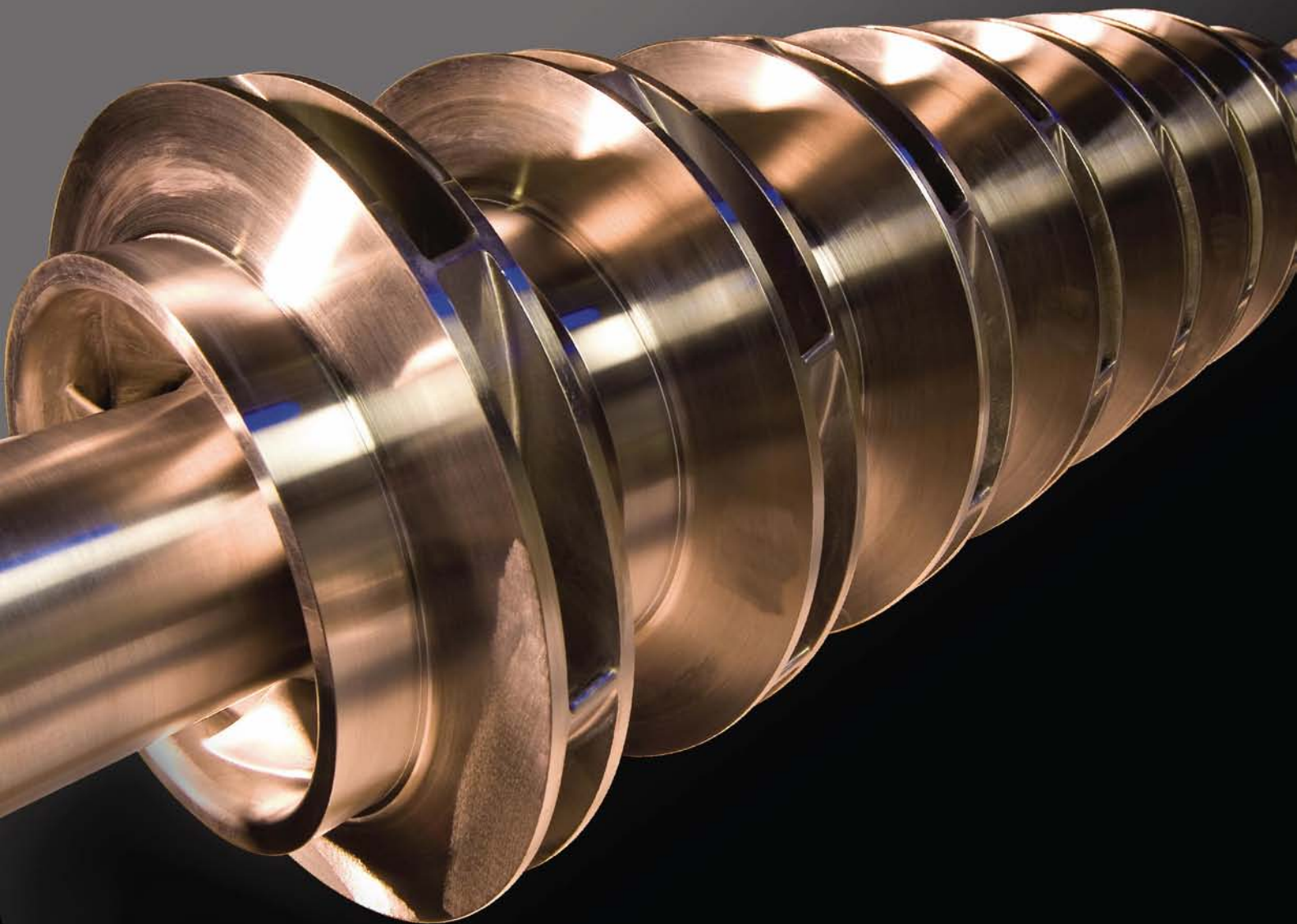


► Our technology. Your success.  
Pumps • Valves • Service



# Annual Report **2014**

KSB Pumps Company Limited



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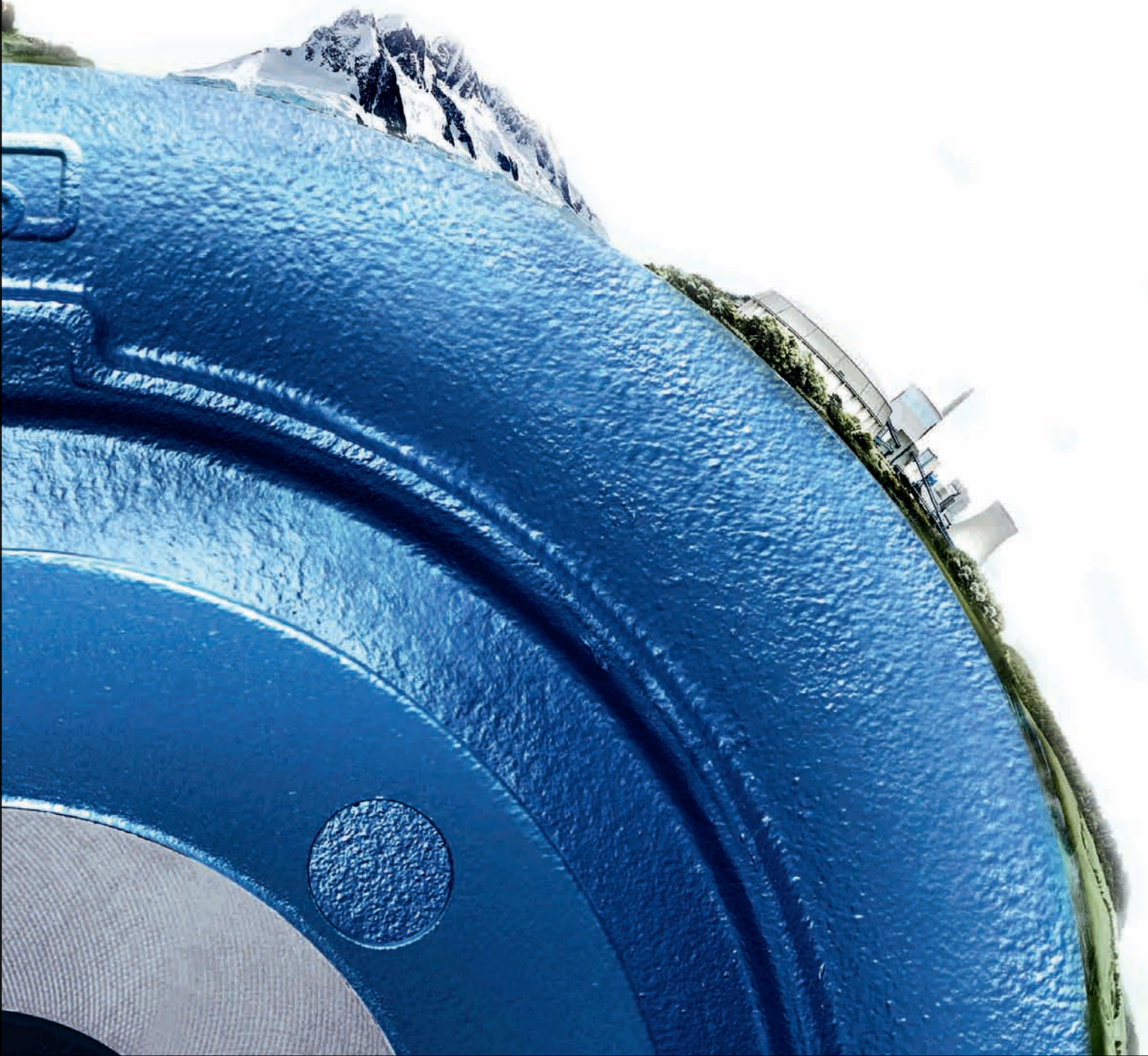
# Vision

KSB provides the best solutions worldwide.



# Mission Statement

We manufacture and market a wide 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 construction sectors. In line with the Group's 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

Defend high market share in a growing but competitive sectors.

Continuously expand product & service offerings in order to strengthen the position as the complete solution provider in the market.



# 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

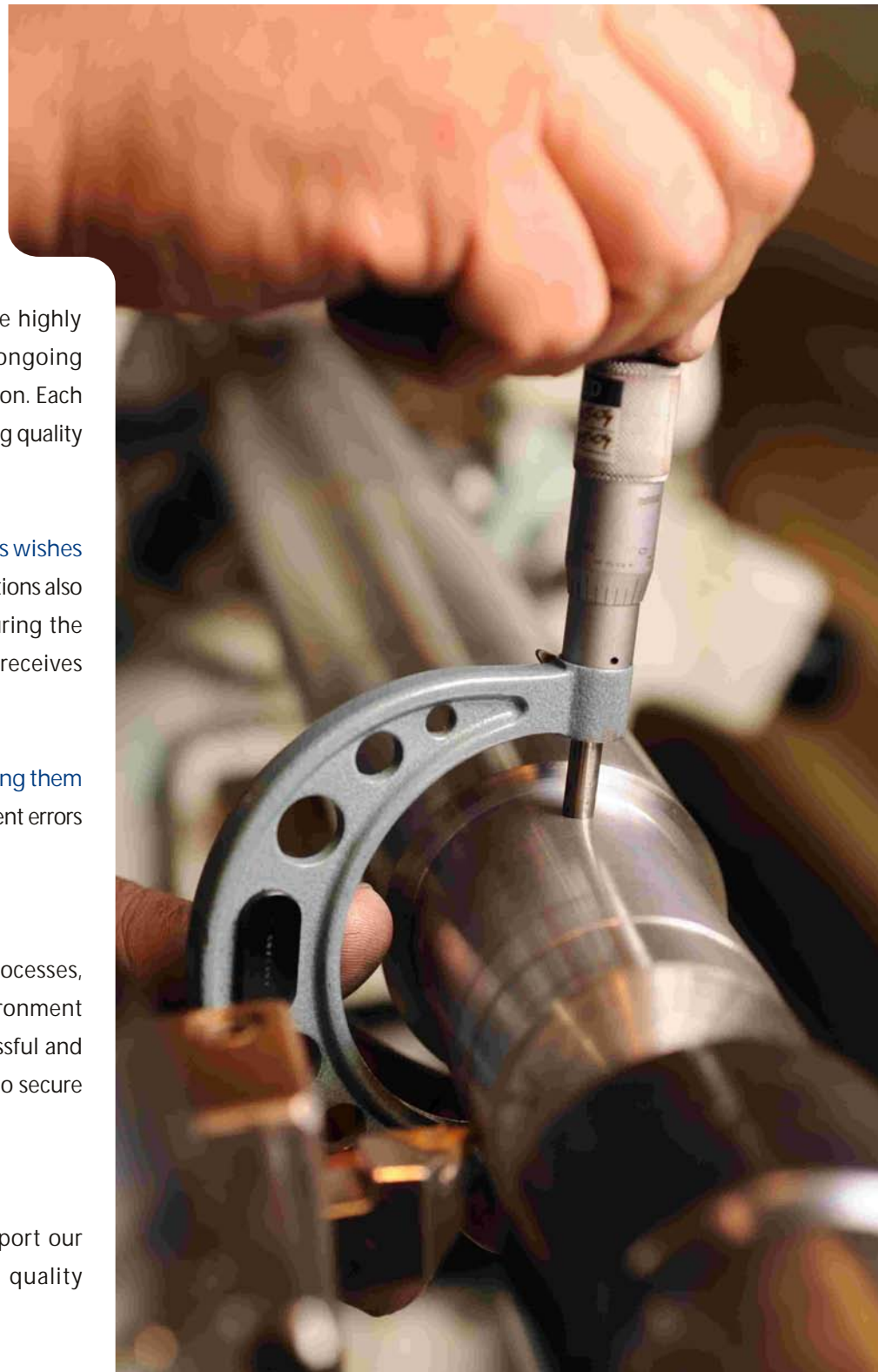
We establish causes so that we can prevent errors and put a stop to them.

## 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.



# Principles for Environment, Occupational Health and Safety

## Informing about relevance to the environment

We inform our customers about the environmental relevance of our products, processes and services.

## Promoting awareness of environmental issues, occupational health and safety

To protect the environment and our employees we undertake measures that go beyond what is required by law. Our employees are trained and informed by us.

## Strengthening our employees' sense of responsibility

Our employees help to shape our operational processes. This enables them to recognize early on any situations that could have an impact on the environment or on safety and to make sure people are informed about these situations.

## Recognizing and avoiding risks

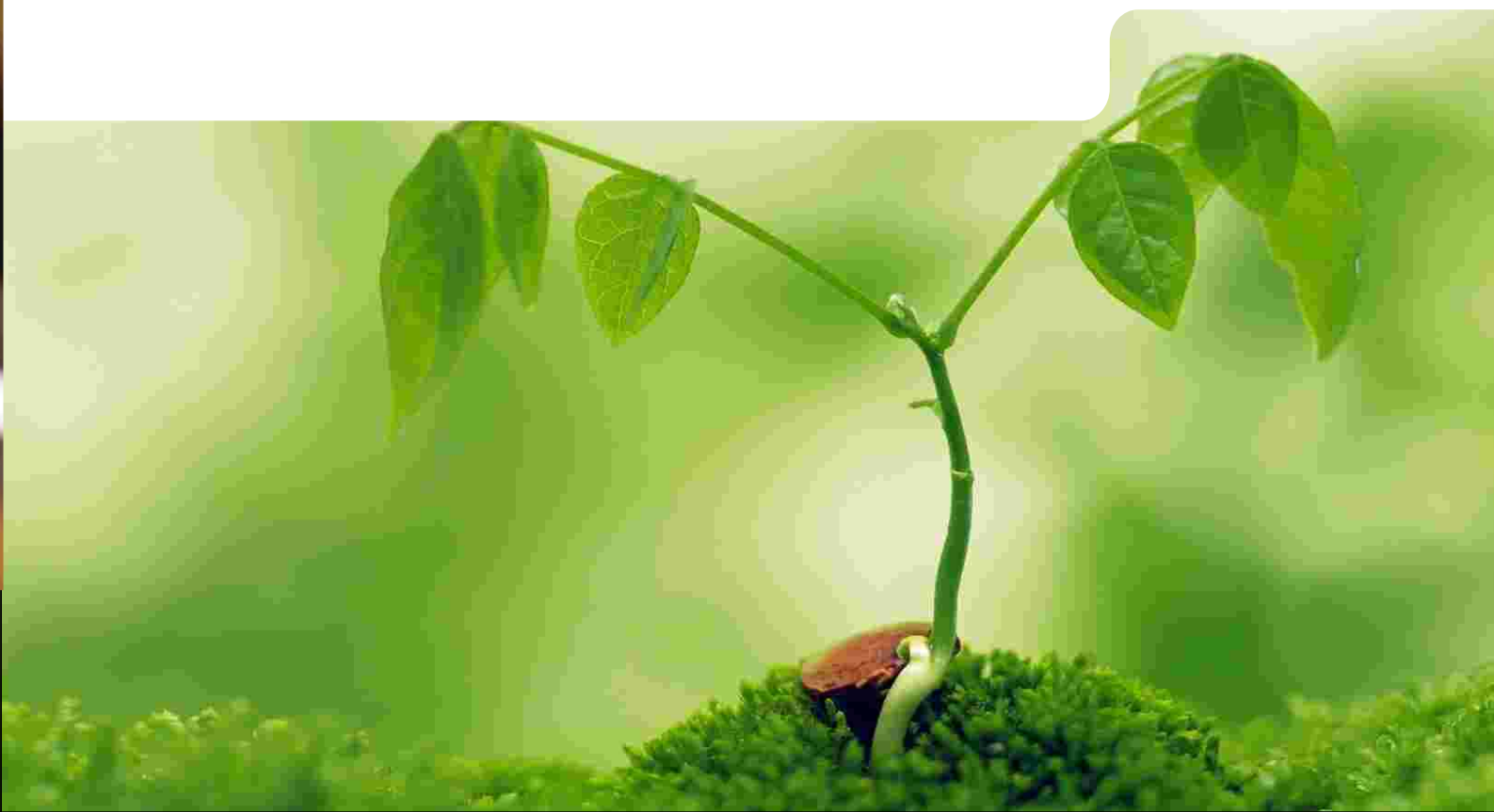
We constantly and systematically review the impact of our production on people and the environment. By recognizing risks, we can take any preventive action that may be necessary. In the case of new production processes and products, we consider the environmental impact in the development stage. This impact is kept to a minimum, as far as technically and economically feasible. In the process, we take account of both occupational health and safety.

## Compliance with regulations

Using the procedures defined in the Integrated Management System, we monitor our activities to ensure compliance both with national legislation and with our own EHS rules.

## Commitment of outside companies

We ensure that outside companies working on our sites are also committed to compliance with national legislation and our own rules for protection of the environment, occupational health and safety.





## KSB - the brand standing for quality, expertise, reliability and a global perspective

KSB is a leading international supplier of pumps, valves and related systems for the Industrial applications, building services, process engineering, energy conversion, water treatment, water transport, solids transport and other areas of application. KSB combines innovative technology and excellent service to provide intelligent solutions. This approach means that KSB employees are close to customers all over the world, providing them with pumps, valves and systems for almost all applications involving the transportation of liquids. A comprehensive range of services rounds off this customer-focused portfolio.

KSB has been growing continuously since it was founded in 1871. Today the Group has a presence all over the globe with its own sales and marketing companies, manufacturing facilities and service operations. KSB Pumps Company Limited, established in July 1959 in Lahore, Pakistan, is also a proud subsidiary of KSB Group. KSB Pakistan runs the largest state of the art manufacturing facility in the country in Hassanabdal and a full-fledged Foundry. 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. A range of global certifications of the company's products and locations is a proof that KSB's work in all areas is in



compliance with the very latest quality standards - from energy engineering to building services.

