Directors' Report to the Shareholders

The Directors are pleased to present Annual Report together with Company's audited financial statements for the year ended June 30, 2008.

Operating Results

The Board is pleased to report that despite an extremely turbulent and non-conducive business environment prevailing in the country, results for the year are reasonably encouraging. Generally the Company has focused on consolidation with progress in selected areas such as Contracting, Power Transformers and Generators in addition to product innovation enabling exports.

Sales have grown by 6.50% over last year with a corresponding increase in profits other than diminution in the value of investments which has lowered net profits for the year. Summary of key financial results is as follows :

	2007-08	2006-07
	(Rupees in millions)	
Gross Sales	13,926	13,077
Gross Profit	2,837	2,589
Profit before tax	630	707
Profit after tax	452	582
Earnings per share (Basic) – Rupees	4.14	5.50
Earnings per share (Diluted) – Rupees	4.14	5.46

Economy

Fiscal year 2007-08 has been difficult for Pakistan's economy. Several political and economic events, both on domestic and international front, occurred unexpectedly. These include disturbed political conditions, unstable law and order situation, soaring oil, food and other commodity prices, weakening local currency, rising inflation and interest rates with turmoil in the international financial and capital markets. All these events adversely affected the key macroeconomic indicators of the country. The economy posted growth of 5.8% in 2007-08 as against 6.8% last year. Manufacturing sector, in 2007-08, recorded its lowest growth during last ten years i.e. 5.4%.

Overall foreign investment in Pakistan was also affected due to above reasons and the country could succeed in attracting $ 3.6 billion worth of foreign investment as against $ 5.9 billion last year. Pakistan's current account deficit widened to $ 11.6 billion against a corresponding figure of $ 6.6 billion last year. Pak rupee, after remaining stable for more than four years, lost significant value against the US dollar depreciating by more than 25%.

Business Overview - Power Division

Our country is undergoing a power crisis due to shortage in generation capacity, congested transmission network and worn out power distribution system. Substantial investments are inevitable in all these areas in order to keep power supply of the country operational. This situation offers a number of opportunities and we are setting the direction of our Power Division accordingly. Our profile of products and services in this division enables us to go after these opportunities and meet the needs of the local power utility companies.

Our focus is on strengthening our capabilities in product engineering, design innovation, acquiring know-how, bringing operational and cost efficiencies and updating a credible knowledge base and strengthening our qualification, networking and building consortia with global technology leaders. The goal is to prepare ourselves in the stage being set where massive investments have to be made in building power generation, transmission and distribution systems locally as well as in other geographical territories. With these capabilities, some of our products have been approved by power utilities in GCC countries and we have by the Grace of Almighty, started receiving initial export orders.

Rising commodity prices and inflationary trend in the fixed costs have posed a major challenge to us and we have been successful to a great extent to pass on their effect through corresponding increase in selling prices.

Our new distribution transformer manufacturing facility is expected to start commercial production in the beginning of next calendar year. This facility is being set up under a technical assistance agreement with a global player in transformer manufacturing whereby they are providing support in designing of plant, machinery selection and layout, product design, training of manufacturing and design personnel, developing operating procedures and quality control for initial years.

This factory is being set up on Ferozepur Road, 20Kms from the existing location. Setting up of this factory on one hand will modernize and upgrade Company’s existing distribution transformer manufacturing capabilities and on the other hand will bring product innovation, production and cost efficiencies resulting in an improved product with world class design and technology to meet local as well as International requirements. This product which will be fit for supply to utilities all over the world will distinguish PEL as an advanced technology enterprise against the existing players in our markets.

After successful pre-qualification by Saudi Electricity Company, we have received an educational order from the utility and some orders for tailor made big distribution transformers from private sector in Saudi Arabia have also been received. Appointment of agents and building marketing and sales structure in other GCC countries is in process.

Manufacturing of Power transformers is gaining momentum and we have by the Grace of God, successfully completed proto type tests for the complete range in 132KV transformers comprising 13, 26 and 40MVA. This business is expected to contribute handsome revenues for the Company in the years to come. An export order from a European customer is expected to be supplied in Nov this year and this is expected to be followed by further orders from that market.

As a result of our continuous focus on product development in our Energy Meters business, we today have complete range of single and three phase electromechanical as well as digital meters with all applicable features. This business is expected to grow upon conversion of electromechanical into digital meters under dual tariff regime.

