdal, Peshawar and Multan and through a dealership and Franchise network throughout the country. In addition, the Company has a full-fledged Service Department comprising qualified and experienced personnel capable of undertaking turnkey installation jobs and O&M Contracts. KSB Pakistan became a public limited company in 1979 providing a broader base for local participation. The company's shares are traded on both Karachi and Lahore Stock Exchanges. The Company has received the Merit Trophy for exports of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Top Company Award for exemplary payment to the shareholders by Karachi Stock Exchange. Corporate Excellence and Good Management Practices Awards have also been bestowed on the Company by the Management Association of Pakistan. The Company has rapidly expanded its production range to include a large variety of pumps to serve various business segments. KSB believes in continuous innovations and adds new solutions for the customers in its production range, particularly to meet the requirements of sugar, paper and other process and chemical industries apart from meeting the requirements of drinking water supply, sewage disposal and surface drainage schemes.

KSB pumps are produced strictly in accordance with the design and specifications of KSB AG, Germany, in order to maintain standards of the highest quality. Comprehensive inspection and test bed facilities are available at Works, Hassanabdal to ensure compliance with these quality standards. The production facilities are also being regularly modernized and extended to cope with the challenges of new product technology. The foundry is capable of producing sophisticated automotive components apart from pump and valves castings and is a leading supplier of tractor/automobile castings in the country.

At KSB Pumps Company Limited, Pakistan, we see Corporate Social Responsibility as the link that joins the Organization, including internal and external stakeholders to a brighter future of Pakistan. Working under the name of KSB Care, our Corporate Social Responsibility program is focused to provide a sustainable infrastructure and basic amenities to underprivileged students at schools in the rural areas of Pakistan. Our commitment towards our Country shines through the efforts we put in our business and our corporate social responsibility.

Company has recently completed five very successful decades in the Country and become the first Asian Subsidiary of KSB AG, Germany to have this honor. It is a moment of great pride and joy for the Management and Team of KSB Pakistan to celebrate 52 glorious years of setting standards, and we share this delight with all our business partners, who have helped us grow and strengthen over these five decades.

This journey engulfs countless milestones and with each achievement it has matured and the resolve of its leadership to take it further has strengthened. KSB has been accepted as a market leader in its line of business and is a benchmark today for new entrants. The Company's products, quality standards, people, business partners and leadership have all contributed to imprint this company's score in the history of Pakistan.

Board of Directors

Mr. Tonjes Cerovsky
Chairman Board of Directors

Mr. Tonjes Cerovsky has been working for KSB since 30 years. During this time he held different managerial positions in KSB's overseas companies. He has a degree in mechanical engineering from the University of Cologne in Germany and a Masters degree in Business Administration (MBA) from the Business School of the University of Birmingham, UK. Since 1st of January 2010 he is the Vice President Regional Sales for Middle East & Africa for KSB. He is the Chairman of the Board of Directors of KSB Pakistan.

Mr. Mohammad Masud Akhtar
Managing Director

Mr. Akhtar is the Chief Executive Officer of KSB Pakistan. He is an Electrical Engineer by profession and has a Masters degree in Manufacturing Systems Engineering of Technology from Pennsylvania USA. He has an extensive and diversified experience in Sales, Marketing, Operations and Manufacturing areas.

Mr. Jan Stoop
Director

Mr. Stoop is a member of Board of Management for KSB AG and is responsible for Sales & Marketing. He has 40 years of experience in the establishment and expansion of pump manufacturing companies. He was also the Managing Director for the Dutch KSB subsidiary DP Industries B.V.

Mr. R. D. Ahmad
Director

Mr. Ahmad is a Senior Consultant with Orr Dignam & Co. He has previously served as the Chairman for Islamabad Stock Exchange (G) Limited. He is also on the Board of Directors of Sigma Motors Ltd. and Pakistan Poverty Alleviation Fund.

Mr. Sajid Mahmood Awan
Director

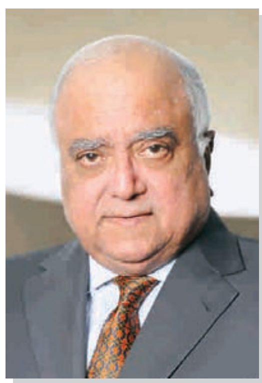
Mr. Awan is the Director Finance and Company Secretary of KSB Pakistan. He has more than 17 years of professional experience in multinational environments in Asia, Africa and Middle East. He is a fellow member of ICMAP, associate member of ICSP and certified director from PICG.

Mr. Werner Spiegel
Director

Mr. Werner Spiegel is a BE - Mechanical has more than 40 years of experience in KSB. 37 years in the group. 10 years as Managing Director of KSB Venezuela, 4 years as Managing Director, KSB Spain, two years in Germany, 6 years as Head of Sewage and Industrial Division KSB Group and since 10 years as Managing Director KSB India. In addition he is also the President - Operations Region Asia Pacific.

Mr.Wazir Ali Khoja
Director

Mr.Wazir Ali Khoja is the Chairman & Managing Director of National Investment Trust Ltd. (NIT). He has a banking experience of 32 years with an exposure in Commercial banking, Project Financing, Capital & Equity Market operations & treasury Affairs. He is also on the Board of Directors of nine other listed Companies.



Mr. Aizaz Sarfraz
Director

Mr. Aizaz Sarfraz is Master in Business Administration from the School of Business Columbia University NYC-NY. Mr. Aizaz is CEO/MD of the PAÏR Investment Company Limited. He has vast Experience of working with and for Multinational, foreign and large Pakistani Business Group.

Management Committee

Mr. Mohammad Masud Akhtar
Chief Executive Officer

Mr. Sajid Mahmood Awan
Director Finance &
Company Secretary

Mr. Nadeem Hamid Butt
Director Production & Projects

Mr. Kamran Khan Mangol
Director Sales, Marketing &
Product Management

Mr. Saeed Zafar
GM Customer Services

Mr. Syed Kamran Hassan
General Manager Materials

Khurram Rana
Manager Human Resource

Kh. Faisal Rasheed
Head of Internal Audit

Shahzad Umer
DGM QHSE

Mr. Tonjes Cerovsky

Chairman Board of Directors

Sales Offices

Lahore
16/2 Sir Aga Khan Road
Lahore.
Ph: (042) 111 572 786, 36304173
Fax: (042) 36366192, 36368878
Email: info@ksb.com.pk

Multan
Golden Heights, Nusrat Road, Multan.
Ph: (061) 111 572 786
Fax: (061) 4541784
Email: ksbmul@ksb.com.pk

Rawalpindi
309, A3 Peshawar Road
Westridge 1, Opp. Valley Clinic, Rawalpindi.
Ph: (051) 111 572 786.
Fax: (051) 5472612
Email: ksbrwp@ksb.com.pk

Peshawar
Office No. 7, 3rd Floor, The Mall
Towers, 35 The Mall, Peshawar
Ph: (091) 111 572 786
Fax: (091) 5278919
Email: ksbpsh@ksb.com.pk

Karachi
Office # 307 & 308, 3rd Floor
Parsa Tower, Block 6, PECHS
Shahrah-e-Faisal, Karachi
Ph: (021) 111 572 786
Fax: (021) 34388302
Email: ksbkhi@ksb.com.pk

Quetta
29-B, Chaman Housing Scheme Quetta.
Ph: (081) 111 572 786
Fax: (081) 2830445
Email: ksbqta@ksb.com.pk

Company Information

Board of Directors

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Jan Stoop	
Werner Spiegel	
R. D. Ahmad	
Sajid Mahmood Awan	
Aizaz Sarfraz	
Wazir Ali Khoja	(Nominee NIT)

Company Secretary

Sajid Mahmood Awan

Management

Mohammad Masud Akhtar	Chief Executive Officer
Sajid Mahmood Awan	Finance &Administration
Nadeem Hamid Butt	Production & Projects
Kamran Khan Mongol	Sales, Marketing & Product Management

Auditors

A.F. Ferguson & Co. Chartered Accountants

Legal Advisors

Mandviwala & Zafar

Bankers

NIB Bank Limited
Bank Alfalah Limited
MCB Bank Limited
Deutsche Bank AG
United Bank Limited
National Bank Of Pakistan

Audit Committee

Hasan Aziz Bilgrami	Chairman*
R. D. Ahmad	Member
Werner Spiegel	Member

* Resigned in November, 2010

Secretary

Syed Afzaal Ali DGM Admin & CA

Registered Office

16/2 Sir Aga Khan Road, Lahore - 54000.
Ph: (042) 36304173, 36370969
Fax: (042) 36368878, 36366192
Email: info@ksb.com.pk

Works

Hazara Road, Hassanabdal
Ph: (057) 2520236
Fax: (057) 2520237
Email: info@ksb.com.pk

Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, SMCHS
Shahra-e-Faisal, Karachi-74000
Tel: (021) 111-111-500
Fax: (021) 34326053

Notice of Annual General Meeting

Notice is hereby given that the 54th Annual General Meeting of the members of KSB Pumps Company Limited, will be held on Tuesday, the 26th April, 2011, at 11.30 a.m. at Hotel Holiday Inn, 25-26 Egerton Road, Lahore, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on April 30, 2010.

2. To consider and adopt the audited accounts of the Company for the year ended December 31, 2010 and report of Auditors and Directors thereon.

3. To approve and declare dividend of 12.5% for the financial year ended December 31, 2010 as recommended by the Directors.

4. To appoint auditors and fix their remuneration. M/s. A.F. Ferguson & Co., Chartered Accountants, the retiring auditors offer themselves for re-appointment as auditors of the Company.

5. To elect seven (7) Directors as fixed by the Board, in accordance with the provisions of the Companies Ordinance, 1984, for a period of three years commencing from April 25, 2011 in place of following retiring Directors.

   - Mr. Tonjes Cerovsky
   - Mr. Mohammad Masud Akhtar
   - Mr. Jan Stoop
   - Mr. Sajid Mahmood Awan
   - Mr. Werner Spiegel
   - Mr. R. D. Ahmad
   - Mr. Aizaz Sarfraz

BY ORDER OF THE BOARD

SAJID MAHMOOD AWAN
Company Secretary
Lahore : April 04, 2011

53rd AGM, held on April 30, 2010

Notes

1. A member entitled to attend and vote at this meeting is entitled to appoint another member as proxy. Proxies in order to be effective must be received not later than 48 hours before the time appointed for the meeting. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid. Every proxy shall have the right to attend, speak and vote in place of the member appointing him/her at the meeting.

2. The Share Transfer Books of the Company will remain closed from 19th April, 2011 to 26th April, 2011 (both days inclusive). Transfers received in order at Company's Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74000, by the close of business on 18th April, 2011 will be in time to be passed for payment of dividend to the transferees.

3. The CDC account/sub account holders and/or the persons whose securities are in group account and their registration details are up-loaded as per the regulations, shall for identification purpose have to produce their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

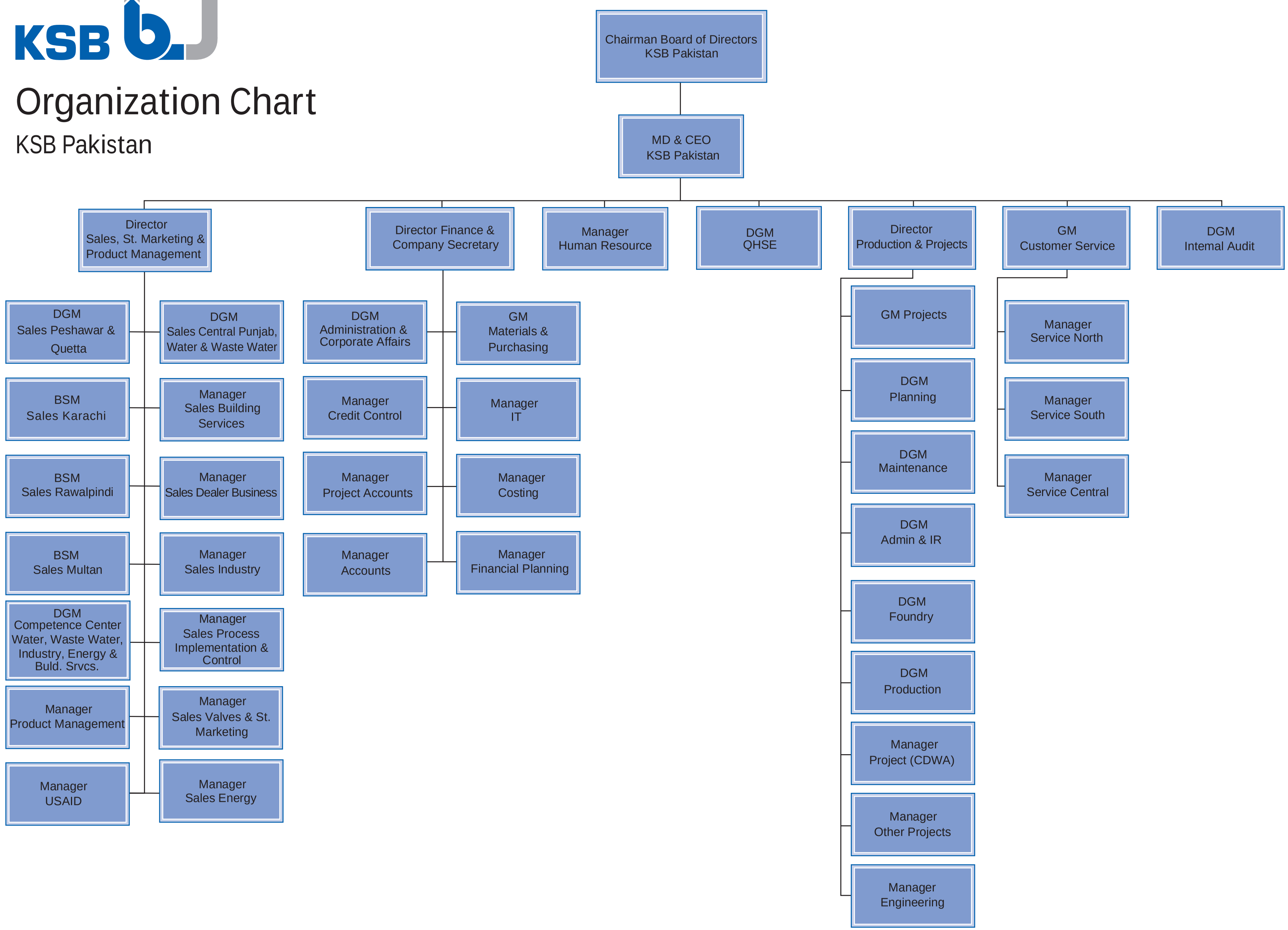
   In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

4. Any person who seeks to contest the election of Directors shall file with the Company at its Registered Office not later than fourteen days before the above said meeting, his/her intention to offer himself/herself for the election of the Directors in terms of Section 178(3) of the Companies Ordinance, 1984 together with (a) consent in Form 28, (b) a declaration with consent to act as Director in the prescribed Form under Clause (ii) of the Code of Corporate Governance, (c) a declaration in terms of Clause (iii) and (iv) of the Code of Corporate Governance.