Over the years KSB Pakistan has developed a diversified and motivated pool of human resources and today the Company employs more than 300 proficient people and operates through its Sales offices in Lahore, Karachi, Rawalpindi, Hassanabdal and Multan. To enable easy access to its customers, KSB Pakistan has started operating through a Franchise network, KSB Partners, across the country and a widespread dealer network alongside. In addition, the Company has full-fledged Service Department comprising qualified and experienced personnel: KSB's comprehensive service includes bespoke solutions for all customer applications, and ensures that pumps and systems are running efficiently. KSB offers professional services at a global scale, for products by KSB but also other manufacturers. The main advantage in this is our widespread network of easy-to-reach service centre.

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 latest test bed facilities are available at Works, Hassanabdal to ensure compliance with the global quality standards. The production facilities are also being regularly modernized and extended to cope with the challenges of new product technology. 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. During the last thirty years, the Company has rapidly expanded its product portfolio to include a large number of pumps and valves according to the changing market needs in various segments. KSB believes in continuous innovation; adding new products and business ideas to strengthen the portfolio and help to open up new markets.

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.

KSB Pakistan has received Merit Trophies 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 & Environmental Excellence Awards have also been bestowed on the Company.

With a 55 years journey of successful operations in the country, today KSB Pakistan stands as a market leader in its line of business and is a benchmark 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 34 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. He is Senior Vice President Sales - Region Middle East & Africa for KSB and Managing Director KSB Middle East FZE Dubai. He is the Chairman of the Board of Directors of KSB Pakistan.



**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 from Pennsylvania USA. He has an extensive and diversified experience in Sales, Marketing, Operations and Manufacturing areas. He is certified director from PICG, Pakistan. He is Director Pak German Business Forum, Member of National Management Foundation (LUMS) and Vice President of Foundry Association of Pakistan.



**Mr. Sajid Mahmood Awan**  
Director

Mr. Awan is the Director Finance and Company Secretary of KSB Pakistan. He is also partially responsible for the financial activities for Middle East and Africa region. He has more than 21 years of professional experience in multinational environments in Pakistan, Middle East & Africa. He is a fellow member of ICMAP and ICSP, and certified director from PICG, Pakistan.



**Dr. Matthias Beth**  
Director

Dr.-Ing. Matthias Beth studied at the University of Darmstadt General Mechanical Engineering and worked then for 5 years as a scientific consultant at the Institute of Production Technology and Forming Machines. Dr. Beth has more than 21 years' experience in KSB and worked in various capacities. From 2010 to 2014 he was as SVP in charge of the Corporate Function Operation of the KSB group. At the moment he is Vice President Production Technology and Systems. Outside of KSB he is a member of the Institute of Production Research Darmstadt and a member of an advisory board of the VDI Düsseldorf.



**Ms. Rahat Kaunain Hassan**  
Director

Ms. Rahat is a Director and Chairperson of HR & R committee of KSB Pakistan. She received her LL.M., degree from King's College, London. She is recipient of the prestigious Britannia Chevening and Women of Achievement Award 2010 and the Wonder Women Award 2013. She was also nominated for Sitara-e-Imtiaz. Ms Hassan has been Chairperson of the Competition Commission of Pakistan and Executive Director of SECP.



**Mr. Hasan Aziz Bilgrami**  
Director

Mr. Bilgrami is a Director and the Chairman of the Audit Committee of KSB Pakistan. He is the President and CEO of BankIslami Pakistan Limited. His other engagements include Director BankIslami Modaraba Investments Limited.



**Syed Hyder Ali**  
Director

Syed Hyder Ali, Chief Executive & Managing Director, Packages Ltd., Lahore, Pakistan, graduated from University of Michigan, USA with a Bachelor of Science degree in Chemical Engineering in 1979. He completed his Master of Science in 1981, specializing in paper chemistry. In 1997, He also attended the program for Management Development at the Harvard Business School, Boston, USA.

Mr. Ali has wide & varied professional working experience spanning over many years. He serves on the Board of a number of companies. He is the Honorary Consul General of Sweden in Lahore since 1998. He is also serving on the Board of several philanthropic, educational, charitable & business support organizations & also board member of Ali Institute of Education, International Chamber of Commerce & Lahore University of Management Sciences (LUMS).



**Mr. Jamal Nasim**  
Director

Mr. Jamal Nasim, Managing Director, Industrial Development Bank of Pakistan, has more than 33 years of professional experience with NDFC and IDBP, which includes Commercial Banking, Project Management, Operations, Treasury, Risk Management, Internal Audit and Compliance etc. He also has a substantial experience of serving on the Boards of Directors of different companies in Textile, Sugar and Food sectors. He has also held the position of Executive Director, Equity Participation Fund. He holds a Masters degree, in Business Administration, from Asian Institute of Management, Manila - Philippines.

# Mr. Tonjes Cerovsky

Chairman Board of Directors



# Management Committee



Mohammad Masud Akhtar  
Chief Executive Officer /  
Managing Director



Sajid Mahmood Awan  
Director Finance &  
Company Secretary



Tariq Ali  
Director Production



Imran Malik  
GM Sales & Strategic Marketing



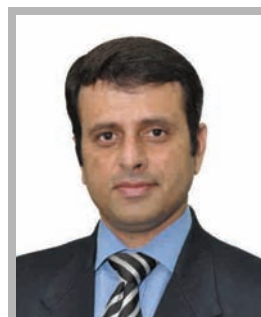
Mamoon Riaz  
GM Projects



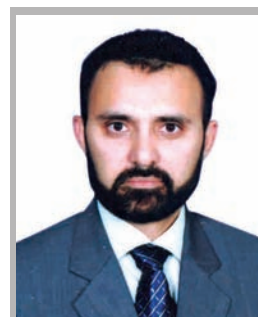
Omer Saljouk  
GM Customer Services



Matraf Rasul  
GM Materials



Shahzad Umer  
DGM QHSE



Saeed Hussain  
Head of Internal Audit



Shahzad Saleem  
Manager Human Resource

# 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

## Rawalpindi

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

## Multan

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

## Karachi

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

## Peshawar

3rd Floor, Mall Tower, 35 The Mall, Peshawar Cell: 0300-5895289 Ph: 091-5285679 Fax: 091-5278919  
Email: franchise.kpk@ksb.com.pk

## KSB Partners

Sr.	Channel	City	Location	Status	Province	Partners	Contact#	Office Landline	Fax	Email
1	Dominar Engineers	Lahore	65-A Ferozpur Road, Link Samanabad Road, near LOS	KSB Partners	Punjab	Hammad Malik/ Syed Mehdi	0302-8744449/8	042-37500078	042-37500078	hammad.malik@de.com.pk
2	Industrial Development & Engineering Associates	Karachi	20-C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	KSB Partners	Sindh	Saqib Khawaja	0300-8203077	021-35390481/2	021-35390483	saqib@idea.com.pk
3	Wali Muhammad & Co.	Quetta	Zonkiram Road near mellennium Mall,	KSB Partners	Balochistan	Wali Muhammad	0300- 8387668	081-2829635	081-2829635	gulistanmachinery@yahoo.com
4	Pak Atlantis Pumps	Peshawar	3rd floor, Mall Tower, 35- The Mall, Peshawar Cantt	KSB Partners	KPK	Arbab Bilal Ahmad/ Atif Javed	0308-5053175/ 0345-5555939	091-5285679	091-5278919	pakatlantis@gmail.com
5	Pak Atlantis Pumps	Rawalpindi	309, A3 Peshawar Road, Westridge 1, Opp. Valley Clinic, Rawalpindi	KSB Partners	KPK	Arbab Bilal Ahmad/ Atif Javed	0345-5555939	051-5491413	051- 5491237	pakatlantis@gmail.com



# Company Information

## Board of Directors

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Sajid Mahmood Awan	
Dr. Matthias Beth	
Rahat Kaunain Hassan	
Hasan Aziz Bilgrami	
Syed Hyder Ali	
Jamal Nasim	(Nominee NIT)

## Company Secretary

Sajid Mahmood Awan

## Management

Mohammad Masud Akhtar	Chief Executive Officer
Sajid Mahmood Awan	Finance, Administration & Corporate Affairs
Syed Tariq Ali	Production

## Auditors

A.F. Ferguson & Co.	Chartered Accountants
---------------------	-----------------------

## Legal Advisors

Mandviwala & Zafar

## Bankers

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

## Audit Committee

Hasan Aziz Bilgrami	Chairman
Dr. Matthias Beth	Member
Syed Hyder Ali	Member

## Secretary Audit Committee

Saeed Hussain

## HR & R Committee

Rahat Kaunain Hassan	Chairperson
Syed Hyder Ali	Member
Mohammad Masud Akhtar	Member

## Registered Office

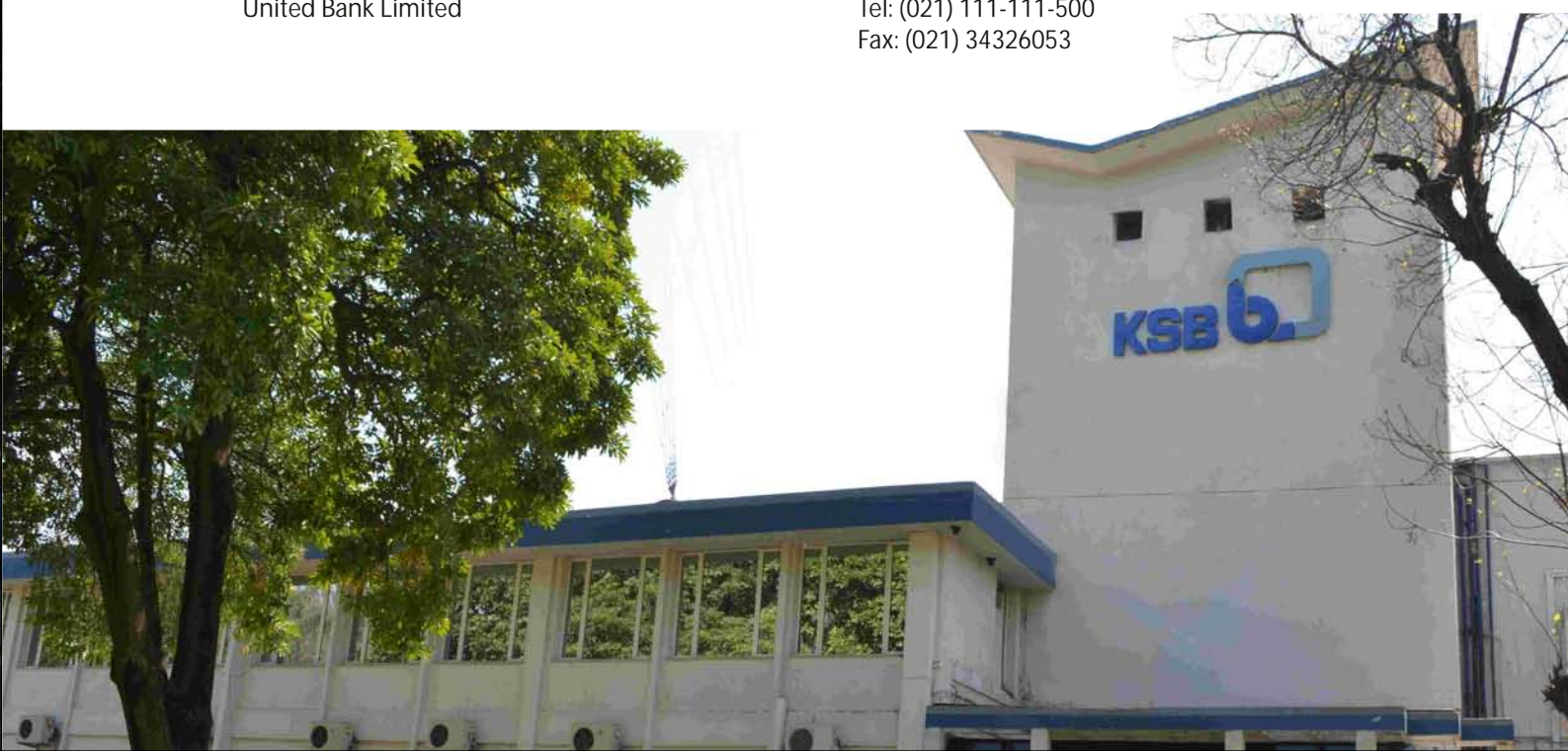
16/2 Sir Aga Khan Road, Lahore - 54000.  
Ph: (042) 36304173, 36370969  
Fax: (042) 36368878, 36366192  
Email: info@ksb.com.pk

## 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 58th Annual General Meeting of the members of KSB Pumps Company Limited, will be held on Monday, the 27<sup>th</sup> April, 2015, at 4.00 p.m. at Hotel Hospitality Inn, 25-26 Egerton Road, Lahore, to transact the following business:

## Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on April 25, 2014.
2. To consider and adopt the audited accounts of the Company for the year ended December 31, 2014 and report of Auditors and Directors thereon.
3. To approve and declare dividend of 50 % for the financial year ended December 31, 2014 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. Special Business

To consider and if thought fit to pass the following resolution as a "Special Resolution":  
RESOLVED "that Article 84 of the Articles of the Association of the Company be amended to read as follows:

### Remuneration of Directors

84. The remuneration of each Director (other than a regularly paid Managing Director or full time working Director) for attending meetings of the Board of Directors shall be Rs. 50,000/- (Rupees fifty thousand only) per meeting attended by him.

BY ORDER OF THE BOARD



SAJID MAHMOOD AWAN  
Company Secretary  
Lahore : April 03, 2015

57<sup>th</sup> AGM, held on April 25, 2014

# KSB PUMPS COMPANY LIMITED

## 57<sup>TH</sup> ANNUAL GENERAL MEETING

### 25<sup>TH</sup> APRIL 2014 – LAHORE



## 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 17th April, 2015 to 27th April, 2015 (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 16th April, 2015 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. Submission of copies of CNIC (Mandatory) Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of shareholders are mandatorily required to be mentioned on Dividend Warrants. Shareholders are, therefore, requested to submit a copy of their CNIC (if not already provided) to the Company Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi-74000.
5. Withholding Tax on dividends

The Government of Pakistan through Finance Act, 2014 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of

Participants of 57th AGM



withholding Tax on the amount of dividend paid by the companies/banks. These tax rates are as follows:

- |  |     |
|--|-----|
| (a) For filers of income tax returns     | 10% |
| (b) For non-filers of income tax returns | 15% |

To enable the Company to make tax deduction on the amount of cash dividend @10% instead of 15% all shareholders whose names are not entered into the Active Tax- payers list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @15% instead of 10%.

The joint shareholders are requested to provide shareholding proportions of principal shareholders & joint shareholders as withholding tax will be determined separately on Filer/Non-filer status based on their shareholding proportions otherwise it will be assumed that shares are equally held.

The Corporate shareholding having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN Certificate to the Company or Company's Share Registrar, M/s. Central Depository Company of Pakistan Limited. The shareholders while sending NTN or NTN Certificate, as the case may be, must quote Company name and their respective folio numbers.

For any query/clarification/information, the shareholders may contact the Company, and/or the Share Registrar.

6. Audited Financial Statement through e-mail:

SECP through its notification SRO 787(1)/2014 dated September 8, 2014 has allowed the circulations of Audited Financial Statement alongwith Notice of Annual General Meeting to the Members through e-mail. Therefore, all members of the Company who wish to received soft copy of Annual Report are requested to send their e-mail addresses. The

consent form for electronic transmission could be downloaded from the Company Website:www.ksb.com.pk. Audited financial statements & reports are being placed on the aforesaid website.

7. Consent for Video Conference Facility

As allowed by SECP vide circular No.10 of 2014 dated May 21, 2014, members can avail video conference facility for this Annual General Meeting at Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned location, at least 10 days prior to date of the meeting.

Subject to fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General meeting along with complete information necessary to access the facility.

In this regard please send a duly signed request as per following format at the registered address of the Company 10 days before holding of annual general meeting.

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being a members KSB  
Pumps Company Limited holder of  
\_\_\_\_\_ Ordinary Share(s) as per Registered  
Folio No./CDC Sub Account  
No. \_\_\_\_\_ hereby opt for video conference  
facility at Karachi.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984 in regard to Special Business

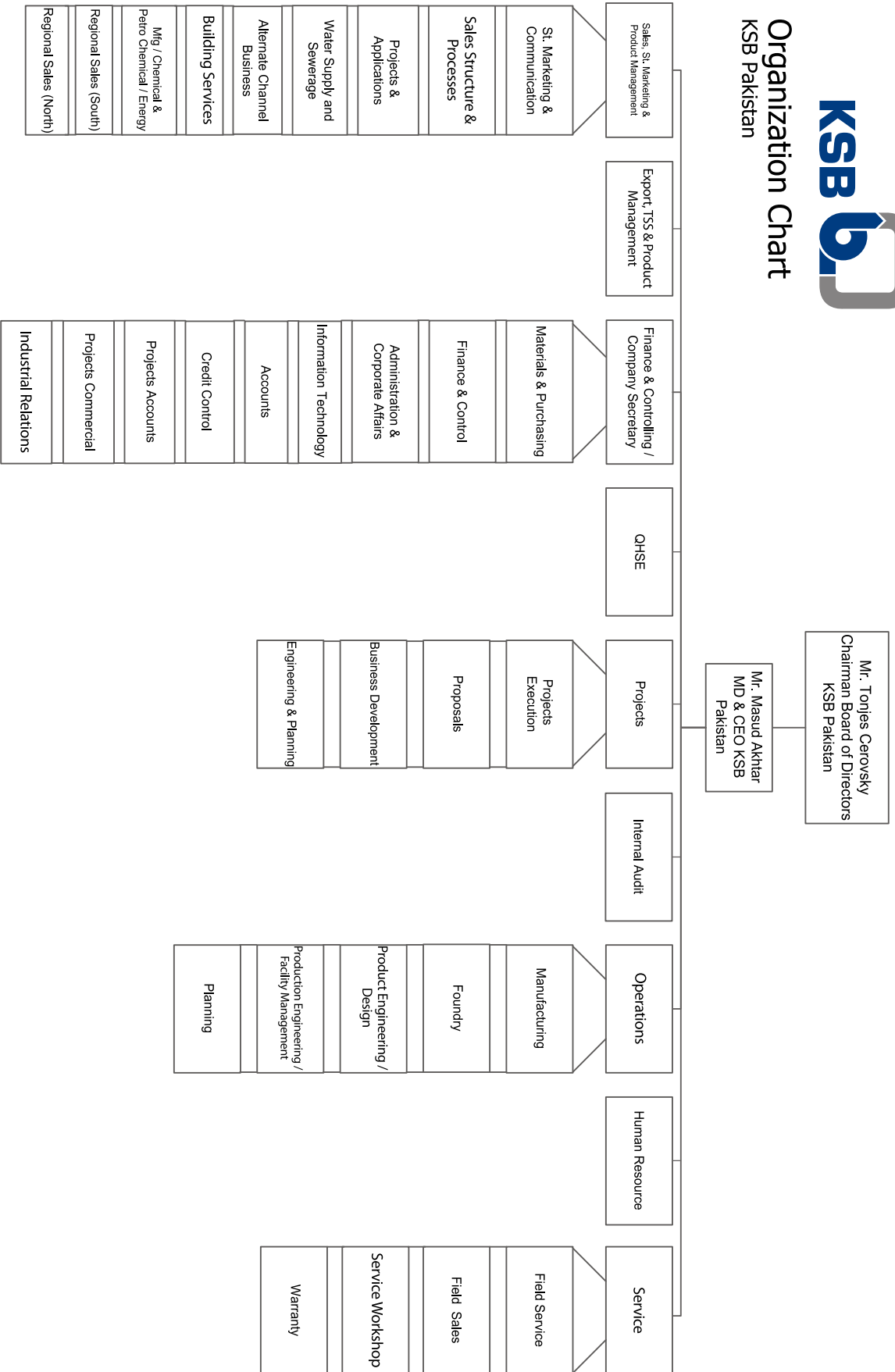
Item 5 of the agenda

Amendment is being proposed to increase the fee of the Directors for attending Board Meeting to a reasonable limit. The Directors interest in the aforesaid special business is to the extent of the amount of increased fee only.