Our Switchgear business is also progressing well with PEL being a major player in the local market. Our market share in the private sector has grown over the previous year with share in utilities staying at almost the same level. Efforts for developing multiple sources and in-house development of some key components are yielding results and are expected to strengthen this business giving us competitive advantage in the private sector as well as utilities.

Contracting business initiated a few years ago has started generating revenues. We are in process of building strategic partnerships in order to strengthen our capabilities as well as to address qualification requirements and by the Grace of God, are moving forward. After establishing ourselves as a major player in the construction of 132KV Grid stations on EPC basis, we have been awarded by our first 220 KV sub-station construction contract. Parallel to construction of sub stations, we are establishing ourselves in other turnkey electrical contracting activities and are achieving success. Award of contract for construction of electrical distribution network for DHA Phase 8, Lahore, amounting to Rs. 580 million, is one of the major projects secured this year.

Our diversified range of products and services has earned a respect for the Company in WAPDA and Power utility companies in the country based on which, we are being approached by some world leaders in the business of providing Engineering, project management and EPC services for thermal, hydro and alternative energy solutions to represent them in the country for the purpose of marketing and partnering in upcoming projects. We hope to soon secure our first contract in this area to provide engineering and construction supervision services for one of the country's mega hydro power generation facilities.

Business overview - Appliances division

Market conditions for our products in the appliances division are showing a mixed trend. On one hand, turbulence in the country and extremely volatile commodity prices playing havoc with our costs requiring substantial adjustments in selling prices. This is feared to affect the buying power of people in general and therefore negatively affect the sizes of our markets. On the other hand, record increase in the prices of agricultural produce has substantially raised the disposable income of our farmers consequent to which appreciable growth in demand and market sizes of our products is witnessed.

Sales for the year for Appliances Division have grown by 32% from Rs. 5.092 billion to 6.772. Growth was observed in our existing products in this division in terms of value as well as volume. Additionally our newly launched products like Diesel Generators and Water dispensers have also generated healthy revenues in the year under review.

As has been mentioned in quarterly reports about the new strategy of disciplined growth in this division by controlling credit and maintaining uniformity in pricing, this strategy has started yielding positive results. Imposition of regulatory duty through finance bill on import of home appliances products is expected to increase the demand for locally manufactured products.

Subsequent to our last year's strategy of consolidation in order to implement discipline in our sales policies whereby refrigerator volumes had been cut down over the previous year, this year this product has grown by more than 20% in volume. Material costs have been impacted from both directions i.e. due to increase in price of commodities worldwide and weakening local currency. During the year under review this effect was successfully passed on through increase in selling prices. In the ensuing year so far we are successful to pass on such effect and hope to achieve this in the remaining part of the year where material costs are continuously going up. With launch of new models in Refrigerators which is scheduled in the current year, this business is expected to gain strength amid challenging conditions prevailing in the country.

In line with a continuing activity to strengthen product quality and productivity, investments in plant and equipment have been made during the year. These include complete automation of refrigerator assembly process and installation of an integrated performance testing line. In addition, development of new models and up-gradation of existing ones in line with requirements of the market is a continuous process.

Market size of air conditioners shrunk this year due to shorter summer season and load shedding across the country. Sales of Split ACs during the year, due to this reason fell short of budget resulting into higher inventory at the end of the year. Newly introduced models which were more energy efficient and more compact in size sold well.

Sale of Mini Refrigerators, Window ACs, Microwave ovens, Washing machines and Water dispencers also registered an increase over previous year. These products not only compliment the product range of home appliances but also contribute towards strengthening of brand, revenues and profit of this division.

Deep Freezers business has attracted more corporate customers and we intend to provide small quantities to our dealers' network in the ensuing year.

As mentioned above, following a heartening response from the initial sale of Generators, Company has planned to enter into this business on a full fledged scale with a complete range from 1.3 Kva to 500 Kva addressing the needs of small domestic customers to big industrial concerns. Our USP in this business is prompt after sales service which would give us edge over our competitors in this area.

In line with our continuous focus of strengthening PEL brand and customer focus, Company's after sales service network has been strengthened by making investments in human excellence, tools and equipments, establishing call centers and uplifting of country wide customer care centers. Widening of dealers and sales network continued during the year in order to increase market reach and access. We are responding with new strategies to support our current and future customers' needs and to differentiate ourselves from our competitors.

Future Outlook

The coming year appears to be another challenging year for the business. Production costs are expected to increase sharply due to unfavorable balance of trade, currency depreciation, security concerns, political instability, soaring inflation, energy crisis. Increased interest rates also remain a concern.