Participants of 53rd AGM

Organization Chart

KSB Pakistan



Mohammad Masud Akhtar
Chief Executive Officer & MD KSB Pakistan

Directors' Report to the Shareholders

The Directors are pleased to present the Annual Report of your Company and the Audited Financial Statements for the year ended December 31, 2010 together with Auditor's report thereon.

THE ECONOMY

Global Economy

The global economy is transitioning from a rapid, bounce-back phase of recovery, towards a slower, more sustainable paced phase. In most advanced economies, the recovery is expected to remain sluggish by past standards, whereas in many emerging and developing economies, activity is expected to be relatively vigorous, largely driven by buoyant internal demand.

Overall global GDP is expected to grow 3.3% in 2011, before picking up to 3.6% in 2012 as the drag on activity from restructuring in high-income countries eases somewhat.

Pakistan's Economy

Inflationary pressures remained firm in the economy during year 2010. CPI inflation registered at 15.5% in December 2010. This rise is attributed to supply shortages of food commodities due to flood and rains; the direct impact of pass through of rising international commodity prices; increased fuel prices; upward adjustment of electricity tariff and monetization of monetary policy.

At the beginning of August, violent monsoon rains caused devastating flooding across the country. The retreating water revealed true extent of catastrophe. Hundreds of thousands of houses have been destroyed resulting in displacement of millions of people.

The weak cash flow position of Federal and Provincial governments put a hold on the progress of development projects, as major portion of Development Funds was diverted towards relief and rehabilitation activities in flood affected areas.

Infrastructural shortages are causing damage to the economy. Electricity and gas shortage is adversely affecting the industrial sector, while the agricultural sector is faced with water shortage. The State Bank of Pakistan raised its discount rate to 14% in November due to persistently high inflation and fiscal slippages leading to unabated government borrowing.

As per forecast of State Bank of Pakistan, real GDP growth would be in the range of 2 to 3 percent in the year 2011. Inflation would remain on high side for the immediate term and thus, further monetary tightening is possible that should negatively impact equity valuations.

FINANCIAL RESULTS

The comparative financial results for the year 2010 as against 2009 are as follows:

Rupees in '000'

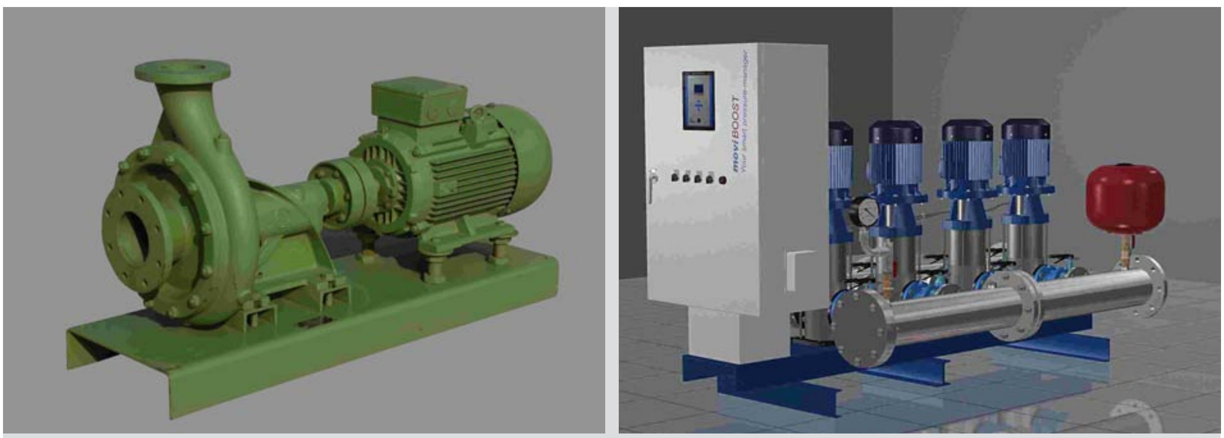
	2010	2009
Sales	2,047,989	2,024,248
Gross Profit	483,560	501,510
Operating Profit	170,498	224,209
Profit Before Tax	153,251	213,789
Profit After Tax	99,779	147,789
Earnings per Share (Rupees)	7.56	11.20

Despite devastating floods, we have achieved the same level of sales as last year. Change in product mix, increase in cost of material, utilities and inflation in 2010 has adverse impact on our profit.

THE COMPANY

SALES

The year 2010 saw the largest slump in Pakistan's economy due to the devastating floods across the country. Sectors of capital goods have suffered a major decline and many Companies faced difficulties in financing their



We bring latest technology within easy reach of our customers: Launch of Eta-Zaree & new moviBoost series

projects. Crisis situations are psychologically good opportunities to refocus and make fundamental improvements. We therefore saw 2010 as a challenging call to show what we are capable of, and achieved a promising order intake of Rs. 2.3 billion, in line with the Company's targets and strategies. We have successfully further penetrated the MEPCO region with our economically viable agricultural products ZORO, Zaree Turbine and ETA-Zaree, strengthening our product base in this very vital segment of the country. In addition to this, there has been an immense growth in the Valves and Building Services segments. Expansion of Dealership and Franchise networks remained a major focus as well during the year.

PROJECTS

KSB won three projects for construction of Sewage Disposal Stations in Multan under Prime Minister Package.

The Company also successfully launched its filtration units AquaRefine as a packaged solution and won pilot order.

Planned execution of CDWA project is not achieved due to diversion of Government's funds for rehabilitation activities.

PRODUCTION

The company continued its initiatives towards factory up-gradation through infrastructure development. Construction of new Test Bed at Factory was completed which enhances the testing capability up to 400 kW and allows full scale testing of Tubular Casing Pumps. The new Test Bed assures a high level of accuracy of the results because of improved testing pit layout, up-graded instrumentation and streamlines testing loop arrangements. Pump lifting capability is aided by a 10 ton overhead crane.

Machining and Assembly operations were enhanced by adding state of the art, Key Seating Machine for milling internal keyways, and high grade Induction Furnace for assisting assembly of bearings and sleeves on pump shafts. An overhead crane has been added in the assembly shop enhancing the lifting capacity of large sized pumps. In-house shot blasting facility has been developed to assist special epoxy coating of pumps for aggressive medium and export orders.

FOUNDRY

KSB Foundry has achieved the highest production of 3,500 tons employing two shifts only. In 2010 Foundry's sale is 68% and order intake is 54% higher as compared to year 2009. Development of Duplex Stainless Steel, which is the highest grade stainless steel material used for sea water application, was completed with resounding success and the first order of SNW pump was successfully delivered to customer.

(Left image) Mr. Masud Akhtar, MD & CEO KSB Pakistan in a discussion with Chief Minister Punjab, Mian Shahbaz Sharif at International Foundry Congress & Exhibition 2010

New Test Bed at Works, Hassanabdal

In order to meet market demands and support product development, our Foundry has manufactured more than 70 patterns for different pumps in 2010.

PRODUCT DEVELOPMENT

We have further extended the application range of our high-performance pumps: Movitec & moviBOOST, to provide the best possible support to our customers for projects of any scale or complexity. Furthermore, we have expanded our product portfolio for agricultural sector with the launch of ETA-Zaree.

MARKETING

New range of Movitec and moviBoost products were successfully launched during the year. Promotional activities for Submersible products stimulated sales in NWFP and Punjab region. Participation in HVACR and Pakistan Foundry Association's Exhibition in 2010 proved significant.

KSB Pakistan exhibited its state-of-the-art product range for Building Services segment at HVACR Exhibition 2010

ERP SYSTEM

Kick-off meeting for implementation of SAP was held in February 2011. Master Data Management activities are in line with planned schedule. We have a plan to Go-Live –SAP, with the assistance of KSB AG in the year 2011.

KSB Pakistan SAP Team at the kick-off meeting for SAP implementation

QUALITY, ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY POLICY

KSB Pumps Company Limited is the first foundry based engineering company in Pakistan to have been certified to the Integrated Management System (ISO 9001:2008, ISO 14001:2004 & OHSAS 18001:2007).

At KSB, we lay a great importance upon Quality, Environment, Occupational Health and Safety Policies. The EFQM Models for the business excellence provide the framework of the KSB Policy for Quality, Environment, Occupational Health and Safety. This Total Quality Management concept held up to ensure a sustainable improvement in our products, processes, services and working conditions.

SERVICES: Fast & efficient

We aim to support our customers from all fields of application, whether it is industrial or municipal plant and power station operators, with comprehensive expert support and assistance round the clock. Our service network, with skilled service specialists, is the perfect basis for first-class pump and system maintenance services.

We have successfully completed Shalimar Interchange project in Lahore and TANGI project in north region.

Our focus is to provide turnkey solutions to our customer based on their specific needs. We have provided complete fire fighting system to our customer.

Our Centralized Customer Compliant Software is fully functional now and efficiency has been improved considerably.

Services Department has been shifted to Head Office which brings them closer with other Departments.

HUMAN RESOURCE

In addition to the revision of the HR Manual, new HR Handbooks were issued to all employees specifically pertaining to their grades so as to further facilitate them in understanding their rights and obligations.

In line with the group guidelines, the HR Department initiated formal succession planning activities, so far first and second tier successors have successfully been identified and the activity has now begun to formulate progressive career plans for all inductees. Various other in-house trainings were conducted in order to create awareness of business practices of different professions within the company. The HR Department conducted value dialogues with employees across Pakistan. First Assessment Centre was developed at Hassanabdal for fresh graduate engineers.

Various sports activities, such as table tennis and cricket were encouraged to inculcate team spirit. The bonding and positive energy ensuing from these team activities has definitely given a boost to the synergy between professional teams.

Team Building Activity 2011

Mr. Naveed Ahmad receiving KSB table tennis tournament award form Mr. Masud Akhtar - CEO

Investment in Retirement Benefits

The value of investments, made by the staff retirement funds operated by the Company as per their respective audited financial statements is as follows:

	Rupees in million
- Provident Fund as on 31st December 2009 :	108.404
- Gratuity Fund as on 31st December 2009 :	58.448

ACHIEVEMENTS

ENVIRONMENTAL EXCELLENCE PERFORMANCE AWARD 2010

KSB Pakistan has won the Best Environment Performance Award in the 7th Annual Environment Excellence Awards for its outstanding contributions in the field of environmental friendly policies. The award is organized by National Forum for Environment and Health.

ENTERPRISE RISK MANAGEMENT

We define risk as:

"a potential damage-causing event"

It is the policy of KSB to anticipate and avoid risk, wherever possible, rather than dealing with the consequences. Risk Management Policy will be directed towards avoiding risk, as management understands that risks cannot be totally eliminated. Only decision taken in uncertainty (whether to do or not to do something) result in a risk. KSB Risk Management is a continuous process for identifying the financial, operational and general business risks. Board of Directors has the overall responsibility for the Company's system of risk management and internal controls.

The Directors have delegated to Executive Management, the establishment and implementation of an internal control system. The controls reduce risks from unacceptable level to a stage deemed acceptable by the Company. The system of internal controls provides reasonable but not absolute assurance that assets are safeguarded; transactions are properly authorized/recorded, material errors/irregularities are either prevented or would be detected within a timely period.

Financial Risk Factor

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Liquidity Risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's Finance Department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

Capital Risk Management

The Company's objectives, when managing capital, are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. As the Company is a wholly equity financed corporation, with working capital lines, capital comprises all components of equity (shares capital, general reserve, and retained earnings) as mentioned on the face of balance sheet, and is raised as required, through the approval of the Board of Directors.

CORPORATE SOCIAL RESPONSIBILITY

FLOOD RELIEF ACTIVITIES

To help overcome the immense hardships following devastating floods, KSB Group donated funds of more than PKR 10 million as emergency relief for flood victims and subsequent reconstruction. In addition to quickly distributing water, food and medicine, six Water Filtration Plants were also set up to improve the supply of drinking water in the affected regions. Some of the funds are being used to reconstruct a number of dispensaries and schools.

KSB Pakistan and its staff collected donations totalling around PKR 5.0 million. Additional funds were donated by KSB AG, Germany and several Asian companies. The KSB Board, the Management and the entire KSB team showed devoted participation in the collection and distribution of funds.

A team comprising of KSB Pakistan employees played an active role in the relief activities, while other company employees gave food and shelter to flood victims in their own homes.

Mr. Masud Akhtar distributing Scholarshps under KSB Care Programme

KSB CARE

KSB Pakistan has a tradition of Care for its employees and a long term commitment to the community where it operates. We make efforts for a sustainable improvement in the lives of the communities.

Corporate Social Responsibility is about reaching out to the under privileged and to the ones in need. With this belief KSB Pakistan has been working under the umbrella of KSB - Care Program.

KSB offers internships, apprenticeships, training opportunities, educational visits and study projects to students and fresh graduates and supports educational institutions situated in its vicinity. Merit based scholarships are awarded to brilliant students ranging from primary to graduation level. During the year 2010, in ceremonies held in different schools 179 high achievers were awarded scholarships under the KSB Care program. KSB has contributed significantly by providing assistance to Government Schools for the purchase of desks, benches, electric coolers, electric fans and other accessories.

KSB also supports many Government Schools located in its vicinity by construction of class rooms, boundary walls, overhead water tanks, repair, maintenance and refurbishment of existing facilities.

CALENDAR OF EVENTS FOR 2010

January	:	Sales Review plus Team Building Exercise.
April	:	Launch of new moviBoost series.
May	:	Revised Human Resource Manual issued.
July	:	Bringing new Movitec generation.
August	:	Flood relief activity, Environmental Excellence Award; visit of Dr. Buthmann, member of KSB AG Board of Management to KSB Pakistan.
September	:	Launch of Sales Management System. Assessment Centre in Hassanabdal for Management Trainees.
October	:	Launch of AquaRefine-Water Filtration Systems.
November	:	Completion of 250 Pumps installation for USAID Tube Well Efficiency Program.
December	:	Delivery of 1st SNW pump in duplex material. Inauguration of new Test Bed facility in Hassanabdal. Services Department shifted to Head Office.

FUTURE OUTLOOK

PROJECTS:

Efforts are being made to revive CDWA Project and process payments against work done. Payments of other projects are expected to start flowing within 1st quarter of the current year.