# Organization Chart

## KSB Pakistan



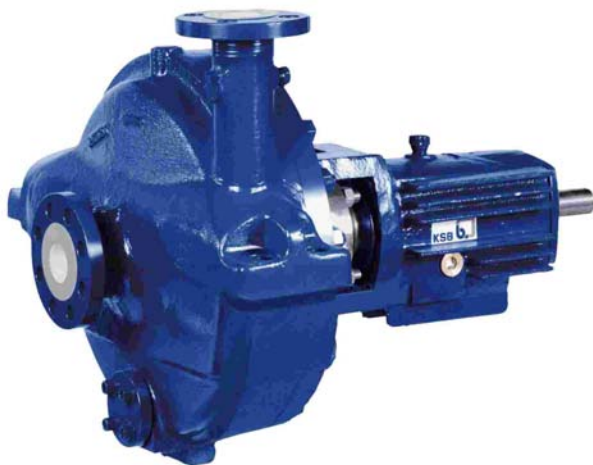
# New Products

## Kebak - KSB Firefighting Pumps

KSB Pakistan has launched the most reliable Firefighting Solutions by the name "Kebak". This is an addition in the local KSB portfolio which was considered to be a much wanted product for this segment. The Kebak Firefighting Pump Set consists of Standard, NFPA 20 Complaint and 3rd Party (UL/FM/VDS) listed Fire Pump.

Kebak makes up of M/s Armstrong Pump coupled with UL/FM approved drivers and complete UL Listed FM approved accessories required by NFPA 20, Underwriter Laboratories & Factory Mutual.

Kebak UL/FM Firefighting Solutions are the first UL/FM Firefighting Pump Sets being manufactured in Pakistan that are available in Diesel Engine as well as Motor Driven Forms.



## RPH - API 11th Edition Pumps

Enriching its product portfolio, KSB Pakistan has launched RPH Pumps which is an API 11th Edition Pump. RPH is capable of handling a large variety of crude oil products in Chemical & Petro chemical Industry. With the induction of this pump, KSB Pakistan has become the first and alone manufacturer of API (11th Edition) Standard Complaint Pumps in Pakistan. This product is the result of cutting edge research based on the latest modern tools. The pump has a robust design which is engineered for extreme reliability and longevity in the most demanding applications. Its unique product design, offer features entailing pressure balancing system that truly reduces bearing forces, offering all types of customized sealing plans and corrosion resistant alloys that have been chosen for all wetted parts. RPH pump ensures highest quality and safety standards.

# KSB Products for a wide range of applications



## Mohammad Masud Akhtar

Chief Executive Officer & MD KSB Pakistan



# Directors' Report to the Shareholders

The Directors of KSB Pumps Company Limited are pleased to present the Annual Report along with the Audited Financial Statements for the year ended December 31, 2014 together with Auditor's report thereon.

## THE ECONOMY

### Global Economy

In year 2014, the global economic performance remained neutral with overall growth rate of 3.3 percent. The US economy is strengthening while other major economies like the euro area, Japan and China exhibited weaker-than-expected growth trends. Sharp decline in oil prices and increased geopolitical tension have been key contributors to low performance of Russian economy. Growth in emerging markets and developing economies also remained moderate. Down side risks including geopolitical issues remain, but increased demand due to lower oil prices could boost global growth in coming months. Projected growth rate for years 2015-16 is 3.5 and 3.7 percent, although a downward revision from earlier forecasts.

### Pakistan's Economy

Amid multiple challenges, year 2014 still ended with favourable economic prospects for Pakistan. In earlier part of the year, supported by all key sectors namely agriculture, industry and service, GDP growth rate was recorded at 4.1 percent for the previous fiscal year. Conversely, 1st half of current fiscal year began with political unrest and heavy floods hitting a vast agricultural area of the country. These events gave rise to economic uncertainty in the country and doubts to achieve 2015 growth targets. The security situation has worsened due to which military operation has been expanded, with augmented speed, to other areas of the country; it would be a further strain on overall spending. Energy shortfall combined with gas shortage is another impediment towards the performance of industrial sector. Absence of clear action plan for solution of the energy crisis and recent fuel shortage episode may hamper the foreign and local investment.

Despite these major challenges, the macroeconomic outlook of the country has shown certain encouraging signs as well. Political tension has lessened giving relief to the government. Overall inflation declined to 4.3 percent in end of year 2014 and projection for the fiscal year is below 6 percent against target of 8 percent. However, risk of negative trend still exists. Drop in oil prices would be having positive impact on overall spending. IMF has shown satisfaction over progress on the measures taken so far and announced the release of next tranche of the loan. It would not only strengthen forex reserves but also would be a positive sentiment about overall progress of economy and aid building investors' confidence. To support the positive economic indicators, State Bank of Pakistan has further reduced its policy rate which will augment industrial performance. Government has also made a medium term strategy to implement fiscal reforms, however, the progress needs to be monitored to avoid unnecessary delays. In addition to it, steps need to be taken to attract foreign direct investment into the country and to reap the benefits of GSP plus status. In summary, overall condition of economy is anticipated to improve, provided that downward risks including political instability, power shortfall and security issues are contained. Based on the mixed macroeconomic conditions, GDP growth for fiscal year 2015 is expected to remain close to 4 percent.



## THE COMPANY

### Financial Results

The comparative financial results for the year 2014 as against 2013 are as follows:

Rupees in '000'

	2014	2013
Sales	3,152,062	2,577,686
Gross profit	697,611	594,990
Profit before tax	252,099	200,962
Profit/(Loss) for the year	186,989	158,011
Earnings per share (EPS)	14.17	11.97

Following the overall growth trends in the economy, your Company has shown remarkable results for the year ended December 31, 2014.

Turnover has shown a healthy growth of 22% while gross profit has increased by 17%. Profit before tax increased by 25% as compared to previous year. Profit after tax increased by 18%; earning per share reflects the same trend.

### Sales

Overall business of KSB Pakistan improved in year 2014 with above 30% growth in order intake. Public sector, after slow progress in year 2013, responded with ever highest orders in water segment. Industry, Energy and Building segments have again proved a cornerstone ensuring sustainable business trends. Fire pump units, our new product, has also been well acknowledged by these segments. KSB Pakistan has advanced further towards serving the needs of petrochemical and sugar sectors by supplying pumps and valves for all critical process applications of these sectors. Moreover, we have secured some key projects of Reverse Osmosis (RO) plants in fertilizer and food sectors to capitalize on product portfolio diversification and expansion opportunity. KSB Pakistan has signed group service agreement with the parent company to benefit from their core competencies and obtain various advisory services including services for sales, procurement, marketing, corporate communications, compliance, accounting, administration, HR, quality assurance and technical support. The long-term global experience of our parent company in the above fields will further support us to achieve the business objectives.

### Projects

2014 was overall a good year for turnkey project business. We maintained our focus towards realization of certain sizeable business opportunities and finally succeeded to book sufficient order intake in water extraction, waste water disposal and conventional construction segments. Further, this year was the third consecutive year where KSB won major water filtration projects thus establishing itself as a major player in this field in Punjab. On execution side, the activity finally picked up as a result of increased spending by government department. Consequently highest-ever revenue has been recorded by the department. More than 80% revenue growth has been achieved in year 2014.

Further, the year concluded with a long-awaited breakthrough: KSB Pakistan has reached amicable settlement of CDWA project with LG&CD department Punjab. The project has been re-activated with revised scope out of which major part of execution is expected to be accomplished in year 2015.

As a continuous improvement process, major structural changes were made to enhance overall efficiencies and to prepare ourselves for future challenges. In addition, KSB projects, in coordination with other concerned functions, was able to make inroads in Industry in the high-tech field of water treatment through Reverse Osmosis (RO) process. Solar pumps project was added to our portfolio which has been well received by the market due to ongoing energy shortage.

## PRODUCTION

Driven by healthy activity on business front, KSB Production achieved remarkable production numbers in year 2014.

KSB Pakistan has accomplished another milestone by acquiring MbK (Made by KSB) certification for its plant in Hassan'Abdal, a feature that ensures consistent KSB Products & Processes to its customers. It will further enable us to serve our customers in better way not only in Pakistan but also globally with high quality standards and on time delivery. With this achievement KSB Pakistan has been registered among few MbK (Made by KSB) certified manufacturing facilities in the group.

Solar Energy is among the most promising technologies in the field of renewable energy. KSB offers reliable solutions to cater this industry.



Hi-Tech Machines at KSB Works



As a part of our continued improvement strategy, we further invested not only on infrastructure but also on machinery and development of skill sets of our employees. Building a new world class service facility, construction of storage for pattern shop, and TIG welding facility are few significant investments made during the year 2014.

For process improvement and greater operational efficiency of our hydraulic systems, a new semi-automatic balancing machine has been added to machinery. Upgraded epoxy painting facility with temperature and humidity control equipment shall not only enable us to cater to production needs in wet weathers but increase the process capability, productivity and quality of operation as well. In-house manufacturing and assembly of complete fire fighting units, which was earlier outsourced, has been started in year 2014 resulting in reduced overall lead time and enhanced internal capabilities of complex manufacturing systems.

Besides fulfilling captive pump casting requirements in hi-tech metallurgies, KSB foundry is a provider of key automotive castings for leading OEMs in Pakistan



## FOUNDRY

Foundry achieved record sales volume in year 2014, more than 40% increase over last year. In-house development of new larger sizes of Sewatec and RPH pumps in shorter lead time enabled KSB Pakistan to improve its positioning in the market. Production of duplex material has been started in year 2014 by supplying SNW pump parts in local market with further opportunities in hand in foreign markets as well. TIG welding facility will further strengthen the capacity and processes in the foundry.

## QUALITY, ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

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

KSB provides world class products and excellent services to its customers with the aim to make its customers' plants safer, more energy efficient and more cost-effective.

KSB Pumps Company Limited is the first foundry based engineering company in Pakistan which has been certified for the Integrated Management System (ISO 9001, ISO 14001 & OHSAS 18001).

KSB Pakistan, in continued appreciation of its compliance to environment friendly policies, has won environment excellence award in the year 2014. While achieving ranking of one of top 10 out of about 150 companies from almost all business fields, KSB Pakistan secured 1st position in engineering sector. The award was initiated by National Forum for Environment & Health and is designed to recognize and promote organizations which contribute towards environment sustainability and development based on strict criteria.

KSB Service Workshop in Hassanabdal ensures operational reliability of Pumps and Valves



### SERVICE fast & efficient

Year 2014 has been yet another year of remarkable success for KSB Pakistan service department. With a double digit growth in order intake, overall revenue increased by more than 30%. The focus area was core business namely spare parts, service and repair. Energy and Industry segments were key contributors towards growth in business.

The new state of the art Service facility at works started functioning in 3rd quarter of 2014. Additionally a 24/7 Service Helpline has also been introduced to facilitate our valued customers to call us 24/7 for their service needs. With this facility we ensure even more strengthened relationship with our clients.

The Service department was re-organized in the beginning of 2014 in line with group's guidelines.

### HUMAN RESOURCE



Participants of the Business Review Meeting

Strategy in to Actions (SIA) program was continued to keep up focus of all business units on company targets. In light of the structured feedback invited from employees, an extensive review of HR policies was conducted and the revised HR manual, with changes in existing policies as well as addition of some new policies focusing on employee benefits, was launched. Training & development of employees remained in high focus during the year. To develop and strengthen the top leadership team, "Value Based Leadership" was conducted which was facilitated by the international consultant of KSB AG. The company also invested in more than 300 training days (national and international) in the year 2014.

### ENTERPRISE RISK MANAGEMENT

"Risks are potential future developments or events that can lead to damage or loss. They result from the

uncertainty of future events. A risk is therefore every condition, situation or state that can, at present and/or in future, prevent the KSB Group or an individual Group company from achieving its business goals and completing its tasks."

KSB's risk management system is designed to identify and evaluate current and potential threats to the achievement of objectives as early as possible, and prevent or at least limit business losses through adequate measures. The aim is to prevent any threat to the existence of KSB and to create lasting value through improved business decisions.

### 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 minimize 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 under the guidelines provided by the Group Treasury and State Bank of Pakistan.

### Market Risk

Market risk includes currency risk, other price risk and interest rate 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 recognized assets and liabilities.

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.

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.

### 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. Under the Credit Policy, 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 utilization 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.

### 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 financial 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 primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.



The Chief Executive Mohammad Masud Akhtar handing over Scholarship Awards to students of different schools from Hasanabadal

## CORPORATE SOCIAL RESPONSIBILITY - KSB CARE

The Corporate Social Responsibility (CSR) is the duty of every corporate body to protect the interest of the society at large. Besides prime objectives of running business, a corporate entity should take initiatives for welfare of the society on whole, especially for the community within which it operates. KSB expresses its commitment by contributing in educational and social programs.

KSB's Corporate Social Responsibility (CSR) program works under the banner of KSB Care. Realizing the role of literacy in the development of community, KSB has been supporting the educational institutions in the rural areas around its production facility at Hassan'abdal. During the year 2014 the Company extended support to 9 educational institutions by providing assistance for rehabilitation of infrastructure, construction of class rooms and provision of furniture and fixtures.

KSB has also been offering internships, apprenticeships, training opportunities, educational visits and study projects to students.

Under the scholarship program, KSB awards merit based scholarships to students of various schools and colleges situated in the vicinity of its works at Hassan'abdal. 159 high achievers were awarded scholarships in year 2014.

In addition, donations were also made to hospitals and welfare institutions.

## FUTURE OUTLOOK

### SALES

Year 2015 offers brighter prospects in all key business areas including opportunities in chemical and petrochemical sector with API and fire-fighting pumps. Business growth is expected from standard and high-end engineered market for Industry, Energy, Building Service and Water & Waste Water. Government also has special focus on energy and infrastructure projects which will further boost business activities both for our standard and engineered products.



KSB Produces reliable and efficient products which ensures smooth operations

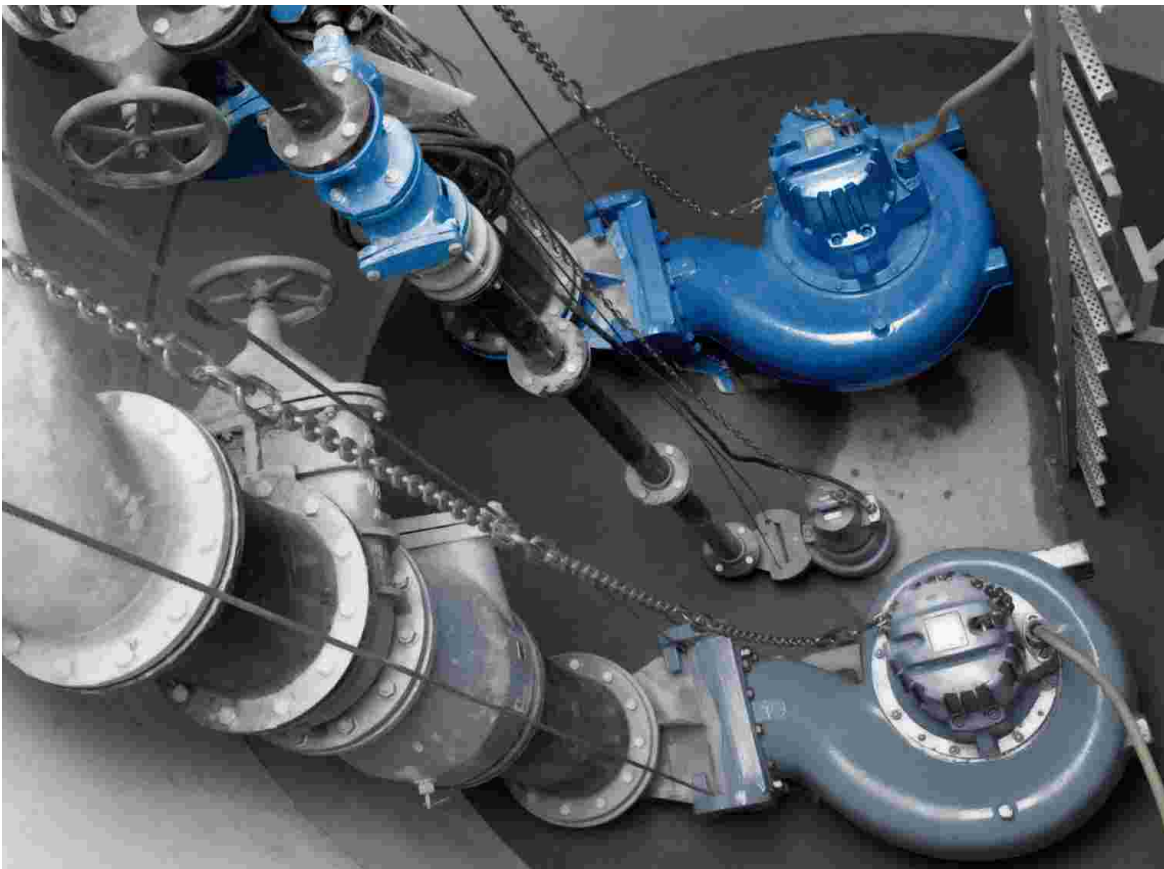


Our strategy of effective communication through active dialogue marketing, social media activities communication synergizing with videos and search engine optimization continues to support us enhancing our reach to customers.