However, looking forward, we are confident that PEL is well positioned in key, attractive markets. Our capabilities are aligned with the priorities of our customers both in Power as well as Appliances division. Our product mix is strongest than ever, our innovation pipeline is growing and our brand is winning at the point of sale.

As we continue to press with these strategic initiatives, our focus will be squarely on the overall health of our businesses and not on short-term gains. Specifically, we will be paying close attention to the variety of our product range, build partnerships and collaboration, consumer relationships and reinforce the power of our brand.

Everything we do will be aligned with our vision of creating greater value for our shareholders and customers. Ultimately, our commitment is to reward the faith you put in us by creating stronger and lasting performance.

We are looking for acquisitions that fit well strategically and operationally, enhance our capabilities, and broaden market access, while at the same time providing solid returns to the stakeholders.

As a successful business enterprise, PEL continues to attract record number of diverse and talented people in every discipline. We offer our employees excellent working conditions, energizing career challenges and international development opportunities where all our employees feel honored and thrilled for their talent and contribution.

Corporate Social responsibility
In addition to business considerations, the social dimensions of our corporate activities play an increasingly important role in overall assessment of our Company. Few are narrated in this report such as initiatives designed to protect the environment – and an overview of our other initiatives towards social responsibilities.

Dividend and equity
No dividend was declared for the year ended June 30, 2008.

Transactions with Related Parties
Transactions with related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method. The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan.

Material Changes
There have been no material changes since June 30, 2007 and the Company has not entered into any commitment which would affect its financial position at the date.

Statement of Ethics and Business Practices
The Board has adopted the statement of Ethics and Business Practices. All employees have been informed of this statement and are required to observe these rules of conduct in relation to customers, suppliers and regulations.

Earnings per Share
Basic Earnings per Share works out to Rs. 4.14 (2007 : 5.50).

Operating and Financial Data
The key operating and financial data for six years is annexed.

Appropriations

	Rupees in thousands
Amount available for appropriation	2,106,258
Dividend on preference shares @ 9.50%	57,475
Un-appropriated profit carried forward	2,048,783
	=======

Corporate Governance –
Statement of Directors' Responsibilities
In compliance of the Code of Corporate Governance, we give below the statements on Corporate and Financial Reporting Framework :

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- Proper books of account 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 judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- 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 form the best practices of corporate governance, as detailed in the listing regulations.
- Value of investments of Provident Fund as on June 30, 2008 is Rs. 113.539 million.

- Board meetings :

  During the year under review, Board of Directors held four meetings on October 2, 2007, October 30,2007, February 25, 2008 and April 29, 2008. Attendance by each director during these meetings was as follows:

Name of Director	No. of meetings attended
Mr.M.Naseem Saigol	2
Mr.M.Azam Saigol	2
Mr.Murad Saigol	2
Mr.Haroon Ahmad Khan	4
Mr.Homaeer Waheed	1
Mr.Muhammad Rafi Khan	1
Mr.Gul Nawaz (NIT Nominee)	3
Mr.Masood Karim Sheikh (NBP Nominee)	-
Mr.Tajammal H. Bokhari (NBP Nominee)	2
Mr.Wajahat A.Baqai (NBP Nominee)	1

Corporate Governance
The statement of compliance with the best practices of Corporate Governance is annexed.

Pattern of shareholding
The information under this head along with information under clause XIX (i) and (j) of the Code of Corporate Governance is annexed.

Auditors and their Report
M/s Yousaf Adil Saleem & Company, Chartered Accountants, Lahore, retire and being eligible, have offered themselves for re-appointment. As suggested by the Audit Committee, the Board of

Directors has recommended their re-appointment as auditors of the Company for the year ending June 30, 2009, at a fee to be mutually agreed.

Acknowledgement

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

On behalf of the Board

Lahore | M.Naseem Saigol
October 8, 2008 | Chairman/Chief Executive

PAK ELEKTRON LIMITED

BALANCE SHEET
AS AT JUNE 30, 2008

EQUITY AND LIABILITIES	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
SHARE CAPITAL AND RESERVES			
Authorized capital	3	2,500,000	2,500,000
Issued, subscribed and paid up capital	4	1,496,677	1,368,591
Reserves	5	131,931	69,118
Unappropriated profits	5	2,048,783	1,803,565
		3,677,391	3,241,274
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	6	1,940,365	823,341
NON-CURRENT LIABILITIES			
Long-term financing	7	2,480,238	1,314,219
Liabilities against assets subject to finance lease	8	169,954	187,027
Deferred liabilities	9	1,438,405	736,309
Deferred income	10	82,996	66,323
CURRENT LIABILITIES			
Trade and other payables	11	2,084,351	1,572,732
Interest / mark-up accrued on loans and other payables	12	220,104	213,298
Short-term borrowings	13	3,868,988	3,043,650
Current portion of:			
- long-term financing	7	331,701	245,501
- liabilities against assets subject to finance lease	8	100,286	103,105
		6,605,430	5,178,286
CONTINGENCIES AND COMMITMENTS	14		
		16,394,779	11,546,779