Mega projects for water supply systems, and sewerage disposal and treatment systems are planned by the water authorities of Karachi, Northern Sind Urban Services Corporation Limited (NSUSC) & Faisalabad for which KSB is in a position to attract substantial business. Hopefully, with the improvement in the economy, these projects shall be maturing during 2011 and onwards and present a positive outlook.

AquaRefine: Water Filtration Systems by KSB

Diversifying its business, KSB Projects is focusing on high efficiency irrigation systems, which is fast developing a strong market across the country. In addition awareness in Water Filtration is on the rise and KSB is positioned to benefit a great deal.

PRODUCTION:

The investment is focused on productivity enhancement for which a CNC welding machine will be added in the year 2011, in a new Fabrication Shop to be completed by mid year 2011. For capacity enhancement, finished product and pattern storage facilities will be enhanced by putting up a new Store Shed.

Product Development activities shall continue as per plan for three products, namely, SNW / PNW in Duplex Stainless Steel, SEWATEC and ETANORM (line extension).

FOUNDRY:

Foundry master plan for setting up separate steel and cast iron foundry has been principally approved by the Management and is expected to be started in 2012. This will bring the capability in line with the demands of steel castings, and enhance the cast iron production capacity to be in line with the growing market demands especially the auto sector.

ERP & UNIGRAPHICS:

The Company has embarked upon implementation of SAP and CAD/CAM system Unigraphics NX with support from KSB AG in 2011.

APPROPRIATION

RESULT FOR THE YEAR	**Rupees** '000'
Profit for the year before providing for taxation	153,251
Provision for taxation	53,471
Profit after taxation	99,779
Un-appropriated profit brought forward	821
Available for appropriation	100,600
Appropriated as under	
- Transfer to general reserve	84,000
- Proposed dividend @ Rs. 1.25 per share (12.5%)	16,500
	100,500
Un appropriated profit carried forward	100

AUDITORS

The present auditors, A.F. Ferguson & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee the Board of Directors has recommended their reappointment as auditors of the Company for the year ending December 31, 2011.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has already adopted the Statement of Ethics and Business Practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations.

MATERIAL CHANGES

There have been no material changes since December 31, 2010 and the company has not entered into any commitment, which would affect its financial position at the balance sheet date.

HOLDING COMPANY

The Company's holding company is KSB Aktiengesellschaft, Germany.

BOARD OF DIRECTORS

The Board of Directors presently comprises of eight individuals out of which six are non-executive.

The Chairman of the Board is other than the CEO and is also non-executive Director.

During the year Dr. Augus Lee and Mr. Hasan Aziz Bilgrami resigned from the office of Directors and were succeeded by Mr. Werner Spiegel and Mr. Wazir Ali Khoja. Mr. Tonjes Cerovsky succeeded Dr. Augus Lee as Chairman of the Company.

The Board wishes to place on record its deep appreciation for the valuable contribution and guidance provided by the outgoing Directors during their association with the Company. The Board also extends a warm welcome to Mr. Werner Spiegel and Mr. Wazir Ali Khoja.

BOARD OF DIRECTORS MEETING

During the year, four Board Meetings were held and the number of Meetings attended by each Director is given hereunder:

Name of Director	No. of Meetings Attended
Dr. Augus Lee	1
Mr. M. Masud Akhtar	4
Mr. Tonjes Cerovsky	4
Mr. Sajid Mahmood Awan	4
Mr. Jan Stoop	-
Mr. R. D. Ahmad	3
Mr. Hasan Aziz Bilgrami	2
Mr. Aizaz Sarfraz	3
Mr. Werner Spiegel	1

Leave of absence was granted to Directors who could not attend the Board Meetings.

AUDIT COMMITTEE

An Audit Committee of the Board has been in existence since the enforcement of the Code of Corporate Governance which comprises of three non-executive Directors. The Members of the Board Audit Committee were as follows:

1.	Mr. Hasan Aziz Bilgrami	-	Chairman	Non Executive Director.
2.	Mr. R. D. Ahmad	-	Member	Non Executive Director.
3.	Mr. Werner Spiegel	-	Member	Non-Executive Director.

During the year four meetings of the Committee were held. The Committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the listing regulations.

CORPORATE AND FINANCE REPORTING FRAME WORK

- The financial statements together with the notes thereon have been drawn up by the Management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

- Proper books of accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.

- There has been no departure from the best practices of transfer pricing.

- The key operating and financial data for the last six years is annexed.
- The value of investments including accrued interest based on respective audited accounts of funds are as follows:

1.	Provident Fund 31.12.2009	:	Rs. 108.404 million.
2.	Gratuity Fund 31.12.2009	:	Rs. 58.448 million.

- No trading of shares of the Company by CEO, Directors, Company Secretary, CFO, their spouses and minor children has been carried out.

PATTERN OF SHAREHOLDING

The statement of pattern of the shareholding of the Company as at December 31, 2010 is annexed with the report.

PERFORMANCE REVIEW OF CHIEF EXECUTIVE OFFICER

The performance of CEO is assessed through the evaluation system developed by the KSB Group. The evaluation is conducted on financial and non-financial parameters including the KSB Values. 360 degree performance appraisal of CEO was also conducted by KSB Group.

Acknowledgement

We are thankful for the excellent support and guidance provided to us by our parent Company and the trust reposed by the shareholders on the Management and Board of Directors.

We appreciate our valued customers, suppliers and financial institutions for their support during the year.

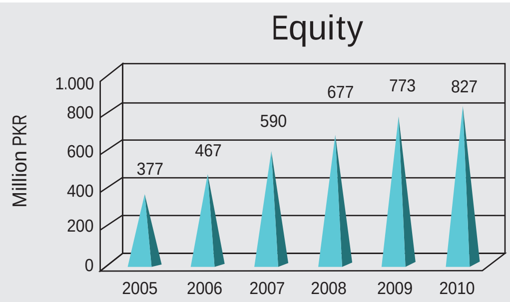
We express our thanks to all employees for their extra ordinary efforts for the success of the Company in difficult economic times.

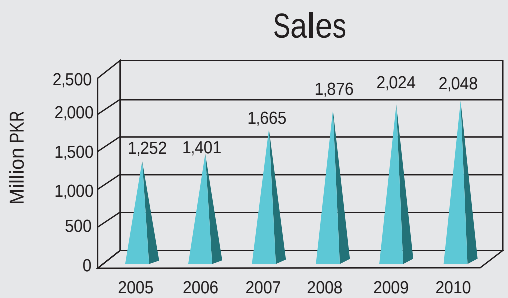
On behalf of the Board

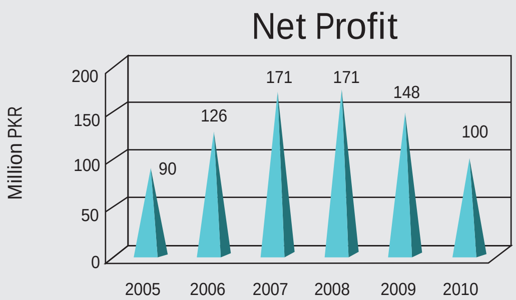
Mohammad Masud Akhtar
Chief Executive

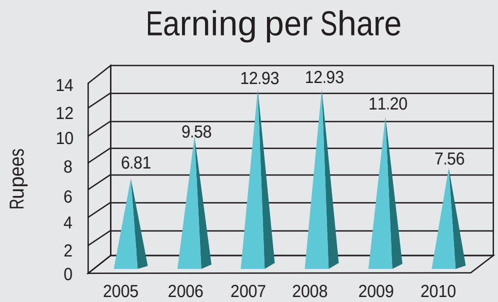
March 21, 2011
Lahore.

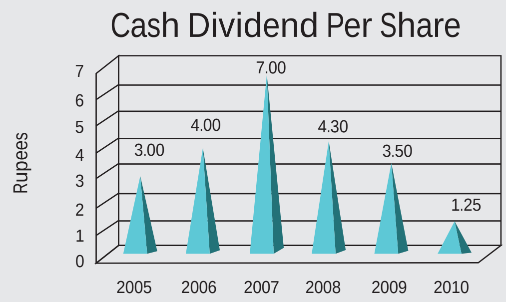
Highlights 6 Years

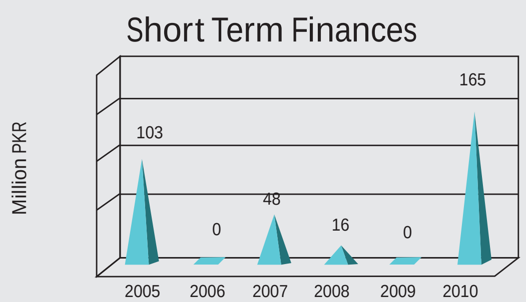


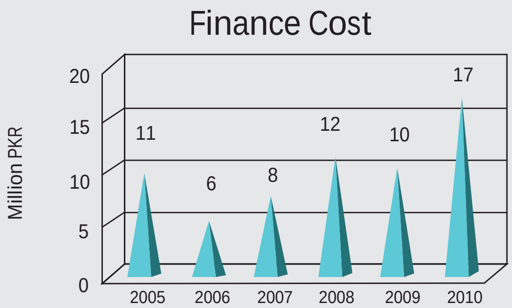


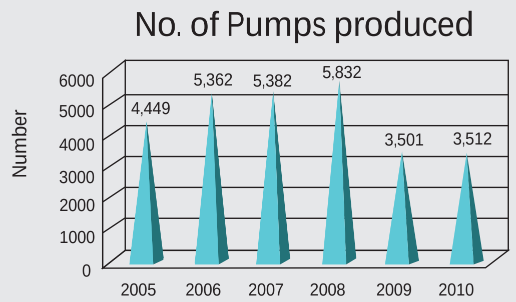





Cash Dividend Per Share
Rupees
7
6
5
4
3
2
1
0
3.00
4.00
7.00
4.30
3.50
1.25
2005
2006
2007
2008
2009
2010


Short Term Finances
Million PKR
103
0
48
16
0
165
2005
2006
2007
2008
2009
2010


Finance Cost
Million PKR
20
15
10
5
0
11
6
8
12
10
17
2005
2006
2007
2008
2009
2010


No. of Pumps produced
Number
6000
5000
4000
3000
2000
1000
0
4,449
5,362
5,382
5,832
3,501
3,512
2005
2006
2007
2008
2009
2010

Vertical Analysis

	2010 Rs. in '000'	%age	2009 Rs. in '000'	%age
Balance Sheet				
Net worth / shareholders equity	826,600	45.69%	773,021	48.49%
Non current liabilities	63,843	3.53%	52,273	3.28%
Short term running finances/ bank borrowings	164,927	9.12%	171	0.01%
Creditors, accrued and other liabilities	753,738	41.66%	768,645	48.22%
Total liabilities and equity	1,809,108	100.00%	1,594,110	100.00%
Fixed Assets	313,502	17.33%	251,639	15.79%
Long Term Loans and Deposits	11,685	0.65%	6,196	0.39%
Current Assets	1,483,920	82.02%	1,336,275	83.83%
Total Assets	1,809,108	100.00%	1,594,110	100.00%
Profit and Loss Account				
Sales	2,047,989	100.00%	2,024,248	100.00%
Cost of sales	(1,564,429)	-76.39%	(1,522,737)	-75.22%
Gross Profit	483,560	23.61%	501,511	24.78%
Distribution and marketing costs	(214,023)	-10.45%	(183,402)	-9.06%
Administrative expenses	(128,520)	-6.28%	(118,321)	-5.85%
Other operating expenses	(13,387)	-0.65%	(17,282)	-0.85%
Other operating income	42,867	2.09%	41,704	2.06%
Operating Profit	170,498	8.33%	224,210	11.08%
Finance Cost	(17,248)	-0.84%	(10,421)	-0.51%
Profit before tax	153,251	7.48%	213,789	10.56%
Taxation	(53,471)	-2.61%	(66,000)	-3.26%
Profit for the year	99,779	4.87%	147,789	7.30%

2008 Rs. in '000'	%age	2007 Rs. in '000'	%age	2006 Rs. in '000'	%age	2005 Rs. in '000'	%age
676,832	55.28%	590,143	54.54%	467,464	56.32%	377,071	44.59%
42,302	3.46%	32,602	3.01%	15,071	1.82%	18,183	2.15%
16,421	1.34%	47,795	4.42%	47	0.01%	103,218	12.20%
488,731	39.92%	411,413	38.03%	347,362	41.85%	347,242	41.06%
1,224,286	100.00%	1,081,953	100.00%	829,944	100.00%	845,714	100.00%
219,108	17.90%	152,303	14.08%	92,630	11.16%	78,494	9.28%
7,885	0.64%	8,336	0.77%	2,798	0.34%	3,386	0.40%
997,293	81.46%	921,314	85.15%	734,516	88.50%	763,834	90.32%
1,224,286	100.00%	1,081,953	100.00%	829,944	100.00%	845,714	100.00%
1,876,445	100.00%	1,664,543	100.00%	1,401,145	100.00%	1,252,166	100.00%
(1,368,835)	-72.95%	(1,198,453)	-72.00%	(973,920)	-69.51%	(914,070)	-73.00%
507,610	27.05%	466,090	28.00%	427,225	30.49%	338,096	27.00%
(192,937)	-10.28%	(161,898)	-9.73%	(159,195)	-11.36%	(115,954)	-9.26%
(110,034)	-5.86%	(90,562)	-5.44%	(82,505)	-5.89%	(79,775)	-6.37%
(15,368)	-0.82%	(18,654)	-1.12%	(19,286)	-1.38%	(14,293)	-1.14%
56,287	3.00%	41,429	2.49%	30,394	2.17%	27,622	2.21%
245,558	13.09%	236,405	14.20%	196,633	14.03%	155,696	12.43%
(11,639)	-0.62%	(8,413)	-0.51%	(5,790)	-0.41%	(10,672)	-0.85%
233,919	12.47%	227,992	13.70%	190,843	13.62%	145,024	11.58%
(63,231)	-3.37%	(57,313)	-3.44%	(64,450)	-4.60%	(55,115)	-4.40%
170,688	9.10%	170,680	10.25%	126,393	9.02%	89,909	7.18%