Based on positive outlook of the business environment and good orders in hand, KSB Pakistan anticipates healthy business activity in year 2015.

### Projects

Brighter business prospects are on the way for KSB Pakistan Projects and a significant rise in order intake is expected in year 2015. We are focussed to have stronger follow-up with government to complete projects in hand. Growth projections are based on various business opportunities in Punjab, KPK, Sindh namely CPS, MSDP Jacobabad pump station, SAAF PAANI Project for Punjab, CDWA-KPK, JICA grant for Lahore, Gujranwala and Faisalabad etc. Moreover, KPK further offers promising prospects for turnkey jobs which we have been actively following.



KSB's extensive experience in waste water engineering ensures smooth process flows in industrial, municipal and domestic waste water operations

KSB Projects, with the aim to expand customer base in various business segments, continues to go for relevant enlistments and pre-qualifications. Business opportunities in targeted industrial segments will remain our focus in year 2015.

## Service

In 2015, we aim to obtain maximum leverage from our new service facility. Also we intend to intensify efforts in the energy and industrial segments in the form of engaging clients in Long Term Maintenance Agreements (LTMA's). We are resolute to continue efforts to ensure sustainable growth, partnership relationship with our valued customer and make 2015 another prosperous year for KSB Pakistan Service business.



KSB Service is committed to serve its customers round the clock

## APPROPRIATION

### RESULT FOR THE YEAR

	Rupees '000'
Profit for the year before providing for taxation	252,099
Provision for taxation	(65,110)
Profit after taxation	186,989
Other comprehensive income /(loss) for the year - Net of tax	(5,823)
Un-appropriated profit brought forward	1,349
Available for appropriation	182,515
Appropriated as under	
- Transfer to general reserve	116,000
- Proposed dividend @ Rs 5.00 per share	66,000
	182,000
Un appropriated profit carried forward	515

## 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, 2015.

## CODE OF CONDUCT

The Board of Directors has already adopted a Code of Conduct in letter and spirit. The compliance with the Code of Conduct is compulsory for all employees at all levels. The Code has also been placed on the Company's website.

## MATERIAL CHANGES

There have been no material changes since December 31, 2014 and the company has not entered into any commitment, which would affect its financial position at the balance sheet date.

## HOLDING COMPANY

KSB Aktiengesellschaft (AG) Germany is the holding company of KSB Pumps Co. Ltd with 58.89% shares.

## 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 non-executive Director.

On completion of terms of the Directors, elections were held on 25th April, 2014 and accordingly the Board and the Board Committees was reconstituted. 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.

## BOARD OF DIRECTORS MEETING

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

S. No.	Name of Director	No. of Meetings Attended
1.	Mr. Tonjes Cerovsky	3
2.	Mr. M. Masud Akhtar	4
3.	Mr. Sajid Mahmood Awan	4
4.	Mr. R. D. Ahmad	1*
5.	Ms. Rahat Kaunain Hassan	3

S. No.	Name of Director	No. of Meetings Attended
6.	Dr. Matthias Beth	2
7.	Mr. Hasan Aziz Bilgrami	3
8.	Mr. Jamal Nasim	1
9.	Syed Hyder Ali	2
10.	Mr. Werner Spiegel	.*

\* Mr. Werner Spiegel and Mr. R. D. Ahmad retired on 25th April 2014.

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 enforcement of the Code of Corporate Governance which comprises of three non-executive Directors. By virtue of election of directors held, during the year the Audit Committee was reconstituted. The Members of the Board Audit Committee were as follows:



S. No.	Name of Director	No. of Meetings Attended
1.	Mr. Hasan Aziz Bilgrami - Chairman	4
2.	Dr. Matthias Beth - Member	2
3.	Syed Hyder Ali - Member	1
4.	Mr. R. D. Ahmad - Member	1*
5.	Mr. Werner Spiegel - Member	-*

\* Mr. Werner Spiegel and Mr. R. D. Ahmad retired on 25th April 2014.

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.

#### HUMAN RESOURCE & REMUNERATION COMMITTEE

The Board of Directors has constituted the Human Resource and Remuneration Committee (HR&R), which comprises of three Directors. By virtue of election of directors held, during the year the HR&R Committee was reconstituted. The members of the HR&R Committee were as follows:

S. No.	Name of Director		No. of Meetings Attended
1.	Ms. Rahat Kaunain Hassan	- Chairperson	1
2.	Syed Hyder Ali	- Member	1
3.	Mr. Mohammad Masud Akhtar	- Member	2

#### 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 and any departures therefrom has been adequately disclosed and explained.
- 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 31.12.2013 : Rs. 107.0 million.
  2. Gratuity Fund 31.12.2013 : Rs. 59.5 million.
- To the best of our knowledge, 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, 2014 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.

#### ACKNOWLEDGEMENT

The Directors are grateful to the valued customers and shareholders of the Company for their cooperation and support. They are also thankful for the excellent support and guidance provided by our parent Company, M/s. KSB AG.

The Board expresses its gratitude for the efforts of all the employees who have made it possible to achieve our business goals.

On behalf of the Board

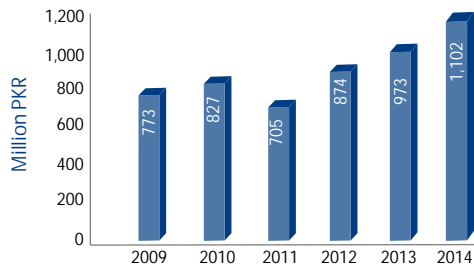


Mohammad Masud Akhtar  
Chief Executive

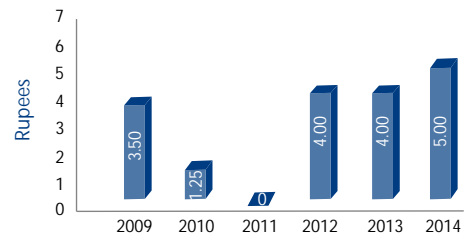
March 19, 2015  
Lahore.

# Highlights 6 Years

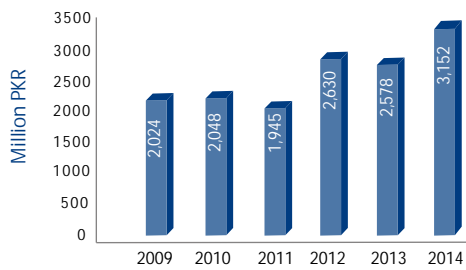
### Equity



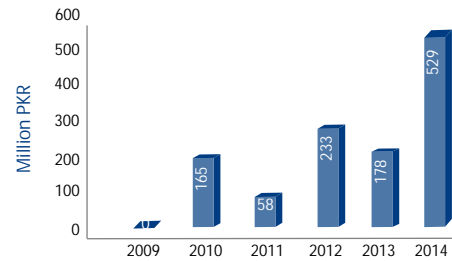
### Cash Dividend Per Share



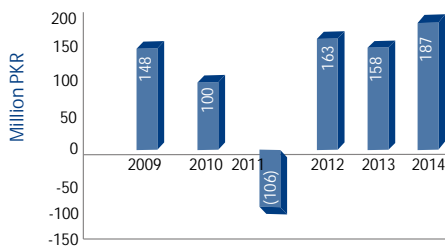
### Sales



### Short Term Finances



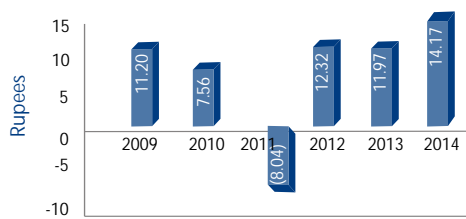
### Net Profit/(Loss)



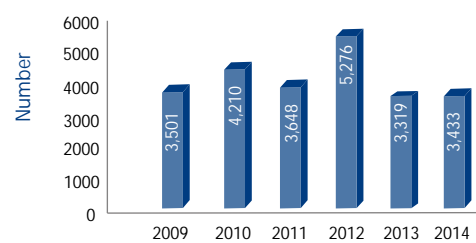
### Finance Cost



### Earning/(Loss) per Share



### No. of Pumps Produced





# Vertical Analysis

	2014 Rs. in '000'	%age	2013 Rs. in '000'	%age
<b>Balance Sheet</b>				
Net worth / shareholders equity	1,101,515	37.89%	973,149	41.86%
Non current liabilities	79,193	2.72%	43,860	1.89%
Short term running finances/bank borrowings	529,272	18.20%	177,841	7.65%
Creditors, accrued and other liabilities	1,197,407	41.18%	1,129,858	48.60%
<b>Total liabilities and equity</b>	<b>2,907,387</b>	<b>100.00%</b>	<b>2,324,707</b>	<b>100.00%</b>
Fixed Assets	364,296	12.53%	306,942	13.20%
Long Term Loans and Deposits	12,463	0.43%	15,645	0.67%
Deferred Taxation	-	0.00%	14,734	0.63%
Current Assets	2,530,628	87.04%	1,987,387	85.49%
<b>Total Assets</b>	<b>2,907,387</b>	<b>100.00%</b>	<b>2,324,707</b>	<b>100.00%</b>
<b>Profit and Loss Account</b>				
Sales	3,152,062	100.00%	2,577,686	100.00%
Cost of sales	(2,454,451)	-77.87%	(1,982,697)	-76.92%
<b>Gross Profit / (Loss)</b>	<b>697,611</b>	<b>22.13%</b>	<b>594,990</b>	<b>23.08%</b>
Distribution and marketing costs	(243,578)	-7.73%	(223,911)	-8.69%
Administrative expenses	(184,984)	-5.87%	(168,678)	-6.54%
Other operating expenses	(29,673)	-0.94%	(33,886)	-1.31%
Other operating income	60,158	1.91%	55,721	2.16%
<b>Operating Profit / (Loss)</b>	<b>299,535</b>	<b>9.50%</b>	<b>224,236</b>	<b>8.70%</b>
Finance Cost	(47,435)	-1.50%	(23,274)	-0.90%
<b>Profit / (Loss) before tax</b>	<b>252,099</b>	<b>8.00%</b>	<b>200,962</b>	<b>7.80%</b>
Taxation	(65,110)	-2.07%	(42,951)	-1.67%
<b>Profit / (Loss) for the year</b>	<b>186,989</b>	<b>5.93%</b>	<b>158,011</b>	<b>6.13%</b>

2012 Rs. in '000'	%age	2011 Rs. in '000'	%age	2010 Rs. in '000'	%age	2009 Rs. in '000'	%age
874,364	38.58%	705,463	35.33%	826,600	45.69%	773,021	48.49%
24,825	1.10%	33,163	1.66%	63,843	3.53%	52,273	3.28%
233,370	10.30%	57,791	2.89%	164,927	9.12%	171	0.01%
1,133,858	50.03%	1,200,382	60.12%	753,738	41.66%	768,645	48.22%
<u>2,266,417</u>	<u>100.00%</u>	<u>1,996,799</u>	<u>100.00%</u>	<u>1,809,108</u>	<u>100.00%</u>	<u>1,594,110</u>	<u>100.00%</u>
311,014	13.72%	316,471	15.85%	313,502	17.33%	251,639	15.79%
10,552	0.47%	12,946	0.65%	11,685	0.65%	6,196	0.39%
23,022	1.02%	35,465	1.78%	-	0.00%	-	0.00%
1,921,828	84.80%	1,631,917	81.73%	1,483,920	82.02%	1,336,275	83.83%
<u>2,266,417</u>	<u>100.00%</u>	<u>1,996,799</u>	<u>100.00%</u>	<u>1,809,108</u>	<u>100.00%</u>	<u>1,594,110</u>	<u>100.00%</u>
2,630,402	100.00%	1,944,764	100.00%	2,047,989	100.00%	2,024,248	100.00%
(2,087,813)	-79.37%	(1,628,144)	-83.72%	(1,564,429)	-76.39%	(1,522,737)	-75.22%
542,589	20.63%	316,621	16.28%	483,560	23.61%	501,511	24.78%
(222,183)	-8.45%	(180,096)	-9.26%	(214,023)	-10.45%	(183,402)	-9.06%
(133,479)	-5.07%	(119,023)	-6.12%	(128,520)	-6.28%	(118,321)	-5.85%
(22,952)	-0.87%	(199,706)	-10.27%	(13,387)	-0.65%	(17,282)	-0.85%
68,089	2.59%	42,319	2.18%	42,867	2.09%	41,704	2.06%
232,063	8.82%	(139,886)	-7.19%	170,498	8.33%	224,210	11.08%
(30,405)	-1.16%	(16,235)	-0.83%	(17,248)	-0.84%	(10,421)	-0.51%
201,658	7.67%	(156,121)	-8.03%	153,251	7.48%	213,789	10.56%
(39,094)	-1.49%	50,000	2.57%	(53,471)	-2.61%	(66,000)	-3.26%
<u>162,564</u>	<u>6.18%</u>	<u>(106,121)</u>	<u>-5.46%</u>	<u>99,779</u>	<u>4.87%</u>	<u>147,789</u>	<u>7.30%</u>

# Horizontal Analysis

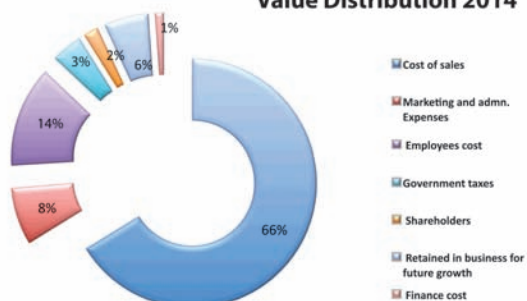
	2014	2013	Change	2013	2012	Change	2012
	Rs. in '000	Rs. in '000	%	Rs. in '000	Rs. in '000	%	Rs. in '000
<b>Balance Sheet</b>							
Net worth / shareholders equity	1,101,515	973,149	13.19%	973,149	874,364	11.30%	874,364
Non current liabilities	79,193	43,860	80.56%	43,860	24,825	76.67%	24,825
Short term running finances/bank borrowings	529,272	177,841	197.61%	177,841	233,370	-23.79%	233,370
Creditors, accrued and other liabilities	1,197,407	1,129,858	5.98%	1,129,858	1,133,858	-0.35%	1,133,858
<b>Total liabilities and equity</b>	<b>2,907,387</b>	<b>2,324,707</b>	<b>25.06%</b>	<b>2,324,707</b>	<b>2,266,417</b>	<b>2.57%</b>	<b>2,266,417</b>
Fixed Assets	364,296	306,942	18.69%	306,942	311,014	-1.31%	311,014
Long Term Loans and Deposits	12,463	15,645	-20.34%	15,645	10,552	48.26%	10,552
Deferred Taxation	-	14,734	-100.00%	14,734	23,022	-36.00%	23,022
Current Assets	2,530,628	1,987,387	27.33%	1,987,387	1,921,828	3.41%	1,921,828
<b>Total Assets</b>	<b>2,907,387</b>	<b>2,324,707</b>	<b>25.06%</b>	<b>2,324,707</b>	<b>2,266,417</b>	<b>2.57%</b>	<b>2,266,417</b>
<b>Profit and Loss Account</b>							
Sales	3,152,062	2,577,686	22.28%	2,577,686	2,630,402	-2.00%	2,630,402
Cost of sales	(2,454,451)	(1,982,697)	23.79%	(1,982,697)	(2,087,813)	-5.03%	(2,087,813)
<b>Gross Profit / (Loss)</b>	<b>697,611</b>	<b>594,990</b>	<b>17.25%</b>	<b>594,990</b>	<b>542,589</b>	<b>9.66%</b>	<b>542,589</b>
Distribution and marketing costs	(243,578)	(223,911)	8.78%	(223,911)	(222,183)	0.78%	(222,183)
Administrative expenses	(184,984)	(168,678)	9.67%	(168,678)	(133,479)	26.37%	(133,479)
Other operating expenses	(29,673)	(33,886)	-12.43%	(33,886)	(22,952)	47.63%	(22,952)
Other operating income	60,158	55,721	7.96%	55,721	68,089	-18.16%	68,089
<b>Operating Profit / (Loss)</b>	<b>299,535</b>	<b>224,236</b>	<b>33.58%</b>	<b>224,236</b>	<b>232,063</b>	<b>3.37%</b>	<b>232,063</b>
Finance Cost	(47,435)	(23,274)	103.81%	(23,274)	(30,405)	-23.45%	(30,405)
<b>Profit / (Loss) before tax</b>	<b>252,099</b>	<b>200,962</b>	<b>25.45%</b>	<b>200,962</b>	<b>201,658</b>	<b>-0.35%</b>	<b>201,658</b>
Taxation	(65,110)	(42,951)	51.59%	(42,951)	(39,094)	9.87%	(39,094)
<b>Profit / (Loss) for the year</b>	<b>186,989</b>	<b>158,011</b>	<b>18.34%</b>	<b>158,011</b>	<b>162,564</b>	<b>-2.80%</b>	<b>162,564</b>