ASSETS	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
NON-CURRENT ASSETS			
Property, plant and equipment	15	6,332,705	4,046,378
Intangible assets	16	573,617	581,705
		6,906,322	4,628,083
Long-term investments	17	52,945	12,474
Long-term deposits	18	34,218	35,332
CURRENT ASSETS			
Stores, spare parts and loose tools	19	81,990	64,376
Stock-in-trade	20	3,571,168	2,507,679
Trade debts	21	4,207,741	2,947,646
Advances	22	542,663	267,327
Deposits and short-term prepayments	23	321,574	306,775
Other receivables		32,437	25,543
Other financial assets	24	72,295	162,825
Sales tax refundable	25	49,620	3,831
Advance income tax		87,322	48,314
Cash and bank balances	26	434,484	536,574
		9,401,294	6,870,890
		16,394,779	11,546,779

The annexed notes from 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chairman / Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in thousand)	
Revenue	27	13,926,572	13,077,670
Less: sales tax and discount		1,274,579	1,264,183
Revenue - net		12,651,993	11,813,487
Cost of sales	28	9,814,594	9,223,623
Gross profit		2,837,399	2,589,864
Other operating income	29	18,247	100,458
		2,855,646	2,690,322
Distribution cost	30	676,452	618,981
Administrative expenses	31	514,122	386,556
Other operating expenses	32	46,697	52,429
Finance cost	33	993,565	937,109
Share of profit of associate		5,585	12,162
Profit before taxation		630,395	707,409
Provision for taxation	34	177,970	125,165
Profit for the year		452,425	582,244
Earnings per share		Rupees	Rupees
Basic	37	4.14	5.50
Diluted	37	4.14	5.46

The annexed notes from 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chairman / Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
Cash flows from operating activities		(Rupees in thousand)	
Profit before taxation		630,395	707,409
Adjustments for:			
Depreciation on property, plant and equipment		241,845	201,238
Amortization of intangible assets		3,274	33,585
Impairment of goodwill		54,394	-
Share of profit of associate		(5,585)	(12,162)
(Reversal) / provision for impairment in value of investments		(34,886)	10,915
Finance cost		993,565	937,109
Provision for doubtful receivables and advances		70,911	79,869
(Reversal)/ provision for obsolete and slow moving stocks		(2,252)	13,124
Reversal of provision for employee benefits		(46)	-
Reversal of provision for depreciation on lease hold land		(3,065)	-
Reversal of provision for obsolete and slow moving finished goods		-	(2,858)
Provision for compensated absences		12,873	2,979
Loss / (gain) due to change in the fair value of investments		90,530	(71,803)
Amortization of grant-in-aid		(3,316)	(3,491)
Gain on sale and lease back activities		(9,994)	-
Gain on disposal of property, plant and equipment		(653)	(848)
		1,407,595	1,187,657
		2,037,990	1,895,066
Working capital changes	43	(2,261,321)	(495,873)
Cash (used in) / generated from operations		(223,331)	1,399,193
Payment of employee benefits		-	(16)
Finance cost paid		(986,759)	(950,520)
Income tax paid		(107,970)	(25,325)
		(1,094,729)	(975,861)
Net cash (used in) / from operating activities		**(1,318,060)**	**423,332**
Cash flows from investing activities			
Purchase of property, plant and equipment		(762,581)	(400,030)
Proceeds from disposal of property, plant and equipment		13,800	11,797
Proceeds from sale and leaseback activities		74,721	-
Decrease/ (increase) in long-term deposits		8,506	(5,569)
Net cash used in investing activities		**(665,554)**	**(393,802)**
Cash flows from financing activities			
Repayment of long-term financing		(851,752)	(275,141)
Proceeds from long-term financing		2,103,971	1,263,000
Payment of liabilities against assets subject to finance lease		(138,558)	(120,584)
Net increase / (decrease) in short-term borrowings		825,338	(751,690)
Dividend paid		(57,475)	(57,475)
Net cash from financing activities		**1,881,524**	**58,110**
Net (decrease)/ increase in cash and cash equivalents		(102,090)	87,640
Cash and cash equivalents at beginning of year		536,574	448,934
Cash and cash equivalents at end of year	26	**434,484**	**536,574**