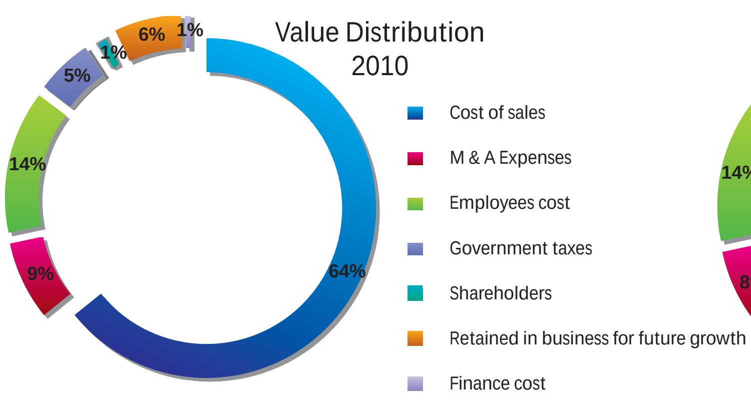
Horizontal Analysis

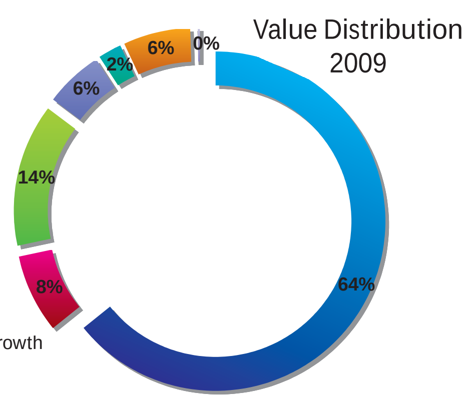
	2010 Rs. In '000'	2009 Rs. In '000'	%age change	2009 Rs. in '000'	2008 Rs. in '000'	%age change
Balance Sheet						
Net worth / shareholders equity	826,600	773,021	6.93%	773,021	676,832	14.21%
Non current liabilities	63,843	52,273	22.13%	52,273	42,302	23.57%
Short term running finances/bank borrowings	164,927	171	96153.82%	171	16,421	-98.96%
Creditors, accrued and other liabilities	753,738	768,645	-1.94%	768,645	488,731	57.27%
Total liabilities and equity	1,809,108	1,594,110	13.49%	1,594,110	1,224,286	30.21%
Fixed Assets	313,502	251,639	24.58%	251,639	219,108	14.85%
Long Term Loans and Deposits	11,685	6,196	88.59%	6,196	7,885	-21.42%
Current Assets	1,483,920	1,336,275	11.05%	1,336,275	997,293	33.99%
Total Assets	1,809,108	1,594,110	13.49%	1,594,110	1,224,286	30.21%
Profit and Loss Account						
Sales	2,047,989	2,024,248	1.17%	2,024,248	1,876,445	7.88%
Cost of sales	(1,564,429)	(1,522,737)	2.74%	(1,522,737)	(1,368,835)	11.24%
Gross Profit	483,560	501,511	-3.58%	501,510	507,610	-1.20%
Distribution and marketing costs	(214,023)	(183,402)	16.70%	(183,402)	(192,937)	-4.94%
Administrative expenses	(128,520)	(118,321)	8.62%	(118,321)	(110,034)	7.53%
Other operating expenses	(13,387)	(17,282)	-22.54%	(17,282)	(15,368)	12.45%
Other operating income	42,867	41,704	2.79%	41,704	56,287	-25.91%
Operating Profit	170,498	224,210	-23.96%	224,210	245,558	-8.69%
Finance Cost	(17,248)	(10,420)	65.52%	(10,420)	(11,639)	-10.47%
Profit before tax	153,251	213,790	-28.32%	213,790	233,919	-8.61%
Taxation	(53,471)	(66,000)	-18.98%	(66,000)	(63,231)	4.38%
Profit for the year	99,779	147,790	-32.49%	147,790	170,688	-13.42%

2008	2007	%age change	2007	2006	%age change	2006	2005	%age change	2005	2004	%age change'
Rs. In '000'			Rs. In '000'			Rs. In '000'			Rs. In '000'		
676,832	590,143	14.69%	590,143	467,464	26.24%	467,464	377,071	23.97%	377,071	308,162	22.36%
42,302	32,602	29.75%	32,602	15,071	116.32%	15,071	18,183	-17.11%	18,183	19,162	-5.11%
16,421	47,795	-65.64%	47,795	47	101591.49%	47	103,218	-99.95%	103,218	69,164	49.24%
488,731	411,413	18.79%	411,413	347,362	18.44%	347,362	347,242	0.03%	347,242	272,937	27.22%
1,224,286	1,081,953	13.16%	1,081,953	829,944	30.36%	829,944	845,714	-1.86%	845,714	669,425	26.33%
219,108	152,303	43.86%	152,303	92,630	64.42%	92,630	78,494	18.01%	78,494	67,779	15.81%
7,885	8,336	-5.41%	8,336	2,798	197.93%	2,798	3,386	-17.37%	3,386	3,777	-10.35%
997,293	921,314	8.25%	921,314	734,516	25.43%	734,516	763,834	-3.84%	763,834	597,869	27.76%
1,224,286	1,081,953	13.16%	1,081,953	829,944	30.36%	829,944	845,714	-1.86%	845,714	669,425	26.33%
1,876,445	1,664,543	12.73%	1,664,543	1,401,145	18.80%	1,401,145	1,252,166	11.90%	1,252,166	853,674	46.68%
(1,368,835)	(1,198,453)	14.22%	(1,198,453)	(973,920)	23.05%	(973,920)	(914,070)	6.55%	(914,070)	(641,510)	42.49%
507,610	466,090	8.91%	466,090	427,225	9.10%	427,225	338,096	26.36%	338,096	212,164	59.36%
(192,937)	(161,898)	19.17%	(161,898)	(159,195)	1.70%	(159,195)	(115,954)	37.29%	(115,954)	(95,543)	21.36%
(110,034)	(90,562)	21.50%	(90,562)	(82,505)	9.77%	(82,505)	(79,775)	3.42%	(79,775)	(60,747)	31.32%
(15,368)	(18,654)	-17.62%	(18,654)	(19,286)	-3.28%	(19,286)	(14,293)	34.93%	(14,293)	(5,961)	139.78%
56,287	41,429	35.86%	41,429	30,394	36.31%	30,394	27,622	10.04%	27,622	34,789	-20.60%
245,558	236,405	3.87%	236,405	196,633	20.23%	196,633	155,696	26.29%	155,696	84,702	83.82%
(11,639)	(8,413)	38.35%	(8,413)	(5,790)	45.30%	(5,790)	(10,672)	-45.75%	(10,672)	(4,028)	164.95%
233,919	227,992	2.60%	227,992	190,843	19.47%	190,843	145,024	31.59%	145,024	80,674	79.77%
(63,231)	(57,313)	10.33%	(57,313)	(64,450)	-11.08%	(64,450)	(55,115)	16.94%	(55,115)	(28,631)	92.50%
170,688	170,680	0.01%	170,680	126,393	35.04%	126,393	89,909	40.58%	89,909	52,043	72.76%

Statement of Value Addition

	2010	%age	2009	%age
	Rs. in '000'		Rs. in '000'	
Value Addition				
Net sales	2,047,989	97.95	2,024,248	97.98
Other income	42,867	2.05	41,704	2.02
	2,090,856	100.00	2,065,952	100.00
Value Distribution				
Cost of sales (excluding employees' cost & Depreciation/Amortization)	1,347,423	64.44	1,318,954	63.84
Marketing, admin. & other expenses (excluding employees' cost & Depreciation)	194,951	9.32	163,340	7.91
Employees cost				
- Salaries, wages, amenities and staff welfare	291,016	13.92	268,813	13.01
- Workers' profit particiaption fund	8,230	0.39	11,451	0.55
	299,246	14.31	280,264	13.57
Government				
- Taxes & Duties	93,962	4.49	110,825	5.36
- Workers' welfare fund	3,128	0.15	3,787	0.18
	97,090	4.64	114,612	5.55
Shareholders				
- Dividend	16,500	0.79	46,200	2.24
- Bonus shares	-	0.00	-	0.00
	16,500	0.79	46,200	2.24
Retained in business for future growth				
- Depreciation & Amortization	35,120	1.68	30,573	1.48
- Retained profit	83,279	3.98	101,589	4.92
	118,399	5.66	132,162	6.40
Finance cost	17,248	0.82	10,420	0.50
	2,090,856	100.00	2,065,952	100.00





Key Financial Data for 6 Years

Rupees in '000'

	2010	2009	2008	2007	2006	2005
Balance sheet						
Paid up capital	132,000	132,000	120,000	120,000	120,000	120,000
Reserves	694,600	641,021	556,832	470,143	347,464	257,071
Net worth / shareholders equity	826,600	773,021	676,832	590,143	467,464	377,071
Non current liabilities	63,843	52,273	42,302	32,602	15,072	18,183
Short term running finances/ bank borrowings	164,927	171	16,421	47,795	47	103,218
Creditors, accrued & other liabilities	753,738	768,645	488,731	411,413	347,361	347,242
Current liablitities	918,665	768,817	505,152	459,208	347,408	450,460
Total liabilities	982,508	821,090	547,454	491,810	362,480	468,643
Total Liabilities & Equity	1,809,108	1,594,110	1,224,286	1,081,953	829,944	845,714
Fixed assets	313,502	251,639	219,108	152,303	92,630	78,495
Long term loans and deposits	11,685	6,196	7,885	8,336	2,798	3,386
Deferred taxation	-	-	-	-	-	6,000
Current assets	1,483,920	1,336,274	997,293	921,314	734,516	757,833
Total assets	1,809,108	1,594,110	1,224,286	1,081,953	829,944	845,714
Inventory	504,449	414,139	394,488	288,347	308,171	230,269
Debtors	632,844	526,560	388,555	250,061	214,193	322,262
Trade and other payables	710,812	732,617	455,121	359,893	294,210	324,931
Matertial consumption	1,049,974	1,013,445	965,555	841,499	700,542	602,444
Profit and loss						
Sales	2,047,989	2,024,248	1,876,445	1,664,543	1,401,145	1,252,166
Cost of goods sold	(1,564,429)	(1,522,737)	(1,368,835)	(1,198,453)	(976,120)	(914,070)
Gross Profit	483,560	501,510	507,610	466,090	425,025	338,096
Distribution and marketing expences	(214,023)	(183,402)	(192,937)	(161,897)	(159,195)	(115,954)
Administrative expenses	(128,520)	(118,321)	(110,034)	(90,562)	(80,305)	(79,775)
Other operating expenses	(13,387)	(17,282)	(15,368)	(18,654)	(19,286)	(14,293)
Other operating income	42,867	41,704	56,287	41,429	30,394	27,622
Operating Profit	170,498	224,209	245,558	236,406	196,633	155,696
Finance Cost	(17,248)	(10,421)	(11,639)	(8,413)	(5,790)	(10,672)
Profit before tax	153,251	213,789	233,919	227,993	190,843	145,024
Taxation	(53,471)	(66,000)	(63,231)	(57,313)	(64,450)	(55,115)
Net Profit	99,779	147,789	170,688	170,680	126,393	89,909

Key Performance Indicators

		2010	2009	2008	2007	2006	2005
Gross Margin	%	23.61	24.41	27.05	28.00	30.33	27.00
Net profit to Sales	%	4.87	7.30	9.10	10.25	9.02	7.18
Return on equity	%	12.07	19.12	25.22	28.92	27.04	23.84
Return on capital employed	%	19.15	27.17	34.15	37.96	40.75	39.39
Return on assets	%	6.47	9.92	14.89	16.55	15.93	11.89
EBITDA	Rupees in '000'	205,618	254,782	270,782	255,115	211,111	170,419
EBITDA margin	%	10.04	12.59	14.43	15.33	15.07	13.61
Inventroy turnover ratio	Times	2.08	2.45	2.45	2.92	2.27	2.62
Inventory turnover in number of days	Days	175	149	149	125	16	140
Debtor Turnover ratio	Times	3.24	3.84	4.83	6.66	6.54	3.89
Collection period (Days)	Days	113	95	76	55	56	94
Creditor turnover	Times	2.20	2.09	3.0	3.33	3.32	2.81
Creditor turnover in number of days	Days	166	175	121	110	110	130
Opreating cycle	Days	122	69	103	70	106	104
Total assets trunover ratio	Times	1.13	1.27	1.53	1.54	1.69	1.48
Fixed assets turnover ratio	Times	6.53	8.04	8.56	10.93	15.13	15.95
Price earning ratio	Times	7.95	6.70	17.86	15.36	8.34	9.04
Cash dividend per share	Rupees	1.25	3.50	4.30	7.00	4.00	3.00
Bonus shares	%	-	-	10.00	-	-	-
Dividend yield ratio	Times	0.02	0.05	0.02	0.04	0.05	0.05
Dividend pay out ratio	Times	0.17	0.31	0.33	0.54	0.42	0.44
Dividend cover ratio	Times	6.05	3.20	3.01	1.85	2.39	2.27
Earnings Per Share	Rupees	7.56	11.20	12.93	12.93	9.58	6.81
Number of Shares	Number in '000'	13,200	13,200	12,000	12,000	12,000	12,000
Debt Equity Ratio		17 : 83	0.02 : 99.98	2 : 98	8 : 92	1 : 99	27 : 73
Interest Cover ratio	Times	9.89	21.52	21.10	28.10	33.96	14.59
Current Ratio	Times	1.62	1.74	1.97	2.01	2.11	1.68
Acid test ratio	Times	1.07	1.20	1.19	1.38	1.23	1.17
Break up value per share	Rupees	62.62	58.56	51.28	44.71	35.41	28.57
Market Value of shares - year end	Rupees	60.11	75.02	230.98	198.60	79.90	61.55
Market Value of shares - high	Rupees	92.48	230.98	230.98	294.95	97.00	71.85
Market Value of shares - low	Rupees	60.11	71.42	152.25	75.10	63.00	38.00
Summary of cash flow statement							
Operating activities	Rupees in '000'	(92,165)	289,729	14,955	208,487	183,174	6 2
Investing activities	Rupees in '000'	(95,326)	(65,321)	(91,583)	(77,500)	(27,728)	(24,852)
Financing Activities	Rupees in '000'	(46,085)	(51,410)	(83,634)	(47,790)	(35,836)	(25,005)
Cash and cash equivalent- closing balance	Rupees in '000'	(1,626)	231,951	58,953	219,215	136,019	16,406

Pattern of Shareholding as at December 31, 2010

Number of Shareholders			Shareholders		Total shares held
248	From	1	To	100	8,850
230	From	101	To	500	60,125
248	From	501	To	1,000	145,452
146	From	1,001	To	5,000	316,325
22	From	5,001	To	10,000	150,612
6	From	10,001	To	15,000	74,700
2	From	15,001	To	20,000	37,475
2	From	20,001	To	25,000	48,524
2	From	25,001	To	30,000	57,600
1	From	30,001	To	35,000	31,703
1	From	60,001	To	65,000	63,000
1	From	70,001	To	75,000	70,180
1	From	95,001	To	100,000	99,500
1	From	110,001	To	115,000	114,774
1	From	125,001	To	130,000	125,948
1	From	140,001	To	145,000	143,863
1	From	245,001	To	250,000	250,000
1	From	270,001	To	275,000	272,373
1	From	330,001	To	335,000	331,178
1	From	335,001	To	340,000	336,575
1	From	785,001	To	790,000	1,147,586
1	From	1,540,001	To	1,545,000	1,540,682
1	From	7,770,001	To	7,775,000	7,772,975
920					13,200,000

Categories of shareholders	Number	Shares held	Percentage
Individuals	896	1,665,893	12.62
Associated Companies	1	7,772,975	58.89
Insurance Companies	1	272,373	2.06
Joint Stock Companies	12	117,095	0.89
Financial Institutions	6	2,956,781	22.40
Modarabas&Mutual Funds	2	313,000	2.37
Others			
- Habib Bank Limted A/c Mohammed Amin Wakf Estate	1	31,703	0.24
- Trustees Nestle Pakistan Ltd Emoloyees Provident Fund	1	70,180	0.53
	920	13,200,000	100.00

Information as required under the Code of Corporate Governance

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, Undertakings and Related Parties		
KSB AG, Germany.	1	7,772,975
NIT and ICP		
Investment Corporation of Pakistan	Nil	Nil
National Bank of Pakistan, Trustee Department (NIT)	1	1,540,682
Directors	Nil	Nil
Directors' spouses and minor children	Nil	Nil
CEO's spouse and minor children	Nil	Nil
Executives	Nil	Nil
Public Sector Companies and Corporations	Nil	Nil
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modaraba, Mutual Funds and Joint Stock Companies	20	2,118,567
General Public	896	1,665,893
Others	2	101,883
Total	920	13,200,000

Shareholders holding 10% or more voting interest	Number of Shareholders	Number of Shares Held
KSB AG, Germany	1	7,772,975
National Bank of Pakistan Trustee Deptt. (NIT)	1	1,540,682

Statement of Compliance with the Code of Corporate Governance For the Year Ended December 31, 2010

This statement is being presented to comply with the requirements of the Code of Corporate Governance as contained in the listing regulations of Stock Exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non executive Directors and minority representation on its Board. During the year 2010 Board included eight Directors. At present the CEO and CFO are the only Executive Directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.