2011	Change	2011	2010	Change	2010	2009	Change	2009	2008	Change
Rs. in '000	%	Rs. in '000	Rs. in '000	%	Rs. in '000	Rs. in '000	%	Rs. in '000	Rs. in '000	%
705,463	23.94%	705,463	826,600	-14.83%	826,600	773,021	6.93%	773,021	676,832	14.21%
33,163	-25.14%	33,163	63,843	-44.48%	63,843	52,273	22.13%	52,273	42,302	23.57%
57,791	303.82%	57,791	164,927	-64.96%	164,927	171	96153.82%	171	16,421	-98.96%
1,200,382	-5.54%	1,200,382	753,738	59.26%	753,738	768,645	-1.94%	768,645	488,731	57.27%
1,996,799	13.50%	1,996,799	1,809,108	10.42%	1,809,108	1,594,110	13.49%	1,594,110	1,224,286	30.21%
316,471	-1.72%	316,471	313,502	0.95%	313,502	251,639	24.58%	251,639	219,108	14.85%
12,946	-18.49%	12,946	11,685	10.79%	11,685	6,196	88.59%	6,196	7,885	-21.42%
35,465	-35.08%	35,465	-	-	-	-	-	-	-	-
1,631,917	17.77%	1,631,917	1,483,920	9.94%	1,483,920	1,336,275	11.05%	1,336,275	997,293	33.99%
1,996,799	13.50%	1,996,799	1,809,108	10.42%	1,809,108	1,594,110	13.49%	1,594,110	1,224,286	30.21%
1,944,764	35.26%	1,944,764	2,047,989	-5.04%	2,047,989	2,024,248	1.17%	2,024,248	1,876,445	7.88%
(1,628,144)	28.23%	(1,628,144)	(1,564,429)	3.29%	(1,564,429)	(1,522,737)	2.74%	(1,522,737)	(1,368,835)	11.24%
316,621	71.37%	316,621	483,560	-34.52%	483,560	501,511	-3.58%	501,511	507,610	-1.20%
(180,096)	23.37%	(180,096)	(214,023)	-15.85%	(214,023)	(183,402)	16.70%	(183,402)	(192,937)	-4.94%
(119,023)	12.15%	(119,023)	(128,520)	-7.39%	(128,520)	(118,321)	8.62%	(118,321)	(110,034)	7.53%
(199,706)	-88.51%	(199,706)	(13,387)	1391.82%	(13,387)	(17,282)	-22.54%	(17,282)	(15,368)	12.45%
42,319	60.89%	42,319	42,867	-1.28%	42,867	41,704	2.79%	41,704	56,287	-25.91%
(139,886)	265.89%	(139,886)	170,498	-182.05%	170,498	224,210	-23.96%	224,210	245,558	-8.69%
(16,235)	87.28%	(16,235)	(17,248)	-5.87%	(17,248)	(10,421)	65.51%	(10,421)	(11,639)	-10.46%
(156,121)	229.17%	(156,121)	153,251	-201.87%	153,251	213,789	-28.32%	213,789	233,919	-8.61%
50,000	178.19%	50,000	(53,471)	-193.51%	(53,471)	(66,000)	-18.98%	(66,000)	(63,231)	4.38%
(106,121)	253.19%	(106,121)	99,779	-206.36%	99,779	147,789	-32.49%	147,789	170,688	-13.42%

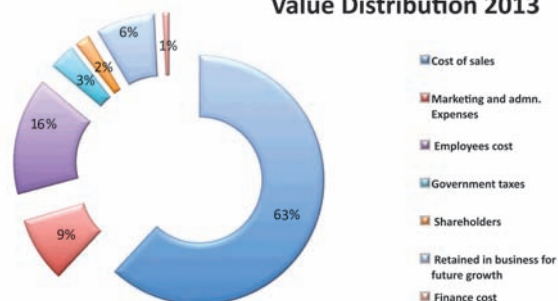
# Statement of Value Addition

	2014	%age	2013	%age
	Rs. in '000'		Rs. in '000'	
<b>Value Addition</b>				
Net sales	3,152,062	98.13	2,577,686	97.88
Other income	60,158	1.87	55,721	2.12
	<u>3,212,220</u>	<u>100.00</u>	<u>2,633,407</u>	<u>100.00</u>
<b>Value Distribution</b>				
Cost of sales (excluding employees' cost & Depreciation/Amortization)	2,105,340	65.54	1,662,945	63.15
Marketing, admin. & other expenses (excluding employees' cost, Depreciation, & Extraordinary Expenses)	252,880	7.87	239,087	9.07
Employees cost				
- Salaries, wages, amenities and staff welfare	433,338	13.49	399,801	15.18
- Workers' profit participation fund	12,789	0.40	10,713	0.41
	446,127	13.89	410,514	15.59
Government				
- Taxes & Duties	109,810	3.42	88,838	3.37
- Workers' welfare fund	3,685	0.11	2,582	0.10
	113,495	3.53	91,420	3.47
Shareholders				
- Dividend	66,000	2.05	52,800	2.01
- Bonus shares	-	0.00	-	0.00
	66,000	2.05	52,800	2.01
Retained in business for future growth				
- Depreciation & Amortization	59,953	1.87	48,157	1.83
- Retained profit	120,989	3.77	105,211	4.00
	180,942	5.63	153,367	5.82
Finance cost	47,435	1.48	23,274	0.88
	<u>3,212,220</u>	<u>100.00</u>	<u>2,633,407</u>	<u>100.00</u>

**Value Distribution 2014**



**Value Distribution 2013**



# Key Financial Data for 6 Years

Rupees in '000'

	2014	2013	2012	2011	2010	2009
<b>Balance sheet</b>						
Paid up capital	132,000	132,000	132,000	132,000	132,000	132,000
Reserves	969,515	841,149	742,364	573,463	694,600	641,021
<b>Net worth / shareholders equity</b>	<b>1,101,515</b>	<b>973,149</b>	<b>874,364</b>	<b>705,463</b>	<b>826,600</b>	<b>773,021</b>
Non current liabilities	79,193	43,860	24,825	33,163	63,843	52,273
Short term running finances/ bank borrowings	529,272	177,841	233,370	57,791	164,927	171
Creditors, accrued & other liabilities	1,197,407	1,129,858	1,133,858	1,200,382	753,738	768,645
Current liabilities	1,726,680	1,307,699	1,367,228	1,258,173	918,665	768,817
<b>Total liabilities</b>	<b>1,805,873</b>	<b>1,351,559</b>	<b>1,392,053</b>	<b>1,291,336</b>	<b>982,508</b>	<b>821,090</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,907,387</b>	<b>2,324,707</b>	<b>2,266,417</b>	<b>1,996,799</b>	<b>1,809,108</b>	<b>1,594,110</b>
Fixed assets	364,296	306,942	311,014	316,471	313,502	251,639
Long term loans and deposits	12,463	15,645	10,552	12,946	11,685	6,196
Deferred taxation	-	14,734	23,022	35,465	-	-
Current assets	2,530,628	1,987,387	1,921,828	1,631,917	1,483,920	1,336,274
<b>Total assets</b>	<b>2,907,387</b>	<b>2,324,707</b>	<b>2,266,417</b>	<b>1,996,799</b>	<b>1,809,108</b>	<b>1,594,110</b>
Inventory	538,350	505,291	638,231	436,319	504,449	414,139
Debtors	1,216,728	1,037,397	920,735	866,753	632,844	526,560
Trade and other payables	1,130,307	1,077,216	1,086,064	1,173,173	710,812	732,617
Material consumption	1,348,153	1,246,883	1,401,889	1,053,942	1,047,964	1,011,436
<b>Profit and loss</b>						
Sales	3,152,062	2,577,686	2,630,402	1,944,764	2,047,989	2,024,248
Cost of goods sold	(2,454,451)	(1,982,697)	(2,087,813)	(1,628,144)	(1,564,429)	(1,522,737)
Gross Profit	697,611	594,990	542,589	316,621	483,560	501,511
Distribution and marketing cost	(243,578)	(223,911)	(222,183)	(180,096)	(214,023)	(183,402)
Administrative expenses	(184,984)	(168,678)	(133,479)	(119,023)	(128,520)	(118,321)
Other operating expenses	(29,673)	(33,886)	(22,952)	(199,706)	(13,387)	(17,282)
Other operating income	60,158	55,721	68,089	42,319	42,867	41,704
Operating Profit	299,535	224,236	232,063	(139,886)	170,498	224,210
Finance Cost	(47,435)	(23,274)	(30,405)	(16,235)	(17,248)	(10,421)
Profit before tax	252,099	200,962	201,658	(156,121)	153,251	213,789
Taxation	(65,110)	(42,951)	(39,094)	50,000	(53,471)	(66,000)
<b>Net Profit</b>	<b>186,989</b>	<b>158,011</b>	<b>162,564</b>	<b>(106,121)</b>	<b>99,779</b>	<b>147,789</b>

# Key Performance Indicators

		2014	2013	2012	2011	2010	2009
Gross Margin	%	22.13	23.08	20.63	16.28	23.61	24.78
Net profit to Sales	%	5.93	6.13	6.18	(5.46)	4.87	7.30
Return on equity	%	16.98	16.24	18.59	(15.04)	12.07	19.12
Return on capital employed	%	25.37	22.05	25.81	(18.94)	19.15	27.17
Return on assets	%	6.43	6.80	7.17	(5.31)	5.52	9.27
EBITDA	Rupees in '000	359,488	272,393	278,709	(95,604)	205,618	254,782
EBITDA margin	%	11.40	10.57	10.60	(4.92)	10.04	12.59
Inventory turnover ratio	Times	2.50	2.47	2.20	2.42	2.08	2.45
Inventory turnover in number of days	Days	146	148	166	151	176	149
Debtor Turnover ratio	Times	2.59	2.48	2.86	2.24	3.24	3.84
Collection period (Days)	Days	141	147	128	163	113	95
Creditor turnover	Times	2.17	1.84	1.92	1.39	2.20	2.09
Credit turnover in number of days	Days	168	198	190	263	166	175
Operating cycle	Days	119	97	104	51	123	69
Total assets turnover ratio	Times	1.08	1.11	1.16	0.97	1.13	1.27
Fixed assets turnover ratio	Times	8.65	8.40	8.46	6.15	6.53	8.04
Price earning ratio	Times	10.81	7.55	5.28	(3.02)	7.95	6.70
Cash dividend per share	Rupees	5.00	4.00	4.00	-	1.25	3.50
Dividend yield ratio	Times	0.03	0.04	0.06	-	0.02	0.05
Dividend pay out ratio	Times	0.35	0.33	0.32	-	0.17	0.31
Dividend cover ratio	Times	2.83	2.99	3.08	-	6.05	3.20
Earnings Per Share	Rupees	14.17	11.97	12.32	(8.04)	7.56	11.20
Number of Shares	Number	13,200	13,200	13,200	13,200	13,200	13,200
Debt Equity Ratio		1.64 : 1	1.39 : 1	1.59 : 1	1.83 : 1	1.19 : 1	1.06 : 1
Interest Cover ratio	Times	6.31	9.63	7.63	(8.62)	9.89	21.52
Current Ratio	Times	1.47	1.52	1.41	1.30	1.62	1.74
Acid test ratio	Times	1.15	1.13	0.94	0.95	1.07	1.20
Break up value per share	Rupees	83.45	73.72	66.24	53.44	62.62	58.56
Market Value of shares - year end	Rupees	153.14	90.35	65.00	24.31	60.11	75.02
Market Value of shares - high	Rupees	172.44	98.00	73.18	62.11	60.11	230.98
Market Value of shares - low	Rupees	73.20	59.85	22.83	24.30	92.48	71.42
<b>Summary of cash flow statement</b>							
Operating activities	Rupees in '000	103,678	156,234	(130,902)	74,079	(92,165)	289,729
Investing activities	Rupees in '000	(115,213)	(46,162)	(38,549)	(43,347)	(95,326)	(65,321)
Financing Activities	Rupees in '000	(52,392)	(52,589)	(8)	(16,443)	(46,085)	(51,410)
Cash and cash equivalent- closing balance	Rupees in '000	(163,239)	(99,313)	(156,796)	12,663	(1,626)	231,951

# Pattern of Shareholding as at December 31, 2014

Number of Shareholders		Shareholding		Total Shares Held
286	1	to	100	7,806
232	101	to	500	75,215
272	501	to	1000	184,132
198	1001	to	5000	491,074
25	5001	to	10000	177,723
13	10001	to	15000	159,450
9	15001	to	20000	156,873
1	20001	to	25000	24,000
3	25001	to	30000	86,100
2	30001	to	35000	62,703
1	35001	to	40000	37,000
1	45001	to	50000	48,000
1	50001	to	55000	52,500
1	85001	to	90000	87,500
1	95001	to	100000	99,500
1	100001	to	105000	105,000
1	135001	to	140000	137,288
1	140001	to	145000	143,863
1	270001	to	275000	272,373
1	305001	to	310000	306,575
1	330001	to	335000	331,178
1	1085001	to	1090000	1,088,661
1	1290001	to	1295000	1,292,511
1	7770001	to	7775000	7,772,975
<hr/>				<hr/>
1055				13,200,000
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Categories of Shareholders	Number of Shareholders	Shares Held	Percentage	
Associated Companies	1	7,772,975	58.89	
Modarabas & Mutual Funds	3	198,500	1.50	
Insurance Companies	1	272,373	2.06	
Directors, CEO, their spouse & minor children	-	-	-	
National Bank of Pakistan Trustee Department (NIT)	1	1,292,511	9.79	
Investment Corporation of Pakistan	-	-	-	
Banks Development Financial Institutions, NBFI,				
Joint Stock Companies	18	1,276,156	9.67	
General Public	1,025	2,192,177	16.61	
Others: - Trustees Mohammed Amin Wakf Estate -	31,703	6	195,308	1.48
- Trustees NBP Employees Benevolent Fund -	4,817			
- Trustees NBP Employees Pension Fund -	137,288			
- Trustees DG Khan Cement Co Ltd Employees PF -	11,000			
- M/s. Dhoraji Youth Service Foundation -	10,000			
- M/s. NCC-Pre Settlement Delivery A/c. -	500			
Total	<hr/>	<hr/>	<hr/>	
	1,055	13,200,000	100.00	
	<hr/>	<hr/>	<hr/>	



## 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
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	3	1,361,225
Mutual Funds		
Golden Arrow Selected Stocks Fund Limited	1	105,000
CDC Trustee Nafa Stock Fund	1	6,000
National Bank of Pakistan - Trustee Department NI (U) T Fund	1	1,292,511
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modaraba and Joint Stock Companies	17	274,804
General Public	1,025	2,192,177
(a) Local	1,025	
(b) Foreign	Nil	
Others	6	195,308
<b>Total</b>	<b>1,055</b>	<b>13,200,000</b>
Shareholders holding 5% 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	1,292,511
National Bank of Pakistan	1	1,088,661

# Statement of Compliance

## with the Code of Corporate Governance for the year ended December 31, 2014

This statement is being presented to comply with the requirements of the Code of Corporate Governance as contained in the listing regulation No. 35 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 of Directors. At present the Board includes:

Category	Names
Independent Director	Rahat Kaunain Hassan
Executive Directors	Mr. Mohammad Masud Akhtar Mr. Sajid Mahmood Awan
Non-Executive Directors	Mr. Tonjes Cerovsky Dr. Matthias Beth Syed Hyder Ali Mr. Hasan Aziz Bilgrami Mr. Jamal Nasim

*The independent Director meet the criteria of independence under clause i(b) of the CCG.*

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and to the best of our knowledge none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the year, however elections of Directors were held on 25th April 2014 for next term and seven Directors were elected as fixed by the Board.
5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms & conditions of employment of the CEO and other executive and non-executive directors have been taken by the Board of Directors.
8. Three meetings of the Board were presided over by the Chairman and in his absence one meeting was presided by CEO of the Company. 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.
9. Four Directors have already acquired certification under Directors Training Programme from PICG/UNDP, whereas one Director having the requisite experience on the board of listed companies is exempt from Directors training programme. Company provided information on the Code of Corporate Governance 2012 to foreign Directors and other directors regarding their duties and responsibilities and the remaining directors will complete Directors Training Program in due course.
10. The Board approved the remunerations and terms & conditions of employment of CFO, Company Secretary and Head of Internal Audit in terms of Code of Corporate Governance 2012.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval of the Board.
13. 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
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of three members, who are non executive Directors including the chairman of the committee.
16. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, two of them are non-executive Directors and the Chairperson of the Committee is an independent Director.
18. 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.
19. 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.

20. 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.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board



Mohammad Masud Akhtar  
Chief Executive Officer

March 19, 2015  
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 ('the Company') for the year ended December 31, 2014 to comply with the Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges, where the company is listed.

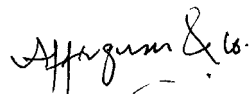
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance 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 of Corporate Governance.

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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Regulation 35(x) of Listing Regulations 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, recording 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, 2014.