The annexed notes from 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL	**HAROON A. KHAN**
Chairman / Chief Executive Officer	**Managing Director**

PAK ELEKTRON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share capital	Capital reserves: Premium on issue of shares	Capital reserves: Reserve for bonus shares	Revenue reserves: Unappropriated profits	Total
	……………………… (Rupees in thousand) ………………………				
Balance as at June 30, 2006	**1,215,873**	**221,836**	**-**	**1,245,783**	**2,683,492**
Profit for the year ended June 30, 2007	-	-	-	582,244	582,244
Final dividend for the year ended June 30, 2006 @ Rs. 0.95 per preference share	-	-	-	(57,475)	(57,475)
Transferred to reserve for bonus shares	-	(152,718)	152,718	-	-
Issue of bonus shares	152,718	-	(152,718)	-	-
Transfer to unappropriated profits on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	33,013	33,013
Balance as at June 30, 2007	**1,368,591**	**69,118**	**-**	**1,803,565**	**3,241,274**
Profit for the year ended June 30, 2008	-	-	-	452,425	452,425
Final dividend for the year ended June 30, 2007 @ Rs. 0.95 per preference share	-	-	-	(57,475)	(57,475)
Transferred to reserve for bonus shares		-	190,899	(190,899)	-
Issue of bonus shares	190,899	-	(190,899)	-	-
Conversion of preference shares	(62,813)	62,813	-	-	-
Transfer to unappropriated profits on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	41,167	41,167
Balance as at June 30, 2008	**1,496,677**	**131,931**	**-**	**2,048,783**	**3,677,391**

The annexed notes from 1 to 47 form an integral part of these financial statements.

NASEEM SAIGOL
Chairman / Chief Executive Officer

HAROON A. KHAN
Managing Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1 GENERAL INFORMATION

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 ("the Ordinance"), directives issued by the Securities and Exchange Commission of Pakistan ("SECP") and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by 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 a standard or an interpretation

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 39 to the financial statements.

2.3 IFRSs that are implemented but have no impact on the financial statements of the Company

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

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).

Revised IAS 23 - Borrowing costs (effective from 1 January 2009).

IAS 29 - Financial Reporting in Hyperinflationary Economies (applicable for period beginning from 28 April 2008).

IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1 - Presentation of Financial Statements (effective for annual period beginning on or after 1 January 2009).

IFRS 2 (amendment) - Share-based payments (effective for annual periods beginning on or after 1 January 2009).

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures. (effective from 01 January 2007).

IFRS 5 - Non-current assets held for sale and discontinued operations (applicable for periods beginning from 01 January 2007).

IFRS 7 - Financial Instruments: Disclosures (applicable for periods beginning from 28 April 2008).

IFRS 8 - Operating Segments (effective from 1 January 2009).

IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008).

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008).

IFRIC 15 - Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009).

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (annual periods beginning on or after 1 October 2008).

IFAS 2 - Ijarah (effective for annual periods beginning on or after 1 July 2007).

2.3.1 New Islamic Financial Accounting Standard ("IFAS") - 2

The Islamic Financial Accounting Standard ("IFAS") - 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was promulgated by the Securities and Exchange Commission of Pakistan ("SECP") vide an SRO dated May 22, 2007. Ijarah has been defined in the above IFAS as 'a contract whereby the owner of an asset other than consumable, transfers its usufruct to another person for an agreed period for an agreed consideration'. These transactions have to comply with the shariah essentials in order to qualify as an 'Ijarah' arrangement.

Under the above IFAS-2, the 'Ijarah' transactions shall be accounted for in the following manner in the books and records of the Company:

- Ujrah payments under an Ijarah should be recognized as an expense in the income statement on a straight-line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit.

- For Ijarah, ujrah payments under an Ijarah should be recognized as an expense in the income statement on a straight-line basis over the Ijarah term unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis.

The above IFAS is operative for financial statements covering the period beginning on or after July 01, 2007 and is required to be followed on those Ijarah which commence after the above mentioned date. During the year the Company has availed Ijarah finance amounting to Rs. 30 million. There will be no significant impact on the profit for the year and the assets of the Company if this standard is made applicable on the financial statements of the Company.