3. To the best of our knowledge all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the Directors and all employees of the Company.

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. Casual vacancies occurred on the Board due to resignation of Directors during the year were filled in within the stipulated time.

7. Three meetings of the Board were presided over by the Chairman while one meeting was presided over by the Chief Executive Officer in the absence of the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated within the statutory period.

8. The Company provided information to foreign resident Directors of their duties and responsibilities. Other Directors being professionals and Directors of other local companies are already aware of their duties and responsibilities.

9. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

10. All quarterly, half yearly and annual financial statements presented to the Board for approval were duly signed by the CEO and the CFO before presenting to Board for its approval.

11. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

12. The Company has complied with all the corporate and financial reporting requirements of the Code.

13. The Board has formed an audit committee. It comprises of three members, who are non executive Directors including the chairman of the committee.

14. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

15. The Board has set out an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

18. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Mohammad Masud Akhtar
Chief Executive Officer

March 21 , 2011
Lahore.

Review Report to the Members on Statement of Compliance With the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of KSB Pumps Company Limited to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges, where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price regarding proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

Chartered Accountants

Name of engagement partner: Imran Farooq Mian

Lahore,

Auditors' Report to the Members

We have audited the annexed balance sheet of KSB Pumps Company Limited as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

  (ii) the expenditure incurred during the year was for the purpose of the company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2010 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants

Name of engagement partner: Imran Farooq Mian

Lahore,

Balance Sheet

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (2009: 15,000,000) ordinary shares of Rs 10 each		150,000,000	150,000,000
Issued, subscribed and paid up capital			
13,200,000 (2009: 13,200,000) ordinary shares of Rs 10 each	5	132,000,000	132,000,000
General reserve		594,000,000	493,000,000
Unappropriated profit		100,600,040	148,020,657
		826,600,040	773,020,657
NON CURRENT LIABILITIES			
Employees' retirement and other benefits	6	19,408,744	17,239,632
Deferred liabilities	7	44,434,079	35,033,677
		63,842,823	52,273,309
CURRENT LIABILITIES			
Short term finances - secured	8	164,927,074	171,346
Trade and other payables	9	710,811,758	732,617,290
Provision for other liabilities and charges	10	37,057,752	34,678,642
Accrued finance cost		5,868,324	1,348,320
		918,664,908	768,815,598
CONTINGENCIES AND COMMITMENTS	11		
		1,809,107,771	1,594,109,564

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	292,198,882	243,000,490
Investment property	13	1,865,638	2,077,392
Intangible Assets	14	5,626,343	5,349,470
Capital work in progress	15	13,811,617	1,211,530
Long term loans and deposits	16	11,685,105	6,196,220
		325,187,585	257,835,102
CURRENT ASSETS			
Stores, spares and loose tools	17	41,848,835	43,949,476
Stock-in-trade	18	462,600,508	370,189,424
Trade debts	19	632,843,688	526,560,488
Advances, deposits, prepayments and other receivables	20	183,326,297	163,453,100
Cash and bank balances	21	163,300,858	232,121,974
		1,483,920,186	1,336,274,462
		1,809,107,771	1,594,109,564

Chief Executive

Profit and Loss Account
For the year ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
Sales	22	2,047,989,065	2,024,247,695
Cost of sales	23	(1,564,428,771)	(1,522,737,463)
Gross profit		483,560,294	501,510,232
Distribution and marketing expenses	24	(214,022,878)	(183,401,889)
Administration expenses	25	(128,519,862)	(118,320,508)
Other operating expenses	26	(13,386,679)	(17,281,928)
Other operating income	27	42,867,378	41,703,532
Profit from operations		170,498,253	224,209,439
Finance cost	28	(17,247,570)	(10,420,506)
Profit before tax		153,250,683	213,788,933
Taxation	29	(53,471,300)	(66,000,000)
Profit for the year		99,779,383	147,788,933
Earnings per share - basic and diluted	36	7.56	11.20

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman **Chief Executive**

Statement of Comprehensive Income
For the year ended December 31, 2010

	2010 Rupees	2009 Rupees
Profit for the year	99,779,383	147,788,933
Other comprehensive income for the year	-	-
Total comprehensive income for the year	99,779,383	147,788,933

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman **Chief Executive**

Cash Flow Statement
For the year ended December 31, 2010

	Note	2010 Rupees	2009 Rupees
Cash flows from operating activities			
Cash generated from operations	31	(1,916,333)	378,791,750
Finance cost paid		(12,727,566)	(10,529,113)
Taxes paid		(62,260,775)	(71,675,395)
Payments for accumulating compensated absences		(1,355,697)	(873,028)
Employees' retirement and other benefits paid		(8,415,829)	(7,674,250)
Net (increase)/decrease in long term loans and deposits		(5,488,885)	1,689,046
Net cash (used in)/from operating activities		(92,165,085)	289,729,010
Cash flows from investing activities			
Fixed capital expenditure		(104,604,980)	(67,907,000)
Proceeds from sale of property, plant and equipment		9,278,637	2,585,714
Net cash used in investing activities		(95,326,343)	(65,321,286)
Cash flows from financing activities			
Dividend paid		(46,085,416)	(51,409,766)
Net cash used in financing activities		(46,085,416)	(51,409,766)
Net (decrease) / increase in cash and cash equivalents		(233,576,844)	172,997,958
Cash and cash equivalents at the beginning of the year		231,950,628	58,952,670
Cash and cash equivalents at the end of the year	32	(1,626,216)	231,950,628

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman

Chief Executive

Statement of Changes In Equity

For the year ended December 31, 2010

	Share capital	General reserves	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at December 31, 2008	120,000,000	386,000,000	170,831,724	676,831,724
1,200,000 ordinary shares of Rs.10 each issued as fully paid bonus shares	12,000,000	-	(12,000,000)	-
Final dividend for the year ended December 31, 2008 Rs 4.30 per share	-	-	(51,600,000)	(51,600,000)
Transfer to general reserve	-	107,000,000	(107,000,000)	-
Total comprehensive income for the year	-	-	147,788,933	147,788,933
Balance as at December 31, 2009	132,000,000	493,000,000	148,020,657	773,020,657
Final dividend for the year ended December 31, 2009 Rs 3.50 per share	-	-	(46,200,000)	(46,200,000)
Transfer to general reserve	-	101,000,000	(101,000,000)	-
Total comprehensive income for the year	-	-	99,779,383	99,779,383
Balance as at December 31, 2010	132,000,000	594,000,000	100,600,040	826,600,040

The annexed notes 1 to 40 form an integral part of these financial statements.

Chairman **Chief Executive**

Notes to the Financial Statements

For the year ended December 31, 2010

1. Legal status and nature of business

KSB Pumps Company Limited (a KSB group company) was incorporated in Pakistan on July 18, 1959 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of industrial pumps, valves, castings and related parts. The registered office of the Company is situated at KSB Building, Sir Aga Khan Road, Lahore.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the ordinance). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the ordinance. Wherever, the requirements of the ordinance or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the ordinance or the requirements of the said directives take precedence.

2.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations effective in current year

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the 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 (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. Its adoption did not have any impact on the Company's financial statements.

IAS 38 (amendment), 'Intangible assets', effective January 01, 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic life. Amendment did not have any impact on the Company's financial statements.

2.2.2 Standards, amendments to published standards and interpretations that are effective in current year but not applicable/relevant to the Company

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 36 (amendment), 'Impairment of assets'	January 1, 2010
IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'	January 1, 2010
IFRS 3 (revised), 'Business combinations'	July 1, 2009
IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'	January 1, 2010
IFRIC 9, 'Reassessment of embedded derivatives and IAS 39'	July 1, 2009
IFRIC 16, 'Hedges of a net investment in a foreign operation'	July 1, 2009
IFRIC 17, 'Distribution of non-cash assets to owners'	July 1, 2009
IFRIC 18, 'Transfers of assets from customers'	July 1, 2009

2.2.3 Standards, amendments and interpretations to existing standards that are not yet effective

IAS 1 (amendments), clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after January 01, 2011.

2.2.4 Standards, amendments and interpretations to existing standards that are not yet relevant to the Company's operations and not yet effective

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 24 (Revised), 'Related party disclosures'	January 1, 2011
IAS 32 (Amendment), Financial instruments: presentation on classification of right issues	February 1, 2010
IFRIC 14 (Amendment), 'Prepayment of a minimum funding requirement'	January 1, 2011
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	July 1, 2010
IFRS 9, 'Financial instruments'	January 1, 2013

3. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for recognition of certain employee retirement benefits at present value.

The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Retirement benefits

The Company uses the valuation performed by an independent actuary as the present value of its retirement benefit obligations. The valuation is based on assumptions as mentioned in note 4.2.

b) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Useful life and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in 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.

d) Cost to complete the projects

As part of application of percentage of completion method on contract accounting, the Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. 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.

e) Stock-in-trade

Stock-in-trade is carried at the lower of cost and net realisable value. The net realisable value is assessed by the Company having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Employees' retirement and other benefits

The main features of the schemes operated by the Company for its employees are as follows:

4.2.1 Defined benefit plans

(a The supervisory and managerial staff with minimum five years of continuous service with the Company are entitled to participate in an approved funded gratuity scheme. The actual return on the plan assets was Rs 5.439 million (2009: Rs 5.241 million). The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme.

Expected rate of increase in salary level	12.50% per annum
Expected rate of return	14.50% per annum
Discount rate	14.50% per annum

Plan assets include long-term Government bonds and equity instruments of listed companies. Return on Government bonds and debt is at fixed rates, however, due to increased volatility of share prices in recent months, there is no clear indication of return on equity shares therefore it has been assumed that the yield on equity shares would match the return on debt.

The Company is expected to contribute Rs 9.438 million to the gratuity fund.

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 " Employee benefits".

(b) The Company operates an un-funded benefit scheme (ex-gratia) for its unionised staff. Under the scheme, members who have completed prescribed years of service with the Company are entitled to receive 20 days last drawn basic pay for each completed year of service. Provision has been made to cover the obligation on the basis of actuarial valuation and charged to income currently. The amount recognised in the balance sheet represents the present value of defined benefit obligation adjusted for unrecognised actuarial gains and losses. Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

Expected rate of increase in salary level	12% per annum
Discount rate	13% per annum

The Company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 " Employee benefits".

(c) The Company provides for the expected cost of accumulating compensated absences, when the employee renders the service that increases the entitlement to future compensated absences. Provision has been made to cover the obligation on the basis of actuarial valuation and charged to income currently. The amount recognised in the balance sheet represents the present value of defined benefit obligation. Actuarial gains/losses are recognised immediately under IAS 19 "Employee benefits". Projected unit credit method, using the following significant assumptions, is used for valuation of the scheme:

Expected rate of increase in salary level	12% per annum
Discount rate	13% per annum

The latest actuarial valuation of all defined benefit plans was carried out as at December 31, 2010.

4.2.2 Defined contribution plans

The Company operates an approved contributory provident fund for all employees. Equal monthly contributions are made by the Company and employees to the fund in accordance with the fund rules.

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to own manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads.

Depreciation on property, plant and equipment is charged to profit using the straight line method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates mentioned in note 12.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at December 31, 2010 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment 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 amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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.

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 recognised as an income or expense.

4.4 Intangible Assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such an asset can also be measured reliably. Intangible assets are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortisation on additions is charged from the month in which an asset is acquired or capitalized while no amortisation is charged for the month in which the asset is disposed off. Amortisation is being charged at the annual rate of 33.33 %.

The Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

4.6 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises buildings and is valued using the cost method i.e., at cost less accumulated depreciation and identified impairment loss.

Depreciation on buildings is charged to profit on the straight line method so as to write off the depreciable amount of a building over its estimated useful life at the rate of 3.33% per annum. Depreciation on additions is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that investment property 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 amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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 recognised as an income or expense.

4.7 Operating Leases

4.7.1 The Company is the lessee:

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

4.7.2 The Company is the lessor:

Assets leased out under operating leases are included in investment property as referred to in note 13. They are depreciated over their expected useful lives on the basis consistent with similar owned property, plant and equipment. Rental income under operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

4.8 Stores, spares and loose tools

Stores and spares are valued at the lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

4.9 Stock-in-trade

Stock of raw materials except for those in transit, work-in-process and finished goods are valued principally at the lower of moving average cost and net realisable value. Cost of work-in-process and finished goods comprise cost of direct materials, labour and appropriate manufacturing overheads. Materials in transit are stated at cost comprising invoice value and other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make the sale. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.10 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

4.11 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 comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term finances.

4.12 Borrowings

Borrowings are recorded at the proceeds received. Finance cost is accounted for on an accrual basis and is included in current liabilities to the extent of the amount remaining unpaid.

4.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Company.

4.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.15 Financial instruments

4.15.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.15.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

4.16 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.17 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in 'Pak Rupees', which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

All exchange differences are charged to the profit and loss account.