Chartered Accountants

Name of audit engagement partner: Hammad Ali Ahmad

Lahore: March 19, 2015

## Auditors' Report to the Members

We have audited the annexed balance sheet of KSB Pumps Company Limited as at December 31, 2014 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, 2014 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:** Hammad Ali Ahmad

Lahore: March 19, 2015

# Balance Sheet

## As at December 31, 2014

	Note	2014 Rupees	2013 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 15,000,000 (2013: 15,000,000) ordinary shares of Rs 10 each		150,000,000	150,000,000
Issued, subscribed and paid up capital 13,200,000 (2013: 13,200,000) ordinary shares of Rs 10 each	5	132,000,000	132,000,000
General reserve		787,000,000	682,000,000
Unappropriated profit		182,514,699	159,148,927
		1,101,514,699	973,148,927
<b>NON CURRENT LIABILITIES</b>			
Employees' retirement and other benefits	6	52,972,342	43,859,504
Deferred taxation	16	26,220,480	-
		79,192,822	43,859,504
<b>CURRENT LIABILITIES</b>			
Short term finances - secured	7	529,272,306	177,841,074
Trade and other payables	8	1,130,307,330	1,077,216,146
Provision for other liabilities and charges	9	55,366,135	47,189,696
Accrued finance cost		11,733,938	5,452,132
		1,726,679,709	1,307,699,048
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10		
		2,907,387,230	2,324,707,479

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

  
Chairman

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	354,760,894	297,224,703
Investment property	12	1,012,773	1,225,989
Intangible assets	13	853,359	1,825,736
Capital work in progress	14	7,668,867	6,665,875
Long term loans and deposits	15	12,462,974	15,644,606
Deferred taxation	16	-	14,733,566
		376,758,867	337,320,475
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		50,121,003	42,517,732
Stock-in-trade	17	488,229,102	462,773,223
Trade debts	18	1,216,727,753	1,037,396,932
Advances, deposits, prepayments and other receivables	19	409,517,573	366,170,824
Cash and bank balances	20	366,032,932	78,528,293
		2,530,628,363	1,987,387,004
		<u>2,907,387,230</u>	<u>2,324,707,479</u>



**Chief Executive**



## Profit and Loss Account

For the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
Sales	21	3,152,062,067	2,577,686,168
Cost of sales	22	(2,454,451,190)	(1,982,696,527)
Gross profit		697,610,877	594,989,641
Distribution and marketing expenses	23	(243,577,554)	(223,911,428)
Administration expenses	24	(184,983,666)	(168,677,820)
Other operating expenses	25	(29,673,016)	(33,885,522)
Other operating income	26	60,158,133	55,721,073
<b>Profit from operations</b>		299,534,774	224,235,944
Finance cost	27	(47,435,387)	(23,274,153)
<b>Profit before tax</b>		252,099,387	200,961,791
Taxation	28	(65,110,125)	(42,951,175)
Profit for the year		186,989,262	158,010,616
<b>Earnings per share - basic and diluted</b>	35	14.17	11.97

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, 2014

	<b>2014 Rupees</b>	2013 Rupees
Profit for the year	186,989,262	158,010,616
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of retirement benefit plans-net of tax	(5,823,490)	(6,425,353)
<b>Items that may be reclassified to profit or loss</b>		
Other comprehensive income for the year- net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>181,165,772</b>	<b>151,585,263</b>

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, 2014

	Note	2014 Rupees	2013 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	222,995,287	250,597,009
Finance cost paid		(41,153,581)	(24,054,685)
Taxes paid		(64,993,969)	(59,142,240)
Employees' retirement and other benefits paid		(16,350,934)	(6,072,907)
Net decrease/(increase) in long term loans and deposits		3,181,632	(5,092,793)
<b>Net cash from operating activities</b>		<b>103,678,435</b>	<b>156,234,384</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(125,460,314)	(58,389,256)
Proceeds from sale of property, plant and equipment		10,246,948	12,227,621
<b>Net cash used in investing activities</b>		<b>(115,213,366)</b>	<b>(46,161,635)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(52,391,662)	(52,589,064)
<b>Net cash used in financing activities</b>		<b>(52,391,662)</b>	<b>(52,589,064)</b>
<b>Net decrease/(increase) in cash and cash equivalents</b>		<b>(63,926,593)</b>	<b>57,483,685</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(99,312,781)</b>	<b>(156,796,466)</b>
<b>Cash and cash equivalents at the end of the year</b>	31	<b>(163,239,374)</b>	<b>(99,312,781)</b>

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, 2014

	Share capital Rupees	General reserves Rupees	Unappropriated Profit Rupees	Total Rupees
<b>Balance as at December 31, 2012</b>	132,000,000	678,000,000	64,363,664	874,363,664
Final dividend for the year ended December 31, 2012 Rs 4 per share	-	-	(52,800,000)	(52,800,000)
Transfer to general reserve	-	4,000,000	(4,000,000)	-
Total comprehensive income for the year	-	-	151,585,263	151,585,263
<b>Balance as at December 31, 2013</b>	132,000,000	682,000,000	159,148,927	973,148,927
Final dividend for the year ended December 31, 2013 Rs 4 per share	-	-	(52,800,000)	(52,800,000)
Transfer to general reserve	-	105,000,000	(105,000,000)	-
Total comprehensive income for the year	-	-	181,165,772	181,165,772
<b>Balance as at December 31, 2014</b>	132,000,000	787,000,000	182,514,699	1,101,514,699

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, 2014

### 1. Legal status and nature of business

KSB Pumps Company Limited (a KSB group company) 'The 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 a subsidiary of KSB Aktiengesellschaft and 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

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The amendments and Interpretations which became effective during the year are considered not to be relevant the Company's operations and therefore are not detailed in these financial statements except for the amendments as explained below:

- IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2014. These amendments update the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The application of this standard has no material impact on the Company's financial statements.

- IAS 36 (Amendment), 'Impairment of assets' on recoverable amount disclosures is applicable on accounting period beginning on or after January 01, 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of this standard has no material impact on the Company's financial statements.

- IFRIC 21, 'Levies' sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subjected to significant levies so the impact on the Company's financial statements is not material.

#### 2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates but the Company has not early adopted them. They are not expected to have a material impact on Company's financial statements.

**Effective date  
(accounting periods  
beginning on or after)**

- Annual improvements 2014; IFRS 5, 'Non current assets held for sale and discontinued operations'; IAS 19, 'Employee benefits' regarding discount rates; IAS 34, 'Interim financial reporting'; Consequential amendments to IFRS 1 regarding servicing contracts.	January 1, 2016
- Annual improvements 2013; IFRS 13, 'Fair value measurement'	January 1, 2015
- Annual improvements 2012; IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments – Recognition and measurement'.	January 1, 2015
IAS 16 (Amendment), 'Property, plant and equipment'	January 1, 2016
IAS 19 (Amendments), 'Employee benefits'	January 1, 2015
IAS 38 (Amendment), 'Intangible Assets'	January 1, 2016
IFRS 9, 'Financial Instruments' - Recognition and measurement of financial instruments	January 1, 2018
IFRS 9, 'Financial Instruments' - Classification and measurement of financial assets and liabilities	January 1, 2015
IFRS 13, 'Fair value measurement'.	January 1, 2015
IFRS 15 'Revenue from contracts with customers'	January 1, 2017

**2.2.3 Standards, amendments and interpretations to existing standards not yet effective and not applicable/relevant to the Company**

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

**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 recognized. 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 realizable value. The net realizable 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized.

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 6.432 million (2013: Rs 2.466 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	9.50% per annum
Expected rate of return	10.50% per annum
Discount rate	10.50% per annum

Plan assets include long-term Government bonds and equity instruments. 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 11.048 million to the gratuity fund for the year ended December 31, 2015.

- (b) The Company operates an un-funded benefit scheme (ex-gratia) for its unionized 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 recognized in the balance sheet represents the present value of defined benefit obligation adjusted for unrecognized 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	9.50% per annum
Discount rate	10.50% per annum

- (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 recognized in the balance sheet represents the present value of defined benefit obligation. Actuarial gains/losses are recognized 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	9.50% per annum
Discount rate	10.50% per annum

The latest actuarial valuation of all defined benefit plans was carried out as at December 31, 2014.

#### 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 11.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. During the year, the Company changed its useful lives of furniture and fixtures and vehicles as referred to note 4.3.1.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized, 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 recognized 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 recognized, 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 recognized 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 recognized as an income or expense.

#### **4.3.1 Changes in accounting estimates**

The company, during the year, has reviewed the useful lives of furniture and fixtures and vehicles. As a result, the useful life of certain items of furniture and fixtures and vehicles has been revised downwards, respectively. Such a change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the depreciation expense would have been lower by, carrying value of property, plant and equipment would have been higher by and the profit before tax for the year ended December 31, 2014 would have been higher by Rs 6.78 million. Consequently, due to the above change in accounting estimate, future profits before tax would be increased by Rs 15.79 million.

#### **4.4 Intangible assets**

An intangible asset is recognized 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 amortization and any identified impairment loss.

Amortization is charged to income on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization 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 amortization 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 building and is valued using the cost method i.e., at cost less accumulated depreciation and identified impairment loss.

Depreciation on building 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. Investment property is being depreciated at an effective rate of 4.8% per annum. Depreciation on additions is charged from the month in which an asset is acquired or capitalized 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 recognized 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 recognized, 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 recognized as 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 12. 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 recognized 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 realizable value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Net realizable 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 realizable 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 realizable 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 & cheques 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 remaining unpaid amount.

#### 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 recognized 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 amortized cost.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized 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 recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized 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 amortized 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 recognized 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 recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized 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 recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized 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 recognized in the profit and loss account. Impairment losses recognized 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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized 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 recognized 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 recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### **4.17 Foreign currency transactions and translation**

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

#### **4.18 Revenue recognition**

Revenue from sale of products is recognized on shipment or acceptance of products depending on the terms of supply. Service revenue is recognized over the contractual period or as and when services are rendered to customers. Contract revenue is recognized 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 recognized when incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized 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 recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Company uses the 'percentage of completion method' to determine the appropriate amount to recognize 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 recognized profits (less recognized 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 recognized profits (less recognized losses) is included in trade and other payables.

The aggregate amount of costs incurred and recognized profits (less recognized losses) for contracts in progress at the balance sheet date was Rs 2,542.833 million (2013: Rs 2,112.921 million).

#### 4.20 Dividend

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

#### 5. Issued subscribed and paid up capital

2014 (Number of shares)		2013	2014 (Rupees)		2013
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	
<u>13,200,000</u>	<u>13,200,000</u>		<u>132,000,000</u>	<u>132,000,000</u>	

As at December 31, 2014, the holding company KSB AG, Germany held 7,772,975 (2013: 7,772,975) shares of the Company.

		<b>2014 Rupees</b>	2013 Rupees
<b>6. Employees' retirement and other benefits</b>			
These are composed of:			
Ex-gratia scheme	- note 6.1	24,138,853	22,796,034
Gratuity	- note 6.2	8,326,610	3,846,915
Accumulating compensated absences	- note 6.3	20,506,879	17,216,555
		<u>52,972,342</u>	<u>43,859,504</u>
<b>6.1 Ex-gratia</b>			
Liability as at January 1		22,796,034	18,744,314
Charged to profit and loss account		3,665,720	2,946,588
Remeasurement chargeable in other comprehensive income		(1,298,800)	1,635,987
Payments made by the company		(1,024,101)	(530,855)
Liability as at December 31		<u>24,138,853</u>	<u>22,796,034</u>
<b>6.2 Gratuity</b>			
Present value of defined benefit obligation		100,608,558	84,910,182
Fair value of plan assets		(92,281,948)	(81,063,267)
Liability as at December 31		<u>8,326,610</u>	<u>3,846,915</u>
Liability as at January 1		3,846,915	(6,722,182)
Charged to profit and loss account		7,918,783	6,720,923
Contribution by the company		(13,390,894)	(4,401,047)
Remeasurement chargeable in other comprehensive income		9,951,806	8,249,221
Liability as at December 31		<u>8,326,610</u>	<u>3,846,915</u>
The movement in the present value of defined benefit obligation is as follows:			
Present value as at January 1		84,910,182	72,838,318
Current service cost		9,500,789	7,460,363
Interest cost		9,999,384	8,012,215
Benefits paid		(9,830,219)	(5,364,666)
Experience loss		6,028,422	1,963,952
Present value as at December 31		<u>100,608,558</u>	<u>84,910,182</u>
The movement in fair value of plan assets is as follows:			
Fair value as at January 1		81,063,267	79,560,500
Expected return on plan assets		10,355,451	8,751,655
Company's contributions		13,390,894	4,401,047
Contribution by the employees		1,225,939	-
Benefits paid		(9,830,219)	(5,364,666)
Experience loss		(3,923,384)	(6,285,269)
Fair value as at December 31		<u>92,281,948</u>	<u>81,063,267</u>
Plan assets are comprised of as follows:			
Debt (Investments)		86,939,638	76,728,964
Balance at bank		6,652,297	5,644,290
Payable to Outgoing Members		(1,309,987)	(1,309,987)
		<u>92,281,948</u>	<u>81,063,267</u>

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

	Rupees				
	2014	2013	2012	2011	2010
<b>As at December 31</b>					
Present value of defined benefit obligation	100,608,558	84,910,182	72,838,318	72,840,831	75,300,886
Fair value of plan assets	92,281,948	81,063,267	79,560,500	70,475,522	67,574,522
(Deficit)/ Surplus	(8,326,610)	(3,846,915)	6,722,182	(2,365,309)	(7,726,364)
Experience adjustment on obligation	6%	2%	8%	14%	0%
Experience adjustment on plan assets	(4)%	(7)%	4%	(7)%	(3)%

	2014 Rupees	2013 Rupees
<b>6.3 Accumulating compensated absence</b>		
Liability as at January 1	17,216,555	12,803,121
Charged to profit and loss account	5,226,246	5,554,439
Payments made by the company	(1,935,922)	(1,141,005)
Liability as at December 31	20,506,879	17,216,555

## 7. Short term finances - secured

Finances available from commercial banks under mark up arrangements amount to Rs 1,604 million (2013: Rs. 822 million). The rates of mark up range from Re 0.2830 to Re 0.3255 per Rs 1,000 per diem (2013: Re 0.2468 to Re 0.2841 per Rs 1,000 per diem) or part thereof on the balance outstanding.

Of aggregate facility of letters of credit of Rs 920 million (2013: Rs 480 million) and guarantees of Rs 1,532 million (2013: Rs 1,569 million) the amounts utilized as at December 31, 2014 was Rs 98.471 million (2013: Rs 25.709 million) and Rs 639.732 million (2013: Rs 175.994 million) respectively.

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

		2014 Rupees	2013 Rupees
<b>8. Trade and other payables</b>			
Trade creditors	- note 8.1	257,081,107	257,831,132
Accrued liabilities	- note 8.2	436,842,688	304,843,210
Advances from customers		320,490,325	448,874,307
Due against construction work in progress		57,926,000	4,369,000
Due to provident fund	- note 8.3	3,421,230	10,512,756
Workers' profit participation fund	- note 8.4	1,789,209	10,712,821
Workers' welfare fund		9,762,553	6,077,766
Rent received in advance		1,472,306	3,256,840
Unclaimed dividends		2,365,308	1,956,970
Other liabilities		39,156,604	28,781,344
		1,130,307,330	1,077,216,146

- 8.1** Trade creditors include amount due to holding company of Rs 25.611 million (2013: Rs 110.030 million) and associated undertakings of Rs 8.908 million (2013: Rs 8.637 million).
- 8.2** Accrued liabilities include amount due to holding company of Rs 96.443 million (2013: 48.229 million) and associated undertakings of Rs 10.214 million (2013: Rs 17.960 million).

	<b>2014 Rupees</b>	2013 Rupees
<b>8.3 Disclosure related to Provident Fund</b>		
Size of the fund	177,198,590	156,768,270
Cost of investments made	117,000,000	107,000,000
Percentage of investments made	66%	68%
Fair value of investments	163,320,000	142,960,000
<b>Breakup of investments</b>		
Defence Savings Certificates	61,000,000	61,000,000
Term Deposit Receipts	56,000,000	46,000,000
<b>Breakup of investments</b>		
Defence Savings Certificates	52%	57%
Term Deposit Receipts	48%	43%

The figures for 2014 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

		<b>2014 Rupees</b>	2013 Rupees
<b>8.4 Workers' profit participation fund</b>			
Balance at beginning of the year		10,712,821	780,786
Allocation for the year	- note 25	12,789,209	10,712,821
Interest payable on funds utilized by the company		151,216	-
		<u>23,653,246</u>	<u>11,493,607</u>
Less: Payments made during the year		21,864,037	780,786
Balance at the end of the year		<u>1,789,209</u>	<u>10,712,821</u>
<b>9. Provisions for other liabilities and charges</b>			
Bonus to employees	- note 9.1	34,200,709	30,443,523
Sales incentive scheme	- note 9.2	21,165,426	16,746,173
		<u>55,366,135</u>	<u>47,189,696</u>



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

	Rupees		
	Bonus to employees	Sales incentive scheme	Total
Balance as at January 1, 2014	30,443,523	16,746,173	47,189,696
Provisions made during the year	32,209,027	19,785,688	51,994,715
Provisions used during the year	(28,451,841)	(15,366,435)	(43,818,276)
Balance as at December 31, 2014	34,200,709	21,165,426	55,366,135

#### 9.1 Bonus to employees

This provision represents bonus to unionized and management staff as approved by the Board of Directors.

#### 9.2 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, 2014 are expected to be utilized in the next financial year.

### 10. Contingencies and commitments

#### 10.1 Contingencies

The company has issued guarantees of Rs 639.732 million (2013: Rs 175.994 million) against the performance of various contracts.

#### 10.2 Commitments in respect of

Letters of credit other than for capital expenditure approximately Rs 98.471 million (2013: Rs 25.709 million).