Currently the financial information of the Company has been prepared under the requirements of IAS-17 "Leases".

2.4 Basis of preparation

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

- revaluation of certain property, plant and equipment
- financial instruments at fair value

The principal accounting policies adopted are set out below:

2.5 Significant estimates

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

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

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

Employee benefits

The Company operates an approved funded contributory provident fund for all its permanent employees. Equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary and cost of living allowance, where applicable, to cover the obligation.

Property, plant and equipment

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

Taxation

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

2.6 Leases

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

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

2.7 Employee benefits

Defined contribution plan

The Company operates an approved funded contributory provident fund for all its permanent employees who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of 10% of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions are charged to profit and loss account.

Compensated absences

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

2.8 Deferred Income - grant-in-aid

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

2.9 Trade and other payables

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

2.10 Provisions

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

2.11 Property, plant and equipment

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

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

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

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

Depreciation is charged to income applying the reducing balance method over estimated useful life at the rates specified in note 15 to these financial statements. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal of the assets.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

Gains or losses on disposal of assets, if any, are included in profit and loss account for the year.

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

Assets subject to finance lease

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

Capital work-in-progress

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

2.12 Intangible assets

Goodwill

Goodwill represents the excess of the cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. This is stated at cost less any accumulated impairment losses, if any. Previously, goodwill was being amortised over the period of twenty years. Following adoption of IFRS - 3, such amortisation was discontinued and the goodwill is now stated at cost less impairment losses.

Change in accounting policy

Pursuant to the adoption of IFRS 3 - "Business Combinations" by the Securities and Exchange Commission of Pakistan, the Company has changed its accounting policy and now the amortization of goodwill on the acquisition of assets recognized earlier, has ceased which was previously being amortized over the period of twenty years. The effect of this change in accounting policy has been made prospectively in accordance with the requirements of IFRS 3. The goodwill is now being stated at the carrying value less impairment. This change has resulted in decrease in net profit before tax for the year by Rs. 19.837 million.

Technology transfer

The intangible assets in respect of technology transfer are amortized over the useful life of plant and machinery involved in use of such technology.

2.13 Investments

Investments in equity instruments of associated companies

These investments are accounted for using equity method of accounting and initially are recognized at cost.

Investments at fair value through profit or loss

There are investments designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

De-recognition

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

2.14 Stores, spare parts and loose tools

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

2.15 Stock-in-trade

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

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

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

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

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

2.16 Trade debts and other receivables

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

2.17 Cash and cash equivalents

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

2.18 Impairment

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

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

2.19 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Financial instruments are initially recorded at fair value on the date a derivative contract is entered into and are remeasured to fair value at subsequent reporting date.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account for the year.

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

Off-setting of financial assets and financial liabilities

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

2.20 Revenue recognition

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

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

Contract revenue and contract costs relating to long-term construction contracts are recognized as revenue and expenses respectively by reference to stage of completion of contract activity at the balance sheet date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. Expected losses on contracts are recognized as an expense immediately.

2.21 Borrowings

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

2.22 Borrowing costs

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

All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

2.23 Taxation

Current

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

Deferred

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

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

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

2.24 Foreign Currencies

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

Gains and losses arising on re-translation are included in net profit or loss for the year.

2.25 Related party transactions

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

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

2.26 Dividend

Dividend is recognized as a liability in the financial statements in the period in which it is declared.

2.27 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

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

2.28 Segment reporting

A segment is a distinguishable component within a company that is engaged in providing products and under a common control environment (business segment), or in providing within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

3 AUTHORIZED CAPITAL

	Note	2008	2007
		(Rupees in thousand)	
150,000,000 (2007: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
100,000,000 (2007: 100,000,000) preference shares of Rs. 10 each divided in to:			
62,500,000 class A preference shares of Rs. 10 each		625,000	625,000
37,500,000 class B preference shares of Rs. 10 each		375,000	375,000
		1,000,000	1,000,000
		2,500,000	2,500,000

4 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2008	2007		Note	2008	2007
Number of shares		**Ordinary shares of Rs. 10 each fully paid**			
23,749,434	23,749,434	In cash		237,494	237,494
		Other than cash:			
137,500	137,500	-against machinery		1,375	1,375
408,273	408,273	-issued on acquisition of Pel Appliances Limited		4,083	4,083
1,593,725	-	-issued against conversion of preference shares	4.2	15,937	-
71,153,755	52,063,963	-as bonus shares		711,538	520,639
97,042,687	76,359,170		4.1	970,427	763,591
		Fully paid A class preference shares of Rs. 10 each			
52,625,000	60,500,000	In cash	4.3	526,250	605,000
149,667,687	136,859,170			1,496,677	1,368,591