4.18 Revenue recognition

Revenue from sale of products is recognised on shipment or acceptance of products depending on the terms of supply. Service revenue is recognised over the contractual period or as and when services are rendered to customers. Contract revenue is recognised in accordance with the policy as referred to in note 4.19.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.19 Construction contracts

Contract costs are recognised when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings are carried in balance sheet as assets and included in trade debts. Gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses) is included in trade and other payables.

The aggregate amount of costs incurred and recognised profits (less recognised losses) for contracts in progress at the balance sheet date was Rs 1,224.462 million (2009: Rs 996.260 million).

4.20 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

5. Issued subscribed and paid up capital

2010 (Number of shares)	2009 (Number of shares)		**2010 Rupees**	2009 Rupees
973,100	973,100	Ordinary shares of Rs 10 each fully paid in cash	9,731,000	9,731,000
8,000	8,000	Ordinary shares of Rs 10 each issued as fully paid against property	80,000	80,000
12,218,900	12,218,900	Ordinary shares of Rs 10 each issued as fully paid bonus shares	122,189,000	122,189,000
13,200,000	13,200,000		132,000,000	132,000,000

As at December 31, 2010, the holding company KSB AG, Germany held 7,772,975 (2009: 7,772,975) shares of the Company.

	2010 (Number of shares)	2009 (Number of shares)
The movement of ordinary shares is as follows:		
Opening balance	13,200,000	12,000,000
Add: Bonus shares issued during the year	-	1,200,000
Closing balance	13,200,000	13,200,000

		2010 Rupees	2009 Rupees

6. Employees' retirement and other benefits

		2010 Rupees	2009 Rupees
These are composed of:			
Gratuity fund	- note 6.1	663,100	623,781
Ex-gratia scheme	- note 6.2	18,745,644	16,615,851
		19,408,744	17,239,632

6.1 Gratuity fund

	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	75,300,886	64,278,263
Fair value of plan assets	(67,574,522)	(57,893,500)
Unrecognised actuarial losses	(7,063,264)	(5,760,982)
Liability as at December 31	663,100	623,781
Liability as at January 1	623,781	84,134
Charged to profit and loss account	7,978,101	7,485,369
Contribution by the company	(7,938,782)	(6,945,722)
Liability as at December 31	663,100	623,781
The movement in the present value of defined benefit obligation is as follows:		
Present value as at January 1	64,278,263	57,344,278
Current service cost	7,194,709	6,663,972
Interest cost	8,488,629	8,922,568
Benefits paid	(4,602,509)	(6,146,986)
Experience gain	(58,206)	(2,505,569)
Present value as at December 31	75,300,886	64,278,263
The movement in fair value of plan assets is as follows:		
Fair value as at January 1	57,893,500	51,585,648
Expected return on plan assets	7,705,237	8,101,171
Company's contributions	7,938,782	6,945,722
Benefits paid	(4,602,509)	(6,146,986)
Experience loss	(1,360,488)	(2,592,055)
Fair value as at December 31	67,574,522	57,893,500
Plan assets are comprised of as follows:		
Debt	63,135,045	56,628,350
Cash	4,439,477	1,265,150
	67,574,522	57,893,500

The present value of defined benefit obligation, the fair value of plan assets and the surplus or deficit of gratuity fund is as follows:

	2010	2009	2008	2007	2006
	Rupees				
As at December 31					
Present value of defined benefit obligation	75,300,886	64,278,263	57,344,278	54,798,733	46,830,807
Fair value of plan assets	67,574,522	57,893,500	51,584,648	48,142,815	48,992,439
Surplus / (deficit)	(7,726,364)	(6,384,763)	(5,759,630)	(6,655,918)	2,161,632
Experience adjustment on obligation	(0)%	(4)%	10%	12%	8%
Experience adjustment on plan assets	(3)%	(5)%	(2)%	5%	5%

		2010 Rupees	2009 Rupees
6.2 Ex-gratia			
Present value of defined benefit obligation		16,481,217	15,295,690
Unrecognised actuarial gains		2,264,427	1,320,161
Liability as at December 31		18,745,644	16,615,851
Liability as at January 1		16,615,851	14,572,034
Charged to profit and loss account		2,606,840	2,772,345
Payments made by the company		(477,047)	(728,528)
Liability as at December 31		18,745,644	16,615,851
7. Deferred liabilities			
Deferred taxation	- note 7.1	31,732,300	24,000,000
Accumulating compensated absences	- note 7.2	12,701,779	11,033,677
		44,434,079	35,033,677
7.1 Deferred taxation			
This comprises temporary differences relating to:			
Employees' retirement and other benefits		(9,932,000)	(8,800,000)
Accelerated tax depreciation allowances		41,664,300	32,800,000
		31,732,300	24,000,000

	2010 Rupees	2009 Rupees
7.2 Accumulating compensated absences		
Liability as at January 1	11,033,677	9,645,883
Charged to profit and loss account	3,023,799	2,260,822
Payments made by the company	(1,355,697)	(873,028)
Liability as at December 31	12,701,779	11,033,677

8. Short term finances - secured

Finances available from commercial banks under mark up arrangements amount to Rs 1.210 billion (2009: Rs 1.110 billion). The rates of mark up range from Re 0.3633 to Re 0.4079 per Rs 1,000 per diem or part thereof on the balance outstanding.

Of aggregate facility of letters of credit of Rs 798 million (2009: Rs 798 million) and guarantees of Rs 1.465 billion (2009: Rs 1.468 billion), the amounts utilised as at December 31, 2010 was Rs 51.499 million (2009: Rs 28.822 million) and Rs 611.127 million (2009: Rs 651.532 million) respectively.

The finances are secured by first parri passu charge over all current and future assets of the Company.

9. Trade and other payables

		2010 Rupees	2009 Rupees
Trade creditors	- note 9.1	182,805,781	166,238,280
Accrued liabilities	- note 9.2	124,937,330	100,751,890
Advances from customers		324,416,523	384,507,258
Due against construction work in progress		45,775,000	47,171,000
Workers' profit participation fund	- note 9.3	1,159,579	2,637,360
Workers' welfare fund		3,127,565	4,300,000
Rent received in advance		3,362,807	5,796,688
Unclaimed dividends		1,696,798	1,582,214
Other liabilities		23,530,375	19,632,600
		710,811,758	732,617,290

9.1 Trade creditors include amount due to holding company of Rs 27.513 million (2009: Rs 52.878 million) and associated undertakings of Rs 11.052 million (2009: Rs 1.771 million).

9.2 Accrued liabilities include amount due to holding company of Rs 2.496 million (2009: Rs 4.371 million) and associated undertakings of Rs 25.939 million (2009: Rs 1.468 million). Due to associated undertaking includes amount due to provident fund of Rs 1.681 million (2009: Rs 1.468 million).

			2010 Rupees	2009 Rupees
9.3	**Workers' profit participation fund**			
	Balance at beginning of the year		2,637,360	15,521,014
	Allocation for the year	- note 26	8,230,434	11,451,360
	Interest payable on funds utilized by the company	- note 28	62,000	158,000
			10,929,794	27,130,374
	Less: Payments made during the year		9,770,215	24,493,014
	Balance at the end of the year		1,159,579	2,637,360
10.	**Provisions for other liabilities and charges**			
	Bonus to employees	- note 10.1	23,475,448	21,398,080
	Sales incentive scheme	- note 10.2	13,582,304	13,280,562
			37,057,752	34,678,642

Movement in provisions for other liabilities and charges during the year is as follows:

	Bonus to employees	Sales incentive scheme	Total
			Rupees
Balance as at January 1, 2010	21,398,080	13,280,562	34,678,642
Additional provisions made during the year	24,331,708	13,726,593	38,058,301
Provisions used during the year	22,254,340	13,424,851	35,679,191
Balance as at December 31, 2010	23,475,448	13,582,304	37,057,752

10.1 Bonus to employees

This provision presents bonus equal to seven months' basic salary and three months' basic salary payable to unionised and management staff respectively.

10.2 Sales incentive scheme

The sales incentive is payable to staff in consideration of achieving specific target in a stipulated time period.

All provisions as at December 31, 2010 are expected to be utilised in the next financial year.

11. Contingencies and commitments

11.1 Contingencies

(i) The company has issued guarantees of Rs 611.127 million (2009: Rs 651.532 million) against the performance of various contracts.

11.2 Commitments in respect of

Letters of credit other than for capital expenditure approximately Rs 51.499 million (2009: Rs 28.822 million).

12. Property, plant and equipment

	Freehold land	Buildings on freehold land	Plant and machinery	Tools, jigs and attachments	Patterns	Other equipment	Furniture and fixtures	Office machines and appliances	Vehicles	Total
Net carrying value basis										
Year ended December 31, 2010										
Opening net book value (NBV)	1,372,520	6,814,648	127,180,308	11,584,131	7,021,732	22,874,066	6,424,526	13,682,976	46,045,583	243,000,490
Additions (at cost)	-	11,166,204	6,368,680	2,149,241	7,441,715	28,294,966	3,797,488	5,616,497	23,875,439	88,710,230
Disposals (at NBV)	-	-	-	(13,694)	-	-	(103,001)	(56,926)	(7,447,855)	(7,621,476)
Depreciation charge	-	(1,119,046)	(11,256,608)	(1,866,690)	(1,459,552)	(5,759,396)	(335,273)	(2,993,306)	(7,100,491)	(31,890,362)
Closing net book value (NBV)	1,372,520	16,861,806	122,292,380	11,852,988	13,003,895	45,409,636	9,783,740	16,249,241	55,372,676	292,198,882
Gross carrying value basis										
As at December 31, 2010										
Cost	1,372,520	43,486,771	240,176,619	46,221,271	62,644,887	64,778,447	15,993,458	60,088,993	81,687,111	616,450,077
Accumulated depreciation	-	(26,624,965)	(117,884,239)	(34,368,283)	(49,640,992)	(19,368,811)	(6,209,718)	(43,839,752)	(26,314,435)	(324,251,195)
Net book value (NBV)	1,372,520	16,861,806	122,292,380	11,852,988	13,003,895	45,409,636	9,783,740	16,249,241	55,372,676	292,198,882
Depreciation rate % per annum	-	3.33	6.66 - 10.00	10.00	16.67	12.50	6.67	20.00	20.00	
Net carrying value basis										
Year ended December 31, 2009										
Opening net book value (NBV)	1,372,520	7,883,098	92,980,330	13,413,306	9,061,811	22,297,075	4,273,857	8,184,088	31,333,227	190,799,312
Additions (at cost)	-	-	44,456,356	311,940	3,186,704	4,177,837	2,440,610	7,683,179	20,309,417	82,566,043
Disposals (at NBV)	-	-	-	(26,457)	-	-	-	(17,944)	(1,741,976)	(1,786,377)
Depreciation charge	-	(1,068,450)	(10,256,378)	(2,114,658)	(5,226,783)	(3,600,846)	(289,941)	(2,166,347)	(3,855,085)	(28,578,488)
Closing net book value (NBV)	1,372,520	6,814,648	127,180,308	11,584,131	7,021,732	22,874,066	6,424,526	13,682,976	46,045,583	243,000,490
Gross carrying value basis										
As at December 31, 2009										
Cost	1,372,520	32,320,567	233,807,939	44,161,719	55,203,172	36,483,481	12,426,486	55,074,446	70,545,107	541,395,437
Accumulated depreciation	-	(25,505,919)	(106,627,631)	(32,577,588)	(48,181,440)	(13,609,415)	(6,001,960)	(41,391,470)	(24,499,524)	(298,394,947)
Net book value (NBV)	1,372,520	6,814,648	127,180,308	11,584,131	7,021,732	22,874,066	6,424,526	13,682,976	46,045,583	243,000,490
Depreciation rate % per annum	-	3.33	6.66 - 10.00	10.00	16.67	12.50	6.67	20.00	20.00	

The cost of fully depreciated property, plant and equipment which are still in use as at December 31, 2010 is Rs 234.969 million (2009: Rs 217.706 million).

			2010 Rupees	2009 Rupees
12.1	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	- note 23	26,328,521	24,466,088
	Distribution and marketing expenses	- note 24	3,312,942	2,379,208
	Administration expenses	- note 25	2,248,899	1,733,192
			31,890,362	28,578,488

12.2 Disposal of property, plant and equipment

2010 — **Rupees**

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles						
	Employees					
Honda Civic	Kamran Mangol	1,217,500	687,076	530,424	365,250	Company Policy
Toyota Corolla	Ali Ahmad	1,020,000	191,250	828,750	994,198	Company Policy
Toyota Corolla	Tawassal Hassan	1,014,000	237,357	776,643	822,909	Company Policy
Honda Civic	Farrukh Nadeem	997,500	454,025	543,475	694,038	Company Policy
Toyota Corolla	Syed Imran Ali	915,000	286,655	628,345	822,618	Company Policy
Suzuki Cultus	Umer Siddiqui	894,458	52,177	842,281	857,500	Company Policy
Honda City	Qaiser Dar	840,500	365,217	475,283	495,476	Company Policy
Honda City	Mukhtar Ahmad	840,500	354,586	485,914	516,813	Company Policy
Honda City	Syed Afzal Ali	840,500	436,318	404,182	521,752	Company Policy
Suzuki Liana	Mansoor Ahmad	745,773	190,830	554,943	647,583	Company Policy
Suzuki Cultus	Ejaz Akhtar	595,000	274,962	320,038	328,252	Company Policy
	Outsiders					
Suzuki Swift	M/s EFU General Insurance	1,084,694	27,117	1,057,577	1,058,000	Insurance Claim
Other assets with book value less than Rs 50,000		2,650,165	2,476,544	173,621	1,154,24	Tender
		13,655,590	6,034,114	7,621,476	9,278,637	

2009 — Rupees

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles						
	Employees					
Honda City	Naeem Haider	883,500	474,881	408,619	512,334	Company Policy
Suzuki Cultus	Adil Fawad	662,000	55,167	606,833	692,459	Company Policy
Suzuki Cultus	Mamoon Riaz	595,000	283,038	311,962	333,550	Company Policy
Suzuki Cultus	Ghulam Nabi	603,000	188,438	414,562	506,270	Company Policy
Other assets with book value less than Rs 50,000		7,217,394	7,172,993	44,401	541,100	Tender
		9,960,894	8,174,517	1,786,377	2,585,713	

13. Investment property

	Rupees
Net carrying value basis	
Year ended December 31, 2010	
Opening net book value (NBV)	2,077,392
Additions (at cost)	-
Disposals (at NBV)	-
Depreciation charge	(211,754)
Closing net book value (NBV)	1,865,638
Gross carrying value basis	
As at December 31, 2010	
Cost	4,400,000
Accumulated depreciation	(2,534,362)
Net book value (NBV)	1,865,638
Depreciation rate % per annum	3.33%
Net carrying value basis	
Year ended December 31, 2009	
Opening net book value (NBV)	2,289,146
Additions (at cost)	-
Disposals (at NBV)	-
Depreciation charge	(211,754)
Closing net book value (NBV)	2,077,392
Gross carrying value basis	
As at December 31, 2009	
Cost	4,400,000
Accumulated depreciation	(2,322,608)
Net book value (NBV)	2,077,392
Depreciation rate % per annum	3.33%

13.1 Depreciation charge for the year has been allocated to administration expenses.

13.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2010 is Rs 68.943 million (2009: Rs 73.638 million).