## 11. 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
<b>Rupees</b>										
<b>Net carrying value basis</b>										
<b>Year ended December 31, 2014</b>										
Opening net book value (NBV)	1,372,520	34,306,071	101,166,653	10,415,455	19,412,828	38,671,819	10,957,887	15,626,314	65,295,156	297,224,703
Additions (at cost)	-	34,128,284	10,647,139	2,286,983	9,915,076	8,506,578	8,520,512	7,562,788	42,889,962	124,457,322
Disposals (at NBV)	-	-	-	-	-	(95,335)	(433,118)	(125,586)	(7,499,781)	(8,153,820)
Written off	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(2,025,831)	(12,971,308)	(2,243,573)	(6,044,469)	(9,726,753)	(3,769,828)	(6,340,964)	(15,644,585)	(58,767,311)
Closing net book value (NBV)	1,372,520	66,408,524	98,842,484	10,458,865	23,283,435	37,356,309	15,275,453	16,722,552	85,040,752	354,760,894
<b>Gross carrying value basis</b>										
<b>As at December 31, 2014</b>										
Cost	1,372,520	99,149,240	249,498,847	52,782,186	89,500,947	92,922,172	26,461,850	69,252,951	116,675,013	797,615,726
Accumulated depreciation	-	(32,740,716)	(150,656,363)	(42,323,321)	(66,217,512)	(55,565,863)	(11,186,397)	(52,530,399)	(31,634,261)	(442,854,832)
Net book value (NBV)	1,372,520	66,408,524	98,842,484	10,458,865	23,283,435	37,356,309	15,275,453	16,722,552	85,040,752	354,760,894
<b>Depreciation rate % per annum</b>										
<b>Net carrying value basis</b>										
<b>Year ended December 31, 2013</b>										
Opening net book value (NBV)	1,372,520	35,828,216	113,987,810	10,799,032	16,074,388	42,822,318	11,003,772	11,858,590	62,558,452	306,305,098
Additions (at cost)	-	-	3,492,376	1,671,026	7,409,501	5,255,140	1,128,136	10,203,149	22,740,440	51,899,768
Disposals (at NBV)	-	-	-	-	-	(53,771)	(201,112)	(525,212)	(10,431,819)	(11,211,914)
Written off	-	-	(2,947,975)	-	-	-	-	(144,664)	-	(3,092,639)
Depreciation charge	-	(1,522,145)	(13,365,558)	(2,054,603)	(4,071,061)	(9,351,868)	(972,909)	(5,765,549)	(9,571,917)	(46,675,610)
Closing net book value (NBV)	1,372,520	34,306,071	101,166,653	10,415,455	19,412,828	38,671,819	10,957,887	15,626,314	65,295,156	297,224,703
<b>Gross carrying value basis</b>										
<b>As at December 31, 2013</b>										
Cost	1,372,520	65,020,958	238,851,707	50,567,136	79,585,871	84,796,935	18,578,456	63,983,169	95,173,991	697,930,743
Accumulated depreciation	-	(30,714,887)	(137,685,054)	(40,151,681)	(60,173,043)	(46,125,116)	(7,620,569)	(48,356,855)	(29,878,835)	(400,706,040)
Net book value (NBV)	1,372,520	34,306,071	101,166,653	10,415,455	19,412,828	38,671,819	10,957,887	15,626,314	65,295,156	297,224,703
<b>Depreciation rate % per annum</b>										
-	-	3.33	6.66 - 10.00	10.00	16.67	12.50	6.67	20.00	20.00	20.00

The cost of fully depreciated property, plant and equipment which are still in use as at December 31, 2014 is Rs 243.281 million (2013: Rs 252.345 million).

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

Cost of sales	- note 22	42,790,156	36,723,747
Distribution and marketing expenses	- note 23	3,735,235	2,916,482
Administration expenses	- note 24	12,241,920	7,035,381
		<b>58,767,311</b>	<b>46,675,610</b>

**11.2 Disposal of certain items of property, plant and equipment**

2014		Rupees				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
<b>Employees</b>						
Mercedes Benz	Muhammad Maud Akhtar	8,438,645	7,172,848	1,265,797	1,265,797	Company Policy
Corrolla XLI	Sami ullah Ch.	1,321,005	660,503	660,503	903,120	Company Policy
Suzuki Swift	Mamoon Rashid	1,075,347	537,674	537,674	615,920	Company Policy
Honda Civic	Nadeem Hamid Butt	2,162,492	1,483,469	679,022	738,131	Company Policy
Toyota Corola-Saloon	Imran Ali	1,219,000	731,400	487,600	487,600	Company Policy
Suzuki Swift	Aamir Hafeez	1,110,153	555,076	555,077	614,140	Company Policy
Suzuki Cultus	Muhammad Farooq	893,000	446,500	446,500	441,500	Company Policy
Honda City	Sohaib Chaudary	1,533,000	423,337	1,109,663	1,430,795	Company Policy
Dell Laptop Latitude E6420	Nadeem Hamid Butt	122,800	59,353	63,447	61,400	Company Policy
<b>Outsiders</b>						
Suzuki Cultus	EFU General Insurance	958,186	271,486	686,700	850,000	Insurance Claim
Generator Millat Mpg-25	SAJ Engineering	381,342	286,006	95,336	100,000	Negotiation
Dell Laptop Inspiron 5521 - Core i5	EFU General Insurance	76,068	21,552	54,516	64,000	Insurance Claim
Honda City	Khan Malik	844,200	506,520	337,680	803,000	Tender
Suzuki Jimni	Khawar Mehmood Butt	773,913	464,347	309,566	815,000	Tender
Jimny JLDX	Syed Yasir Hussain Shah	1,060,000	636,000	424,000	811,000	Tender
2013		Rupees				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
<b>Vehicles</b>						
<b>Employees</b>						
Honda Civic	Nadeem Hamid Butt	1,970,260	761,834	1,208,426	1,600,000	Company Policy
Suzuki Cultus	Unser Nadeem	905,220	293,647	611,574	717,715	Company Policy
Toyota Corolla GLI	Mubashir Ghafoor	1,462,000	316,767	1,145,233	1,394,267	Company Policy
Toyota Corolla GLI	Kh. Faisal Rasheed	1,414,455	553,995	860,460	677,000	Company Policy
Toyota Corolla GLI	Matraf Rasool	1,412,677	553,299	859,379	677,000	Company Policy
Toyota Corolla XLI	Asif Sultan	1,349,155	536,662	812,493	903,120	Company Policy
Suzuki Cultus	Faryal Zafar	885,720	376,431	509,289	431,000	Company Policy
Toyota Corolla GLI	Ashraf Sohail	1,412,677	588,615	824,062	677,004	Company Policy
Toyota Corolla GLI	Imran Malik	1,446,955	602,898	844,057	1,036,520	Company Policy
Honda Civic	Kamran Hassan	1,688,240	661,227	1,027,013	969,088	Company Policy
Toyota Corolla	Umer Siddiqui	1,321,218	484,447	836,771	903,608	Company Policy
Suzuki Swift	Syed Inkasar Hussain	1,104,820	211,757	893,063	914,982	Company Policy
<b>Outsiders</b>						
Printer Zebra	Styrax Technologies	208,000	52,000	156,000	208,000	Negotiation
Dell laptop Latitude E6530 core i7	EFU General Insurance	143,985	2400	141,585	150,000	Insurance Claim
Switch Cabinet for Server Room	EFU General Insurance	58,000	4,229	53,771	64,220	Insurance Claim

	Rupees
<b>12. Investment property</b>	
<b>Net carrying value basis</b>	
<b>Year ended December 31, 2014</b>	
Opening net book value (NBV)	1,225,989
Additions (at cost)	-
Disposals (at NBV)	-
Depreciation charge	(213,216)
Closing net book value (NBV)	1,012,773
<b>Gross carrying value basis</b>	
<b>As at December 31, 2014</b>	
Cost	4,400,000
Accumulated depreciation	(3,387,227)
Net book value (NBV)	1,012,773
<b>Depreciation rate % per annum</b>	3.33
<b>Net carrying value basis</b>	
<b>Year ended December 31, 2013</b>	
Opening net book value (NBV)	1,439,205
Additions (at cost)	-
Disposals (at NBV)	-
Amortisation charge	(213,216)
Closing net book value (NBV)	1,225,989
<b>Gross carrying value basis</b>	
<b>As at December 31, 2013</b>	
Cost	4,400,000
Accumulated amortisation	(3,174,011)
Net book value (NBV)	1,225,989
Depreciation rate % per annum	3.33

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

**12.2** Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2014 is Rs 90.258 million (2013: Rs 78.520 million).

	Rupees
<b>13. Intangible assets - Computer software</b>	
<b>Net carrying value basis</b>	
<b>Year ended December 31, 2014</b>	
Opening net book value (NBV)	1,825,736
Additions (at cost)	-
Disposals (at NBV)	-
Amortisation charge	(972,377)
Closing net book value (NBV)	853,359
<b>Gross carrying value basis</b>	
<b>As at December 31, 2014</b>	
Cost	13,344,183
Accumulated amortisation	(12,490,824)
Net book value (NBV)	853,359
<b>Amortisation rate % per annum</b>	33.33
<b>Net carrying value basis</b>	
<b>Year ended December 31, 2013</b>	
Opening net book value (NBV)	1,909,954
Additions (at cost)	1,183,738
Disposals (at NBV)	-
Amortisation charge	(1,267,956)
Closing net book value (NBV)	1,825,736
<b>Gross carrying value basis</b>	
<b>As at December 31, 2013</b>	
Cost	13,344,183
Accumulated amortisation	(11,518,447)
Net book value (NBV)	1,825,736
<b>Amortisation rate % per annum</b>	33.33

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

The cost of fully amortised softwares which are still in use as at December 31, 2014 is Rs.10.427 million (2013: 10.427 million).

	2014 Rupees	2013 Rupees
<b>14. Capital work in progress</b>		
Advance for land	229,800	229,800
Building	2,000,000	6,155,534
Advance for vehicles	4,835,000	-
Others	604,067	280,541
	<u>7,668,867</u>	<u>6,665,875</u>
<b>15. Long term loans and deposits</b>		
Loans to employees - considered good		
- Directors	3,570,000	5,132,500
- Executives	1,784,926	3,414,679
- Others	4,364,079	5,929,466
	9,719,005	14,476,645
Less: Receivable within one year	- note 19 4,063,975	5,279,701
	5,655,030	9,196,944
Security deposits	6,807,944	6,447,662
	<u>12,462,974</u>	<u>15,644,606</u>

#### Reconciliation of the carrying amount of loans to:

	Director		Executives	
	2014	2013	2014	2013
	R u p e e s			
Balance as at January 1	5,132,500	1,062,500	3,414,679	2,273,840
Transfers to executives during the year	-	-	738,970	-
Disbursements during the year	-	5,000,000	-	2,600,000
Repayments during the year	(1,562,500)	(930,000)	(2,368,723)	(1,459,161)
Balance as at December 31	<u>3,570,000</u>	<u>5,132,500</u>	<u>1,784,926</u>	<u>3,414,679</u>

These represent interest free loans to executives and directors. Loans to directors, which include Chief Executive Officer and Chief Financial Officer, 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 5.132 million (2013: Rs 5.5 million) and Rs 3.272 million (2013: Rs 3.414 million) respectively.

		2014 Rupees	2013 Rupees
<b>16. Deferred taxation</b>			
Debit/(credit) balance arising from:			
Accelerated tax depreciation		(40,298,100)	(38,076,300)
Employees' retirement and other benefits		14,077,620	11,231,396
Minimum tax paid		-	41,578,470
Deferred tax asset		(26,220,480)	14,733,566
<b>17. Stock in trade</b>			
Raw materials		264,838,089	273,727,059
Work in process		224,274,968	182,002,143
Finished goods		22,933,714	30,861,690
Provision for obsolescence	17.1	(23,817,669)	(23,817,669)
		488,229,102	462,773,223
<b>17.1 Provision for obsolescence</b>			
Opening provision		23,817,669	27,892,391
Provision for the year		8,000,000	-
Reversal of provision during the year		(4,369,039)	-
		27,448,630	27,892,391
Stocks written off against provision		(3,630,961)	(4,074,722)
Closing provision		23,817,669	23,817,669
<b>17.2</b>	An amount of Rs 3.631 million (2013: 8.813 million) has been charged to cost of sales, being the cost of inventory written down during the year.		
<b>18. Trade debts - unsecured</b>			
Considered good			
- Related parties	- note 18.1	64,320,043	54,583,473
- Others		848,243,710	760,600,459
- Due against construction work in progress		304,164,000	222,213,000
		1,216,727,753	1,037,396,932
Considered doubtful		53,456,062	53,837,461
		1,270,183,815	1,091,234,393
Less: Provision for doubtful debts	- note 18.2	(53,456,062)	(53,837,461)
		1,216,727,753	1,037,396,932

	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>18.1 Related parties</b>		
<b>Holding Company</b>		
- KSB Aktiengesellschaft, Germany	9,644,524	8,787,675
<b>Associated undertakings</b>		
- PT. KSB Indonesia	7,865,994	5,700,928
- KSB Italia S.P.A, Italy	-	13,692,840
- N.V. KSB Belgium S.A., Belgium	15,581,076	-
- KSB Pumps Company Limited, Thailand	6,655,516	8,069,250
- KSB (S.A) Pty, South Africa	-	10,778,566
- KSB Pumps and Valves (Pty), South Africa	13,368,835	-
- KSB - Australia Pty Limited, Australia	-	7,050,750
- KSB - Shanghai Pump Company Limited, China	1,541,586	219,886
- KSB Mörck AB, Sweeden	2,530,080	-
- KSB - Pompa, Armatür Sanayi, Turkey	1,051,188	-
- KSB Pars Co. (P.J.S), Iran	-	283,578
- Nestlé Pakistan Limited	4,943,230	-
- Tri Pack Films Limited	240,847	-
- Tetra Pak Pakistan Limited	589,918	-
- Security Papers Limited	307,249	-
	<b>64,320,043</b>	<b>54,583,473</b>
These relate to normal course of business and are interest free.		
<b>18.2 Provision for doubtful debts</b>		
Opening balance	53,837,461	50,862,532
Provision for the year	7,876,464	10,162,891
	<b>61,713,925</b>	<b>61,025,423</b>
Less: Bad debts written off against provision	8,257,863	7,187,962
Closing balance	<b>53,456,062</b>	<b>53,837,461</b>



		2014 Rupees	2013 Rupees
<b>19. Advances, deposits, prepayments and other receivables</b>			
Current portion of long term loans to employees	- note 15	4,063,975	5,279,701
Short term advances to employees- considered good	- note 19.1	13,305,778	12,687,150
Advances to suppliers and contractors			
- Considered good		90,262,203	80,765,052
- Considered doubtful		911,739	815,809
		91,173,942	81,580,861
Due from related parties	- note 19.2	14,159,020	22,918,270
Trade deposits and prepayments			
- Considered good		65,989,769	42,848,550
- Considered doubtful		11,506,191	9,662,347
		77,495,960	52,510,897
Letters of credit, deposits and opening charges		321,687	2,355,327
Sales Tax		13,062,178	25,778,433
Income Tax		206,400,522	166,017,212
		219,462,700	191,795,645
Other receivables			
- Considered good		1,952,441	7,521,129
- Considered doubtful		275,000	275,000
		2,227,441	7,796,129
		422,210,503	376,923,980
Less: Provision for doubtful amounts	- note 19.3	(12,692,930)	(10,753,156)
		409,517,573	366,170,824

**19.1** Included in short term advances to employees is amount due from executives of Rs 5.391 million (2013: 7.317 million).

#### **19.2 Due from related parties**

##### **Holding company**

- KSB Aktiengesellschaft, Germany

2,525,955      16,336,652

##### **Associated undertakings**

- PT. KSB Indonesia

317,914      126,250

- KSB - Pompa, Armatür Sanayi, Turkey

-      -

- KSB Shanghai Pump Company Limited, China

9,751,490      716,170

- KSB Pumps S.A. (Pty) Limited, South Africa

117,713      117,713

- KSB Singapore (Asia Pacific) Pte. Limited, Singapore

175,339      1,242,475

- KSB Middle East FZE, UAE

617,758      4,379,010

- KSB Malaysia Pumps and Valves Sdn. Bhd., Malaysia

395,807      -

- KSB Vietnam Company Limited, Vietnam

124,898      -

- KSB Pumps Company Limited, Thailand

132,146      -

	2014 Rupees	2013 Rupees
<b>19.3 Provision for doubtful amounts</b>		
Opening balance	10,753,156	8,836,224
Provision made during the year	1,939,774	1,916,932
	12,692,930	10,753,156
Less: Amount written off against provision	-	-
Closing balance	12,692,930	10,753,156
<b>20. Cash and bank balances</b>		
At banks		
- on saving accounts	76,980,765	73,270,999
- on current accounts	2,304,382	2,568,087
	79,285,147	75,839,086
Cash in hand	286,747,785	2,689,207
	366,032,932	78,528,293

**20.1** These include cheques in hand of Rs 284.99 million (2013: Rs 1.421 million).

**20.2** The balances in saving and deposit accounts bear mark-up which ranges from 6% to 7.5% per annum.

**21. Sales**

Local sales	- note 21.1	3,364,974,112	2,573,977,399
Export sales		233,942,295	325,640,153
Gross Sales		3,598,916,407	2,899,617,552
Less: Sales Tax		446,854,340	321,931,384
		3,152,062,067	2,577,686,168

**21.1** Sales are inclusive of revenue from rendering of contract and services of Rs 124.502 million (2013: Rs 321.632 million) and Rs. 47.761 million (2012: Rs. 54.926 million) respectively.

		2014 Rupees	2013 Rupees
<b>22. Cost of sales</b>			
Raw material consumed		1,221,092,839	1,089,812,406
Salaries, wages, amenities and staff welfare	- note 22.1	258,202,819	236,283,737
Staff training		3,417,921	856,971
Electricity and power		99,768,003	65,998,881
Stores and spares consumed		161,404,864	120,935,949
Insurance		5,205,049	2,295,305
Traveling and conveyance		41,741,367	40,651,986
Postage and telephone		4,189,112	4,642,094
Printing and Stationery		3,055,233	2,352,350
Rent, rates and taxes		3,955,200	3,574,913
Repairs and maintenance		14,616,590	7,648,990
Legal and professional charges	- note 22.2	15,017,716	1,541,917
SAP user license fee and other IT services		20,207,123	22,450,472
Packing expenses		34,771,189	25,076,586
Outside services		534,326,618	268,153,016
Depreciation on property, plant and equipment	- note 11.1	42,790,156	36,723,747
Royalty and trademark fee		16,450,537	13,729,530
Other expenses		8,583,703	3,832,633
		2,488,796,039	1,946,561,483
Opening work-in-process		182,002,143	204,835,349
Less: Closing work-in-process		224,274,968	182,002,143
		(42,272,825)	22,833,206
Cost of goods manufactured		2,446,523,214	1,969,394,689
Opening stock of finished goods		30,861,690	44,163,528
Less: Closing stock of finished goods		22,933,714	30,861,690
		7,927,976	13,301,838
		2,454,451,190	1,982,696,527
Cost of sales include the following in respect of:			
Contract cost		503,937,720	263,131,915
Raw material written off		3,630,961	7,299,954
Finished goods written off		-	1,514,017

## 22.1 Salaries, wages, amenities and staff welfare

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

	2014 Rupees	2013 Rupees
<b>Gratuity fund</b>		
Current service cost	4,465,371	3,506,371
Interest cost	4,699,710	3,765,741
Expected return on plan assets	(5,443,253)	(4,113,278)
	3,721,828	3,158,834
<b>Ex-gratia</b>		
Current service cost	880,241	884,713
Interest cost	2,785,479	2,061,875
	3,665,720	2,946,588

In addition to above, salaries, wages, amenities and staff welfare include Rs 8.395 million (2013: Rs 7.347 million) and Rs 2.459 million (2013: Rs 4.126 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

- 22.2** This includes amount of Rs. 11.98 million (2013 : Nil) charged by the parent company (KSB Aktiengesellschaft) on account of various services provided to the company.