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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

Ordinary shares	2008	2007
	Number of shares	
At beginning of year	76,359,170	61,087,335
Add: - Issued during the year as bonus shares	19,089,792	15,271,835
- Issued against conversion of preference shares	1,593,725	-
At end of year	97,042,687	76,359,170

4.2 Conversion of preference shares

During the year A class preference shares amounting to Rs. 78.750 million have been converted into ordinary shares of Rs. 15.937 million at the option of the investors in the agreed conversion ratio available from the third anniversary till the fifth anniversary of the issue.

4.3 A Class Preference Shares

A class preference shares of Rs. 526.25 million (2007:Rs. 605 million) against authorized share capital of this Class amounting to Rs. 625 million. Annual dividend of Rs. 0.95 per share (9.50%) will be payable on these preference shares on a cumulative basis. The summary of other terms and conditions is as follows:

Voting Right

Preference shares do not carry any voting right.

Call Option

The Company shall have an option to call the issue, subject to maximum of 75% of the total issue, within ninety days of the end of the each financial year commencing from third anniversary of the issue and ending on the fifth anniversary of the issue by giving at least thirty days notice.

The Company shall have an option to call 100% of the outstanding issue size in whole or part within ninety days of the end of each financial year commencing from the fifth anniversary of the issue by giving at least thirty days notice.

Conversion Option

Preference shares will be convertible at the option of the investors into ordinary shares of the Company. This option will be available from the third anniversary till the fifth anniversary of the issue. During this period preference share holders can convert up to 25% of their holding in accordance with the specified conversion ratio on any conversion date by giving a thirty days notice to the issuer.

In case the Company does not exercise the call option within ninety days of the fifth anniversary of the issue, the investors will have the option to convert their entire holding of preference shares in full or part at the conversion ratio on any conversion date by giving a thirty days notice to the Company.

Conversion ratio

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

Conversion between 3rd and 5th anniversary

A = Rupees 10 plus any cumulative unpaid dividend on a preference share up to the end of the financial year immediately prior to the applicable conversion date.

B = The higher of (a) par value of ordinary share i.e. Rupees 10, or (b) an amount representing 32.50% discount to the average price of the common share quoted in the daily quotation of Karachi Stock Exchange (KSE) during last twelve months prior to the conversion date.

Conversion after the 5th anniversary

A = Rupees 10 plus any cumulative unpaid dividend on a preference shares up to the end of the financial year immediately prior to the applicable conversion date.

B = An amount representing 32.50% discount or at discount as per applicable law whichever is lower to the average price of the common share quoted in the daily quotation of KSE during the last twelve months prior to the conversion date.

4.4 B Class preference shares

The Company is in the process of issuing B class listed, cumulative, non-voting right, preference shares to existing preference shareholders at par value of Rupees 10 each which are convertible into non-voting ordinary shares. The approval of the members has been obtained by special resolution in extra-ordinary general meeting of members held on June 01, 2005. Annual dividend of Rs. 1.10 per share (11.00%) will be payable on these preference shares on a cumulative basis.

		Note	2008	2007
			(Rupees in thousand)	
5	**RESERVES**			
	Capital:			
	Premium on issue of shares	5.1	131,931	69,118
	Revenue:			
	Unappropriated profits		2,048,783	1,803,565
			2,180,714	1,872,683
5.1	**Premium on issue of shares**			
	Balance at beginning of year		69,118	221,836
	Less: transferred to reserve for bonus shares	5.2	-	152,718
	Add: premium on conversion of preference shares		62,813	-
	Balance at end of year		131,931	69,118
5.2	**Reserve for bonus shares**			
	Balance at beginning of year		-	-
	Add: transfer for issue of bonus shares during the year		190,899	152,718
			190,899	152,718
	Less: bonus shares issued during the year		190,899	152,718
	Balance at end of year		-	-
6	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax**			
	Surplus on revaluation of property, plant and equipment at beginning of year		823,341	464,171
	Add: - surplus on revaluation of property, plant and equipment during the year	15.5	1,751,325	603,359
			2,574,666	1,067,530
	Less:			
	- deferred taxation relating to surplus on revaluation carried out during the year		593,134	211,176
	- transfer to unappropriated profits on account of incremental depreciation charged during the year - net of deferred taxation		41,167	33,013
	Surplus on revaluation of property, plant and equipment at end of year		1,940,365	823,341