	Rupees
14. Intangible assets - Computer software	
Net carrying value basis	
Year ended December 31, 2010	
Opening net book value (NBV)	5,349,470
Additions (at cost)	3,294,663
Disposals (at NBV)	-
Amortisation charge	(3,017,790)
Closing net book value (NBV)	5,626,343
Gross carrying value basis	
As at December 31, 2010	
Cost	10,427,052
Accumulated amortisation	(4,800,709)
Net book value (NBV)	5,626,343
Amortisation rate % per annum	33.33
Net carrying value basis	
Year ended December 31, 2009	
Opening net book value (NBV)	-
Additions (at cost)	7,132,389
Disposals (at NBV)	-
Amortisation charge	(1,782,919)
Closing net book value (NBV)	5,349,470
Gross carrying value basis	
As at December 31, 2009	
Cost	7,132,389
Accumulated amortisation	(1,782,919)
Net book value (NBV)	5,349,470
Amortisation rate % per annum	33.33

14.1 Amortisation charge for the year has been allocated to cost of sales.

		2010 Rupees	2009 Rupees
15. Capital work in progress			
Advance for land		229,800	229,800
Advance for vehicles		5,924,500	981,730
Building		5,947,190	-
Plant and machinery		1,710,127	-
		13,811,617	1,211,530
16. Long term loans and deposits			
Loans to employees - considered good			
- Directors		3,902,500	2,740,000
- Executives		928,270	610,062
- Others		4,868,382	4,170,477
		9,699,152	7,520,539
Less: Receivable within one year	- note 20	4,570,787	3,884,499
		5,128,365	3,636,040
Security deposits		6,556,740	2,560,180
		11,685,105	6,196,220

Reconciliation of the carrying amount of loans to:

	Director		Executives	
	2010	2009	**2010**	2009
Balance as at January 1	2,740,000	4,140,000	610,062	290,854
Disbursements during the year	3,000,000	-	700,000	500,000
Repayments during the year	(1,837,500)	(1,400,000)	(381,792)	(180,792)
Balance as at December 31	3,902,500	2,740,000	928,270	610,062

These represent un-secured interest free loans,other than loans to Chief Executive Officer and Chief Financial Officer which are secured against their respective personal property. Loans are given to executives and other employees for house building, purchase of vehicles and for use in marriages of employees and their dependents. These are repayable in monthly installments over a period of 24 to 60 months.

The maximum aggregate amount due from directors and executives at any time during the year was Rs 5.440 million (2009: Rs 4.140 million) and Rs 1.039 million (2009: Rs 0.654 million) respectively.

		2010 Rupees	2009 Rupees
17.	**Stores, spares and loose tools**		
	Stores	19,618,500	21,756,650
	Spares	10,721,453	10,385,495
	Loose tools	11,508,882	11,807,331
		41,848,835	43,949,476

17.1 Stores and spares, having cost of Rs 8.800 million (2009: Rs 8.169 million) are being carried at net realisable value and an amount of Rs 1.026 million (2009: 2.289 million) has been charged to cost of sales, being the cost of inventor written down during the year.

		2010 Rupees	2009 Rupees
18.	**Stock in trade**		
	Raw materials [including in transit Rs 3.326 million (2009: Rs 14.911 million)]	230,640,994	218,870,153
	Work in process	139,419,250	77,182,748
	Finished goods	92,540,264	74,136,523
		462,600,508	370,189,424

18.1 Stock-in-trade, having cost of Rs 27.800 million (2009: Rs 27.143 million) are being carried at net realisable value and an amount of Rs 2.872 million (2009: 4.333 million) has been charged to cost of sales, being the cost of inventory written down during the year.

18.2 Included in work-in-process are certain items of Rs 2.429 million (2009: Rs 3.068 million) held by third party contractors for machining on behalf of the company.

			2010 Rupees	2009 Rupees
19.	**Trade debts - unsecured**			
	Considered good			
	- Related parties	- note 19.1	68,062,566	41,464,483
	- Others		526,253,122	407,086,005
	- Due against construction work in progress		38,528,000	78,010,000
			632,843,688	526,560,488
	Considered doubtful		49,604,979	39,176,567
			682,448,667	565,737,055
	Less: Provision for doubtful debts	- note 19.2	(49,604,979)	(39,176,567)
			632,843,688	526,560,488

		2010 Rupees	2009 Rupees
19.1	**Related parties**		
	Holding Company		
	- KSB Aktiengesellschaft, Germany	24,942,163	24,403,817
	Associated undertakings		
	- Pt KSB Indonesia	1,946,643	419,165
	- KSB Middle East	4,501,875	-
	- KSB Ajax Pumps Pty Limited, New Zealand	-	2,064,298
	- KSB Mörck AB, Sweden	-	2,011,924
	- KSB Amri (A.P) Pte Limited	-	1,171,513
	- KSB Pumps Company Limited Thailand	18,822,408	897,885
	- KSB South Africa	2,131,560	1,666,862
	- KSB Pompy Armatura, Poland	1,068,295	916,690
	- KSB S.A. Cedex, France	-	59,290
	- KSB Singapore (Asia Pacific)	2,379,822	7,695,150
	- KSB Australia Pty Limited	6,542,725	-
	- KSB ITUR Spain S.A.	179,640	-
	- Fauji Fertilizer Company Limited	5,547,435	-
	- Oil and Gas Development Company Ltd.	-	157,889
		68,062,566	41,464,483

These relate to normal course of business and are interest free.

		2010 Rupees	2009 Rupees
19.2	**Provision for doubtful debts**		
	Opening balance	39,176,567	44,936,893
	Provision for the year	17,469,456	6,408,774
		56,646,023	51,345,667
	Less: Bad debts written off against provision	7,041,044	12,169,100
	Closing balance	49,604,979	39,176,567

		2010 Rupees	2009 Rupees
20. Advances, deposits, prepayments and other receivables			
Current portion of long term loans to employees	- note 16	4,570,787	3,884,499
Short term advances to employees- considered good	- note 20.1	9,850,047	7,024,161
Advances to suppliers and contractors			
- Considered good		47,306,622	44,265,361
- Considered doubtful		172,500	172,500
		47,479,122	44,437,861
Due from related parties	- note 20.2	4,287,564	10,900,084
Trade deposits and prepayments			
- Considered good		60,650,465	53,365,378
- Considered doubtful		5,131,111	3,784,093
		65,781,576	57,149,471
Letters of credit, deposits and opening charges		2,881,252	1,952,756
Profit receivable on bank deposits		-	1,746,635
Claims Recoverable from Government			
- Sales Tax		18,116,541	18,783,353
- Income Tax		31,750,134	19,528,359
		49,866,675	38,311,712
Other receivables			
- Considered good		3,912,885	2,002,514
- Considered doubtful		446,581	446,581
		4,359,466	2,449,095
		189,076,489	167,856,274
Less: Provision for doubtful amounts	- note 20.3	(5,750,192)	(4,403,174)
		183,326,297	163,453,100

20.1 Included in short term advances to employees is amount due from executives of Rs 4.125 million (2009: 1.269 million).

	2010 Rupees	2009 Rupees
20.2 Due from related parties		
Holding company		
- KSB Aktiengesellschaft, Germany	1,478,674	10,062,918
Associated undertakings		
- KSB S.A. Cedex, France	494,990	837,166
- KSB Singapore (Asia Pacific)	2,313,900	-
	4,287,564	10,900,084

These relate to normal course of business and are interest free.

	2010 Rupees	2009 Rupees
20.3 Provision for doubtful amounts		
Opening balance	4,403,174	8,427,186
Provision made/(reversed) during the year	1,347,018	(3,301,503)
	5,750,192	5,125,683
Less: Amount written off against provision	-	722,509
Closing balance	5,750,192	4,403,174

21. Cash and bank balances

	2010 Rupees	2009 Rupees
At banks		
- on term deposit accounts	-	100,000,000
- on saving accounts	91,612,047	103,305,858
- on current accounts	18,698,605	17,890,207
	110,310,652	221,196,065
Cash in hand [including cheques in hand of Rs 51.865 million (2009: Rs 9.947 million)]	52,990,206	10,925,909
	163,300,858	232,121,974

21.1 The balances in saving and deposit accounts bear mark-up which ranges from 5% to 10.50% per annum.

22. Sales

		2010 Rupees	2009 Rupees
Local sales	- note 22.1	1,862,062,923	1,857,034,766
Export sales		244,104,360	209,046,921
		2,106,167,283	2,066,081,687
Less: Sales tax		(58,178,218)	(41,833,992)
		2,047,989,065	2,024,247,695

22.1 Sales are inclusive of revenue from rendering of contract and services of Rs 228.202 million (2009: Rs 339.140 million) and Rs. 44.855 million (2009: Rs. 33.344 million) respectively.

23. Cost of sales

		2010 Rupees	2009 Rupees
Raw material consumed		1,047,521,526	929,937,964
Salaries, wages, amenities and staff welfare	- note 23.1	146,722,325	132,580,816
Staff training		446,927	556,171
Electricity and power		59,908,768	30,871,193
Stores and spares consumed		81,082,591	66,499,357
Insurance		2,568,890	1,884,575
Traveling and conveyance		24,899,274	21,172,503
Postage and telephone		4,174,510	3,541,003
Rent, rates and taxes		5,376,740	3,758,899
Repairs and maintenance		10,112,869	18,368,147
Legal & Professional charges		7,486,288	1,435,481
Packing expenses		19,163,568	17,306,201
Outside services		203,328,172	253,222,488
Depreciation on property, plant and equipment	- note 12.1	26,328,521	24,466,087
Amortisation of intangible assets	- note 14.1	3,017,790	1,782,919
Royalty		2,946,000	4,371,000
Other expenses		2,018,741	4,049,386
		1,647,103,500	1,515,804,190
Opening work-in-process		77,182,748	93,231,810
Less: Closing work-in-process		139,419,250	77,182,748
		(62,236,502)	16,049,062
Cost of goods manufactured		1,584,866,998	1,531,853,252
Opening stock of finished goods		74,136,523	66,636,028
Less: Closing stock of finished goods		92,540,264	74,136,523
		(18,403,741)	(7,500,495)
		1,566,463,257	1,524,352,757
Less: Cost of capital assets manufactured		(2,034,486)	(1,615,294)
		1,564,428,771	1,522,737,463
Cost of sales include the following in respect of:			
Contract cost		190,732,000	296,734,000
Raw material written off		2,730,878	1,437,527
Work-in-process written off		54,017	2,190,137
Finished goods written off		87,563	705,408
Stores, spares and loose tools written off		1,026,014	2,289,095

	2010 Rupees	2009 Rupees

23.1 Salaries, wages, amenities and staff welfare

Salaries, wages, amenities and staff welfare include following in respect of retirement and other benefits:

	2010 Rupees	2009 Rupees
Gratuity fund		
Current service cost	2,862,754	2,601,783
Interest cost	3,377,601	3,483,596
Expected return on plan assets	(3,065,891)	(3,162,902)
Recognition of loss	-	-
	3,174,464	2,922,477
Ex-gratia		
Current service cost	771,357	719,306
Interest cost	1,835,483	2,053,043
	2,606,840	2,772,349

In addition to above, salaries, wages, amenities and staff welfare include Rs 4.892 million (2009: Rs 4.367 million) and Rs 1.210 million (2009: Rs 0.910 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

24. Distribution and marketing expenses

		2010 Rupees	2009 Rupees
Salaries, wages, amenities and staff welfare	- note 24.1	69,485,025	68,087,878
Staff training		436,719	221,065
Traveling, conveyance and representations		17,889,670	19,930,982
Rent, rates and taxes		4,008,645	2,602,781
Publicity charges		8,788,852	7,491,513
Electricity, gas and water		3,792,463	3,295,299
Postage and telephone		3,395,181	3,480,605
Printing and stationery		1,579,080	1,334,054
Repairs and maintenance		1,261,757	1,150,585
Forwarding expenses		21,121,470	18,031,185
Commission expenses		36,718,835	39,398,907
Provision for doubtful debts and receivables		19,416,474	3,098,230
Depreciation on property, plant and equipment	- note 12.1	3,312,942	2,379,208
Warranty charges		11,829,000	7,417,335
Other expenses		10,986,765	5,482,262
		214,022,878	183,401,889

		2010 Rupees	2009 Rupees
24.1	**Salaries, wages, amenities and staff welfare**		
	Salaries, wages, amenities and staff welfare include following in respect of retirement and other benefits:		
	Gratuity fund		
	Current service cost	2,419,840	1,922,597
	Interest cost	2,855,032	2,574,215
	Expected return on plan assets	(2,591,549)	(2,337,237)
	Recognition of loss	-	-
		2,683,323	2,159,575

In addition to above, salaries, wages, amenities and staff welfare include Rs 2.166 million (2009: Rs 2.144 million) and Rs 0.951 million (2009: Rs 0.776 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

			2010 Rupees	2009 Rupees
25.	**Administration expenses**			
	Salaries, wages, amenities and staff welfare	- note 25.1	73,432,063	68,014,617
	Staff training		493,488	495,493
	Traveling, conveyance and representations		15,045,205	12,323,234
	Rent, rates and taxes		2,808,727	1,253,745
	Electricity, gas and water		5,803,937	4,538,488
	Postage and telephone		7,352,043	6,842,285
	Printing and stationery		3,038,765	1,970,049
	Repairs and maintenance		2,362,756	2,883,591
	Professional services	- note 25.2	7,845,757	4,606,794
	Depreciation on:			
	- Property, plant and equipment	- note 12.1	2,248,899	1,733,192
	- Investment property	- note 13.1	211,754	211,754
	Other expenses		7,876,468	13,447,266
			128,519,862	118,320,508

25.1 Salaries, wages, amenities and staff welfare

Salaries, wages, amenities and staff welfare include following in respect of retirement and other benefits:

	2010 Rupees	2009 Rupees
Gratuity fund		
Current service cost	1,912,115	2,139,578
Interest cost	2,255,996	2,864,738
Expected return on plan assets	(2,047,797)	(2,601,015)
Recognition of loss	-	-
	2,120,314	2,403,301