## 23. Distribution and marketing expenses

		2014 Rupees	2013 Rupees
Salaries, wages, amenities and staff welfare	- note 23.1	85,115,657	78,940,943
Staff training		741,174	4,425,374
Insurance		435,610	143,526
Traveling, conveyance and representations		14,117,958	15,462,495
Rent, rates and taxes		3,761,384	3,547,606
Publicity charges		6,036,083	7,881,189
Electricity, gas and water		4,541,557	4,631,751
Postage and telephone		3,110,187	2,040,720
Printing and stationery		777,531	753,338
Repairs and maintenance		1,062,822	947,056
Legal and professional charges	- note 23.2	19,136,910	931,648
SAP user license fee and other IT services		6,561,413	5,455,195
Contract services		3,964,564	2,206,202
Forwarding expenses		26,306,725	23,257,279
Commission expenses		34,704,053	39,120,428
Provision for doubtful debts and receivables		9,816,238	12,079,824
Depreciation on property, plant and equipment	- note 11.1	3,735,235	2,916,482
Warranty charges		18,290,108	17,860,568
Other expenses		1,362,345	1,309,804
		243,577,554	223,911,428

### 23.1 Salaries, wages, amenities and staff welfare

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

	2014 Rupees	2013 Rupees
<b>Gratuity fund</b>		
Current service cost	2,375,197	1,865,091
Interest cost	2,499,846	2,003,054
Expected return on plan assets	(2,895,348)	(2,187,914)
	1,979,695	1,680,231

In addition to above, salaries, wages, amenities and staff welfare include Rs 3.018 million (2013: Rs 2.491 million) and Rs 1.321 million (2013: Rs 0.682 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

**23.2** This includes amount of Rs. 17.02 million (2013 : Nil) charged by the parent company (KSB Aktiengesellschaft) on account of various services provided to the company.

### 24. Administration expenses

		2014 Rupees	2013 Rupees
Salaries, wages, amenities and staff welfare	- note 24.1	85,311,456	78,310,919
Staff training		548,537	982,743
Insurance		165,528	152,345
Traveling, conveyance and representations		18,643,923	18,834,742
Rent, rates and taxes		4,848,326	4,137,723
Electricity, gas and water		5,409,318	5,778,026
Postage and telephone		10,225,635	10,283,060
Printing and stationery		2,182,304	1,831,747
Repairs and maintenance		12,806,241	16,480,495
Professional services	- note 24.2	11,234,623	5,884,330
SAP user license fee and other IT services		7,914,889	7,760,015
Contract Services		6,885,876	5,736,693
Depreciation on:			
- Property, plant and equipment	- note 11.1	12,241,920	7,035,381
- Investment property	- note 12.1	213,216	213,216
- Amortization on intangible assets	- note 13.1	972,377	1,267,956
Other expenses		5,379,497	3,988,429
		184,983,666	168,677,820

## 24.1 Salaries, wages, amenities and staff welfare

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

	2014 Rupees	2013 Rupees
<b>Gratuity fund</b>		
Current service cost	2,660,221	2,088,902
Interest cost	2,799,828	2,243,420
Expected return on plan assets	(3,242,789)	(2,450,463)
	2,217,260	1,881,859

In addition to above, salaries, wages, amenities and staff welfare include Rs 3.775 million (2013: Rs 3.145 million) and Rs 1.446 million (2013: Rs 0.744 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

## 24.2 Professional services

The charges for professional services include the following

in respect of auditors' services for:

	2014 Rupees	2013 Rupees
Statutory audit	550,000	550,000
Review of half yearly financial statements	150,000	150,000
Audit of funds, consolidation forms and sundry services	371,000	334,146
Taxation services	1,250,000	1,810,948
Out of pocket expenses	154,000	151,237
	2,475,000	2,996,331

In addition to above professional services includes amount of Rs. 4.46 million (2013: Nil) charged by the parent company (KSB Aktiengesellschaft) on account of various services provided to the company.

## 25. Other operating expenses

Workers' profit participation fund	- note 8.3	12,789,209	10,712,821
Workers' welfare fund		3,684,787	2,581,810
Donations	- note 25.1	225,000	255,000
CRM implementation cost		9,582,435	10,115,000
Exchange loss		3,391,585	7,128,252
Plant and equipment written off		-	3,092,639
		29,673,016	33,885,522

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

	<b>2014 Rupees</b>	2013 Rupees
<b>26. Other operating income</b>		
<b>Income from financial assets</b>		
Profit on bank accounts	5,013,239	3,971,348
<b>Income from non-financial assets</b>		
Commission income	30,719,061	30,406,630
Rental income on investment property	6,816,350	6,662,850
Scrap sales	7,625,136	10,195,284
Profit on sale of property, plant and equipment	2,093,128	1,015,707
Provisions no longer considered necessary and unclaimed balances written back	5,275,999	2,855,482
Sundry income	2,615,220	613,772
	<b>55,144,894</b>	<b>51,749,725</b>
	<b>60,158,133</b>	<b>55,721,073</b>
<b>27. Finance cost</b>		
Mark-up on short term finances - secured	37,486,305	17,915,613
Bank and other charges	9,797,866	5,358,540
Interest payable on funds utilized by the company	151,216	-
	<b>47,435,387</b>	<b>23,274,153</b>
<b>28. Taxation</b>		
Current		
Current year	24,610,659	30,907,867
Prior years	-	3,181,901
	<b>24,610,659</b>	<b>34,089,768</b>
Deferred	40,499,466	8,861,407
	<b>65,110,125</b>	<b>42,951,175</b>

	2014 %	2013 %
<b>28.1 Tax charge reconciliation</b>		
Numerical reconciliation between the average effective tax rate and the applicable tax rate:		
Applicable tax rate	33.00	34.00
Tax effect of amounts that are:		
Tax effect under presumptive tax regime and others	(7.17)	(14.21)
Effect of change in prior year's tax	-	1.58
Average effective tax rate charged to profit and loss account	25.83	21.37

## 29. Rates of exchange

Foreign currency assets and liabilities have been translated into Pak Rupees at US \$ 0.990 (2013: US \$ 0.951), EURO 0.820 (2013: EURO 0.690), GBP 0.640 (2013: GBP 0.577), AED 3.700 (2013: AED 3.495) and SGD 1.320 (2013: SGD 1.204) equal to Rs 100.

	2014 Rupees	2013 Rupees
<b>30. Cash generated from operations</b>		
Profit before taxation	252,099,387	200,961,791
Adjustment for:		
Depreciation on:		
- Property, plant and equipment	58,767,311	46,675,610
- Investment property	213,216	213,216
- Intangible Assets	972,377	1,267,956
Profit on sale of property, plant and equipment	(2,093,128)	(1,015,707)
Plant and equipment written off	-	3,092,639
Employees' retirement and other benefits	16,810,766	15,222,000
Provision for doubtful debts and receivables	9,816,238	12,079,824
Provisions no longer considered necessary and unclaimed balances written back	(5,275,999)	(2,855,482)
Finance cost	47,435,387	23,274,153
Exchange loss/(gain)	3,391,585	7,128,252
Working capital changes - note 30.1	(159,141,853)	(55,447,243)
	222,995,287	250,597,009



	2014 Rupees	2013 Rupees
<b>30.1 Working capital changes</b>		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(7,603,271)	10,937,748
Stock-in-trade	(25,455,879)	122,002,538
Trade debts	(187,597,059)	(127,492,000)
Advances, deposits, prepayments and other receivables	(1,229,343)	(53,192,514)
	(221,885,552)	(47,744,228)
Increase/(decrease) in current liabilities:		
Trade and other payables	54,567,260	(13,331,839)
Provision for other liabilities and charges	8,176,439	5,628,824
	(159,141,853)	(55,447,243)
<b>31. Cash and cash equivalents</b>		
Cash and cash equivalents comprise the following items:		
Cash and bank balances	- note 20 366,032,932	78,528,293
Short term finances - secured	- note 7 (529,272,306)	(177,841,074)
	(163,239,374)	(99,312,781)

### 32. Remuneration of Chief Executive, Directors and Executives

32.1 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	
	2014	2013	2014	2013	2014	2013
<b>Short term employee benefits</b>						
Managerial remuneration	16,139,856	13,449,852	4,348,644	3,096,780	92,217,876	78,489,108
Bonus /sales incentive	- note 32.3 4,500,000	6,000,000	1,087,161	774,195	22,086,645	18,299,340
House rent	3,036,873	2,824,738	1,956,890	1,393,551	41,498,044	35,320,099
Utilities	566,864	441,139	434,864	309,678	9,221,788	7,848,911
Medical and other expenses	668,104	518,483	312,000	300,000	14,732,096	12,219,572
	24,911,697	23,234,212	8,139,559	5,874,204	179,756,449	152,177,030
<b>Post employment benefits</b>						
Contribution to gratuity and provident fund	2,958,974	2,465,806	797,251	567,743	14,368,996	12,181,282
	27,870,671	25,700,018	8,936,810	6,441,947	194,125,445	164,358,312
<b>Number of persons</b>	1	1	1	1	93	81

- 32.2** 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, the house rent mentioned above of Chief Executive includes furnished accommodation and 3 executives have also been provided with rent free accommodation.
- 32.3** Bonus paid to the Chief Executive Officer and Director during the year ended December 31, 2014 amounts to Rs. 4,666,776 (2013: Rs. 4,727,700) and Rs. 750,000 (2013: Rs. 698,169) respectively. Bonus for the year ended December 31, 2014 is subject to approval of Board of Directors.
- 32.4** Aggregate amount charged in the financial statements for the year for fee to 5 directors (2013: 6 directors) was Rs. 180,000 (2013: Rs 90,000).

### 33. 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 32 . Other significant transactions with related parties are as follows:

	2014 Rupees	2013 Rupees
<b>Holding company</b>		
Sales	17,306,314	75,952,662
Purchases	127,693,002	242,127,911
Commission income	3,142,225	24,748,244
Royalty	16,450,537	13,729,530
<b>Associated undertakings</b>		
Sales	182,568,580	129,127,881
Purchases	34,648,194	77,708,684
Commission income	27,576,837	5,658,386
Commission expense	14,113,301	15,585,809
<b>Key management personnel</b>		
Sale of property, plant and equipment	2,065,328	1,600,000
<b>Post employment benefit plan</b>		
Expense charged in respect of:		
- Gratuity fund	7,918,783	6,720,924
- Ex-gratia scheme	3,665,720	2,946,588
- Provident fund	15,188,512	12,984,873
- Accumulating compensated absences	5,226,246	5,554,441

### 34. Plant capacity and production

	Number	Capacity		Actual production	
		2014	2013	2014	2013
Power driven pumps		6,000	6,000	3,433	3,319

The variance of actual production from capacity is due to the product mix and more production of high end products.

### 35. Earnings per share

#### 35.1 Basic earnings per share

		2014	2013
Profit for the year	Rupees	186,989,262	158,010,616
Weighted average number of ordinary shares	Numbers	13,200,000	13,200,000
Earnings per share	Rupees	14.17	11.97

#### 35.2 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, 2014 and December 31, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

### 36. Financial risk management

#### 36.1 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 minimize 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 recognized assets and liabilities.

	2014	2013
Advances deposits and other receivables - USD	203,654	88,516
Trade debts - USD	768,589	1,140,616
Trade and other payables - USD	(358,660)	(380,247)
Net exposure - USD	613,583	848,885
Advances deposits and other receivables - EURO	75,721	80,956
Trade and other payables - EURO	(195,707)	(622,985)
Net exposure - EURO	(119,986)	(542,029)
Advances deposits and other receivables - GBP	9,838	-
Trade and other payables - GBP	(895)	(3,266)
Net exposure - GBP	8,943	(3,266)
Advances deposits and other receivables - SGD	-	1,315
Net exposure - SGD	-	1,315
Advances deposits and other receivables - AED	-	-
Trade and other payables - AED	-	(1,896)
Net exposure - AED	-	(1,896)

The following significant exchange rates were applied during the year:

	2014	2013
<b>Rupees per USD</b>		
Average rate	101.17	102.29
Reporting date rate	101.00	105.20

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 3.099 million (2013: Rs 4.456 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.

	2014	2013
<b>Rupees per EURO</b>		
Average rate	133.42	136.33
Reporting date rate	122.00	145.10

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 0.732 million (2013: Rs 3.929 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.

	2014	2013
<b>Rupees per GBP</b>		
Average rate	166.17	160.79
Reporting date rate	157.00	173.36

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 0.0255 million (2013: 0.0282 million 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.

**(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:

	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - savings	76,980,765	73,270,999
<b>Net exposure</b>	<u>76,980,765</u>	<u>73,270,999</u>
<b>Financial liabilities</b>		
Short term finances - secured	<u>529,272,306</u>	<u>177,841,074</u>

**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 5.293 million (2013: Rs 1.778 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 utilization 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:

	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Long term loans and deposits	12,462,974	15,644,606
Trade debts	1,270,183,815	1,091,234,393
Loans, advances, deposits, prepayments and other receivables	107,105,475	99,747,441
Balances with banks	79,285,147	75,839,085
	<u>1,469,037,411</u>	<u>1,282,465,525</u>

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	891,364,251	542,846,239
- Past due 181 - 365 days	60,902,747	111,372,373
- Over 365 days	317,916,819	437,015,781
	<u>1,270,183,817</u>	<u>1,091,234,393</u>

**The age of impairment loss against trade receivables**

- Not past due	-	-
- Past due 0 - 180 days	-	-
- Past due 181 - 365 days	-	-
- Over 365 days	53,456,062	53,837,461
	<u>53,456,062</u>	<u>53,837,461</u>

**The age of trade receivables from related parties**

- Not past due		
- Past due 0 - 180 days	63,131,170	48,287,939
- Past due 181 - 365 days	789,084	-
- Over 365 days	399,789	6,295,534
	<u>64,320,043</u>	<u>54,583,473</u>

**(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		Rating Agency	2014	2013
	Short term	Long term		(Rupees)	(Rupees)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	4,901,872	18,843,840
MCB Bank Limited	A1+	AAA	PACRA	72,965,823	55,000,417
United Bank Limited	A-1+	AA+	JCR-VIS	228,531	214,613
Deutsche Bank A.G.	A-1	A	S&P	783,541	355,003
NIB Bank Limited	A1+	AA-	PACRA	345,336	341,722
Habib Bank Limited	A-1+	AAA	JCR-VIS	60,044	1,083,490
				<u>79,285,147</u>	<u>75,839,085</u>

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 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.

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, 2014:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees)			
Trade and other payables	708,626,545	708,626,545	-	-
Short term finances - secured	529,272,306	529,272,306	-	-
Accrued finance cost	11,733,938	11,733,938	-	-
	<u>1,249,632,789</u>	<u>1,249,632,789</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as at December 31, 2013:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees)			
Trade and other payables	582,895,979	582,895,979	-	-
Short term finances - secured	177,841,074	177,841,074	-	-
Accrued finance cost	5,452,132	5,452,132	-	-
	<u>766,189,185</u>	<u>766,189,185</u>	<u>-</u>	<u>-</u>

### 36.2 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.

### 36.3 Financial instruments by categories

	Loans and receivables	
	2014 Rupees	2013 Rupees
<b>Assets as per balance sheet</b>		
Long term loans and deposits	12,462,974	15,644,606
Trade debts	1,270,183,815	1,091,234,393
Loans, advances, deposits, prepayments and other receivables	107,105,475	99,747,441
Cash and bank balances	79,285,147	75,839,085
	<u>1,469,037,411</u>	<u>1,282,465,525</u>

	Financial liabilities at amortised cost	
	2014 Rupees	2013 Rupees
<b>Liabilities as per balance sheet</b>		
Trade and other payables	708,626,545	582,895,979
Short term finances - secured	529,272,306	177,841,074
Accrued finance cost	11,733,938	5,452,132
	<u>1,249,632,789</u>	<u>766,189,185</u>



### 36.4 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital and reserves.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, creditors, accrued and other liabilities, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt.

	2014 Rupees	2013 Rupees
Short term finances - secured	529,272,306	177,841,074
Accrued finance cost	11,733,938	5,452,132
	541,006,244	183,293,206
Less: Cash and Bank	(366,032,932)	(78,528,293)
<b>Net Debt</b>	<b>174,973,312</b>	<b>104,764,913</b>
Share Capital	132,000,000	132,000,000
Reserves	969,514,699	841,148,927
Equity	1,101,514,699	973,148,927
<b>Total equity and liability</b>	<b>1,276,488,011</b>	<b>1,077,913,840</b>
<b>Gearing ratio</b>	<b>14%</b>	<b>10%</b>

### 37. Number of employees

Total number of employees at year end and average number of employees during the year are 333 (2013: 341) and 337 (2013: 346) respectively.

### 38. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2014 of Rs 5 (2013: Rs 4) per share, amounting to Rs 66 million (2013: Rs 52.8 million) at their meeting held on March 19, 2015 for approval of members at the Annual General Meeting to be held on April 27, 2015. The board has also proposed transfer of Rs 116 million (2013: Rs 105 million) to general reserve from unappropriated profit. These financial statements do not reflect this dividend payable and other appropriations.

### 39. Date of authorization for issue

These financial statements were authorized for issue on March 19, 2015 by the board of directors of the company.

### 40. General

#### 40.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. However, no significant re-arrangements have been made.

  
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 Monday, April 27, 2015 and at any adjournment thereof.

Signed this \_\_\_\_\_ day \_\_\_\_\_ of 2015.

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.





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