In addition to above, salaries, wages, amenities and staff welfare include Rs 2.920 million (2009: Rs 2.605 million) and Rs 0.858 million (2009: Rs 0.575 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

	2010 Rupees	2009 Rupees

25.2 Professional services

The charges for professional services include the following in respect of auditors' services for:

	2010 Rupees	2009 Rupees
Statutory audit	500,000	250,000
Review of half yearly financial statements	150,000	150,000
Audit of funds, consolidation forms and sundry services	292,000	330,000
Taxation services	2,282,018	1,610,000
Out of pocket expenses	92,803	178,327
	3,316,821	2,518,327

26. Other operating expenses

		2010 Rupees	2009 Rupees
Workers' profit participation fund	- note 9.3	8,230,434	11,451,360
Workers' welfare fund		3,127,565	3,786,887
Donations	- note 26.1	1,647,115	120,000
Exchange loss		381,565	1,923,681
		13,386,679	17,281,928

26.1 None of the directors and their spouses had any interest in any of the donees during the year.

		2010 Rupees	2009 Rupees
27. Other operating income			
Income from financial assets			
Profit on bank accounts		7,616,058	10,518,670
Income from non-financial assets			
Commission Income		15,419,056	4,239,553
Rental income on investment property		5,279,392	5,042,886
Scrap sales		6,506,876	5,962,980
Profit on sale of property, plant and equipment		1,657,161	799,335
Provisions no longer considered necessary and unclaimed balances written back		4,479,613	13,029,656
Sundry income		1,909,222	2,110,452
		35,251,320	31,184,862
		42,867,378	41,703,532
28. Finance cost			
Mark-up on short term finances - secured		12,753,288	5,700,422
Interest on workers' profit participation fund	- note 9.3	62,000	158,000
Bank and other charges		4,432,282	4,562,084
		17,247,570	10,420,506
29. Taxation			
For the year			
- Current		45,500,000	60,000,000
- Deferred		7,318,100	6,800,000
		52,818,100	66,800,000
Prior year			
- Current		239,000	-
- Deferred		414,200	(800,000)
		653,200	(800,000)
		53,471,300	66,000,000

		2010 %	2009 %
29.1 Tax charge reconciliation			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
Applicable tax rate		35.00	35.00
Tax effect of amounts that are:			
Tax effect under presumptive tax regime and others		0.52	(0.35)
Effect of change in prior year's tax		(1.20)	(3.78)
Average effective tax rate charged to profit and loss account	34.32	30.87	

30. Rates of exchange

Foreign currency liabilities have been translated into Pak Rupees at US $ 1.1641 (2009: US $ 1.1862), EURO 0.8757 (2009: EURO 0.8258), GBP 0.7539 (2009: GBP 0.7386), DHR 4.2753 (2009: DHR 4.3573), SFR 1.092 (2009: SFR 1.2277), YEN 94.8767 (2009: YEN 109.5770), and HK$ 9.0498 (2009: HK$ 9.1996) equal to Rs 100. Foreign currency assets have been translated at US $ 1.1695 (2009: US $ 1.1916) equal to Rs 100.

31. Cash generated from operations

		2010 Rupees	2009 Rupees
Profit before taxation		153,250,683	213,788,933
Adjustment for:			
Depreciation on:			
- Property, plant and equipment		31,890,362	28,578,487
- Investment property		211,754	211,754
- Intangible Assets		3,017,790	1,782,919
Profit on sale of property, plant and equipment		(1,657,161)	(799,335)
Accumulating compensated absences		3,023,799	2,260,822
Employees' retirement and other benefits		10,584,941	10,257,714
Provision for doubtful debts and receivables		19,416,474	3,098,230
Stores, spares and loose tools written off		1,026,014	2,289,095
Stock-in-trade written off		2,872,458	4,333,072
Provisions no longer considered necessary and unclaimed balances written back		(4,479,613)	(13,029,656)
Finance cost		17,247,570	10,420,506
Exchange loss/(gain)		381,565	1,923,681
Working capital changes	- note 31.1	(238,702,969)	113,675,528
		(1,916,333)	378,791,750

		2010 Rupees	2009 Rupees
31.1 Working capital changes			
(Increase)/decrease in current assets:			
Stores, spares and loose tools		1,074,627	94,489
Stock-in-trade		(95,283,542)	(26,367,124)
Trade debts		(123,752,656)	(141,104,164)
Advances, deposits, prepayments and other receivables		(9,598,440)	(11,921,866)
		(227,560,011)	(179,298,665)
Increase/(decrease) in current liabilities:			
Trade and other payables		(13,522,068)	290,448,710
Provision for other liabilities and charges		2,379,110	2,525,483
		(238,702,969)	113,675,528

32. Cash and cash equivalents

		2010 Rupees	2009 Rupees
Cash and cash equivalents comprise the following items:			
Cash and bank balances	- note 21	163,300,858	232,121,974
Short term finances - secured	- note 8	(164,927,074)	(171,346)
		(1,626,216)	231,950,628

33. Remuneration of Chief Executive, Directors and Executives

33.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, full time working director and executives of the company is as follows:

Rupees

	Chief Executive		Director		Executives	
	2010	2009	2010	2009	2010	2009
Short term employee benefits						
Managerial remuneration	8,715,000	7,260,000	2,263,814	2,027,338	40,410,955	31,422,684
Bonus	4,656,700	4,682,700	482,099	335,854	10,551,772	7,907,906
Ex-gratia	-	605,000	-	166,241	-	2,658,715
House rent	-	-	965,880	871,151	17,155,286	14,077,048
Utilities	278,633	174,822	214,640	193,588	3,812,309	3,128,240
Medical and other expenses	266,765	298,690	240,000	240,000	5,763,419	4,538,439
	13,917,098	13,021,212	4,166,433	3,834,172	77,693,741	63,733,032
Post employment benefits						
Contribution to gratuity and provident fund	1,597,750	1,331,000	393,706	365,729	5,909,582	5,912,708
Other long term benefits						
Accumulating compensated absences	-	-	409,371	370,231	7,870,799	6,482,428
	15,514,848	14,352,212	4,969,510	4,570,132	91,474,122	76,128,168
Number of persons	1	1	1	1	45	41

33.2 The Company also provides its chief executive, director and some of its executives with company maintained cars, free residential telephones and mobile phones. In addition, chief executive and 2 executives have also been provided with rent free furnished accommodation.

33.3 Aggregate amount charged in the financial statements for the year for fee to 8 directors (2009: 8 directors) was Rs. 37,500 (2009: Rs 45,000).

34. Related party transactions

The related parties comprise holding company, associated undertakings, other related group companies, key management personnel and post employment benefit plan. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in note 33 . Other significant transactions with related parties are as follows:

	2010 Rupees	2009 Rupees
Holding company		
Sales	112,870,875	101,532,975
Purchases	91,159,834	124,906,671
Commission income	12,573,382	1,318,190
Royalty	2,946,000	4,371,000
Associated undertakings		
Sales	108,326,295	81,988,398
Purchases	54,987,364	66,614,291
Commission income	2,845,677	297,778
Commission expense	24,258,402	9,324,125
Key management personnel		
Sale of property, plant and equipment	887,002	1,352,154
Post employment benefit plan		
Expense charged in respect of:		
- Gratuity fund	7,978,101	7,485,361
- Ex-gratia scheme	2,606,840	10,850,378
- Provident fund	9,977,321	9,116,404
- Accumulating compensated absences	3,023,799	2,260,824

All transactions with related parties are carried out at commercial terms and conditions.

35. Plant capacity and production

		Capacity		Actual production	
		2010	2009	2010	2009
Power driven pumps	Number	6,000	6,000	3512	3501

The variance of actual production from capacity is on account of the product mix.

36. Earnings per share

36.1 Basic earnings per share

		2010	2009
Profit for the year	Rupees	99,779,383	147,788,933
Weighted average number of ordinary shares	Numbers	13,200,000	13,200,000
Earnings per share	Rupees	7.56	11.20

36.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2010 and December 31, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

37. Financial risk management

37.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the finance department under the principles and policies approved by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

	2010	2009
Advances deposits and other receivables - USD	44,448	82,157
Trade debts - USD	813,200	696,474
Trade and other payables - USD	316,171	646,356
Net exposure - USD	541,477	132,275
Advances deposits and other receivables - EURO	5,275	33,033
Trade and other payables - EURO	61,547	136,730
Net exposure - EURO	(56,272)	(103,697)
Trade and other payables - GBP	2,210	-
Net exposure - GBP	(2,210)	-

The following significant exchange rates were applied during the year:

	2010	2009
Average rate	85.19	81.94
Reporting date rate	85.90	84.30

If the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs 2.326 million (2009: Rs 0.558 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

	2010	2009
Rupees per EURO		
Average rate	112.69	114.08
Reporting date rate	114.19	120.81

If the functional currency, at reporting date, had fluctuated by 5% against the Euro with all other variables held constant, the impact on profit before taxation for the year would have been Rs 0.321 million (2009: Rs 0.626 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

	2010	2009
Rupees per GBP		
Average rate	131.69	128.84
Reporting date rate	132.65	135.40

If the functional currency, at reporting date, had fluctuated by 5% against the GBP with all other variables held constant, the impact on profit before taxation for the year would have been Rs 0.015 million (2009: nil) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial assets		
Bank balances - deposits	-	100,000,000
Bank balances - savings	91,612,047	103,305,858
Net exposure	91,612,047	203,305,858
Floating rate instruments		
Financial liabilities		
Short term finances - secured	164,927,074	171,346

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for floating rate instruments

If interest rates on short term running finance, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit before taxation for the year would have been Rs 1.649 million (2009: Rs 0.00171 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks and other receivables.

Credit risk of the Company arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored and major sales to retail customers are settled in cash. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) 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 as follows:

	2010 Rupees	2009 Rupees
Long term loans and deposits	11,685,105	6,196,220
Trade debts	682,448,667	565,737,055
Loans, advances, deposits, prepayments and other receivables	87,794,757	129,544,562
Balances with banks	110,310,652	221,196,065
	892,239,181	922,673,902
The age of trade receivables and related impairment loss at balance sheet date is as follows:		
The age of trade receivables		
- Not past due	-	-
- Past due 0 - 180 days	381,604,936	383,792,621
- Past due 181 - 365 days	144,472,288	60,333,267
- Over 365 days	156,371,443	121,611,167
	682,448,667	565,737,055
The age of impairment loss against trade receivables		
- Not past due	-	-
- Past due 0 - 180 days	-	-
- Past due 181 - 365 days	-	-
- Over 365 days	49,604,979	39,176,567
	49,604,979	39,176,567

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating Short term	Rating Long term	Rating Agency	2010	2009
				(Rupees)	(Rupees)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	7,348,898	3,301,664
MCB Bank Limited	A1+	AA+	PACRA	84,380,278	56,481,924
United Bank Limited	A1+	AA+	JCR-VIS	183,297	169,613
Deutsche Bank A.G.	A1	A+	S&P	1,582,259	1,793,524
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	5,332
HSBC Bank Middle East Limited	P1	A1	Moody's	10,720	10,720
NIB Bank Limited	A1+	AA-	PACRA	16,805,200	159,433,288
				110,310,652	221,196,065

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash , the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's businesses, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cashflows in each quarter and considering the level of liquid assets necessary to meet its liabilities; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

The following are the contractual maturities of financial liabilities as at December 31, 2010:

	Carrying amount	**Less than one year**	**One to five years**	**More than five years**
		(Rupees)		
Trade and other payables	312,789,885	312,789,885	-	-
Accrued finance cost	5,868,324	5,868,324	-	-
	318,658,209	318,658,209	-	-

The following are the contractual maturities of financial liabilities as at December 31, 2009:

	Carrying amount	Less than one year	One to five years	More than five years
		(Rupees)		
Trade and other payables	271,873,625	271,873,625	-	-
Accrued finance cost	1,348,320	1,348,320	-	-
	273,221,945	273,221,945	-	-

37.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

37.3 Financial instruments by categories

		Loans and receivables	
		2010 Rupees	2009 Rupees
Assets as per balance sheet			
Long term loans and deposits		11,685,105	6,196,220
Trade debts		682,448,667	565,737,055
Loans, advances, deposits, prepayments and other receivables	87,794,757	56,845,444	
Cash and bank balances		110,310,652	221,196,065
		892,239,181	849,974,784

	Financial liabilities at amortised cost	
	2010 Rupees	2009 Rupees
Liabilities as per balance sheet		
Trade and other payables	312,789,885	271,873,625
Accrued finance cost	5,868,324	1,348,320
	318,658,209	273,221,945

37.4 Capital risk management

'The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. As the Company is a wholly equity financed corporation, with working capital lines, capital comprises all components of equity (share capital, general reserve, and retained earnings) as mentioned on the face of balance sheet, and is raised as required, through the approval of the Board of Directors.

38. Date of authorisation for issue

These financial statements were authorised for issue on March 21, 2011 by the board of directors of the company.

39. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2010 of Rs 1.25 (2009: Rs 3.5) per share, amounting to Rs 16.5 million (2009: Rs 46.2 million) at their meeting held on March 21, 2011 for approval of members at the Annual General Meeting to be held on April 26, 2011. The board has also proposed transfer of Rs 84 million (2009: Rs 101 million) to general reserve from unappropriated profit. These financial statements do not reflect this dividend payable and other appropriations.

40. Corresponding figures

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made during the year, except for the following:

	Note	From	Note	To	2009 Rupees
Warranty charges	23	Cost of sales	24	Distribution and marketing expenses	7,417,335
Loans to executives	16	Loans to employees - others	16	Loans to employees - executives	610,062

Chairman

Chief Executive

Form of Proxy

The Company Secretary
KSB Pumps Company Limited
16/2, Sir Aga Khan Road
Lahore-54000.

I/We____

of____

in the district of____ being member(s) of KSB

Pumps Co. Ltd. and holder(s) of ________________________________shares as per Share Register folio number
(No. of Shares)

______________________________and/or CDC participant I.D.____________________and sub account No.

__________________________________hereby appoint_________________________________

of____ as my/our proxy

to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Tuesday, April 26, 2011 and at any adjournment thereof.

Signed this ______________________________________day_________________________ of 2011.

Witness

Signature ___________________________________

Name ______________________________________

Address ____________________________________

NIC No.____________________________________

Signature on Rs. 5.00 Revenue Stamp

Note:

A member of the company entitled to vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxy must be received at the Registered Office of the company not later than 48 hours before the time of meeting.

The instrument appointing a Proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation, its common seal should be affixed to the instrument.

The shareholders of the company through Central Depository Company or their proxies are requested to bring with them copies of their Computerized National Identity Card or Passport along with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.