7 LONG-TERM FINANCING

	Description	Note	2008	2007	Mark-up	Security	Repayment
			(Rupees in thousand)				
7.1	**From banking companies and financial institutions - Secured**						
7.1.1	Demand finance II		-	33,334	*Base rate plus 3.00% (2007: base rate plus 3.00%) per annum.	First pari passu charge over current assets of the Company of Rs. 1,500 million. Lien on outstanding inland bills drawn on WAPDA till adjustment of loan. Personal guarantees of all directors of the Company. First charge over present and future fixed assets of the Company amounting to Rs. 2,400 million.	Twelve half yearly equal installments of Rs. 33.333 million each commenced from March 31, 2002. The loan has been repaid during the year.
7.1.2	Demand finance		262,500	300,000	*Base rate plus 2.50% per annum (2007: base rate plus 3.00%) per annum	First pari passu charge over fixed assets of the Company and personal guarantees of sponsoring directors of the Company.	Sixteen quarterly equal installments of Rs. 18.750 million each commencing from December 31, 2007.
7.1.3	Demand finance IV		-	27,500	Mark-up rate as provided in 7.1.1	Secured against securities as provided in 7.1.1	Twelve half yearly equal installments of Rs.27.500 million each commenced from March 31, 2002 . The loan has been repaid during the year.
7.1.4	Demand finance V		-	13,064	Mark-up rate as provided in 7.1.2	Secured against securities as provided in 7.1.1	Eighteen quarterly equal installments of Rs. 4.35 million each commenced from September 2003. The loan has been repaid during the year.

	Description	Note	2008	2007	Mark-up	Security	Repayment
			(Rupees in thousand)				
7.1.5	Demand finance VI & VII		-	26,449	Mark-up rate as provided in 7.1.2	Secured against securities as provided in 7.1.1	Eighteen quarterly equal installments commenced from June 2003. The loan has been repaid during the year.
7.1.6	Demand finance VIII		25,000	75,000	Mark-up rate as provided in 7.1.2	Secured against securities as provided in 7.1.1	Eight semi-annual equal installments of Rs. 25 million each commenced from December 31, 2004.
7.1.7	Demand finance		-	13,905	KIBOR plus 2.50% (2007: KIBOR plus 4.00%) per annum.	First pari passu charge over present and future fixed assets of the Company comprising land, building, plant and machinery amounting to Rs. 133.33 million. Personal guarantees of all directors of the Company.	Forty two equal monthly installments commenced from May 2004. The loan has been repaid during the year.
7.1.8	Demand finance 1	7.2	21,366	41,366	Aggregate mark-up Rs. 4.971 million.	First registered hypothecation charge over current assets of the Company ranking pari passu charge in favour of Askari Commercial Bank. First registered pari passu charge by way of equitable mortgage of Company's fixed assets. Personal guarantees of all the directors of the Company.	The outstanding balance of loan plus future mark-up of Rs. 4.971 million would be settled as follows: Semi-annually in year 2008 = Rs. 21.219 milli Semi-annually in year 2009 = Rs. 41.220 milli
7.1.9	Demand finance 2	7.2	41,073	36,102	-	Secured against securities as provided in 7.1.8	Repayment is provided in note 7.1.8
7.1.10	Term finance		-	30,000	14.00% (2007: 14.00%) per annum.	First charge over current assets of the Company amounting to Rs. 70 million Personal guarantees of sponsoring directors of the Company.	Profit to be paid on quarterly basis starting from January 01, 2006. The principal amount has been repaid fully during the year.

Description		Note	2008	2007	Mark-up	Security	Repayment
			(Rupees in thousand)				
7.1.11	Term finance		112,000	-	*Base rate plus 2.60% per annum.	Charge on present and future fixed assets of the Company. Shares with 30% margin to be maintained at all times.	Profit shall be paid on quarterly basis in arrears, whereas principal amount shall be repaid in Six (6) quarterly equal installments, commencing from February 6,
7.1.12	** Term finance - convertible to TFCs		200,000	463,000	*Base rate plus 2.50% (2007: 2.50%) per annum.	Ranking charge over fixed assets of the Company amounting to Rs. 1,067 million Lien on inland LCs drawn on WAPDA.	Sixty equal monthly installments.
7.1.13	*** Term Finance - PPTFCs		300,000	500,000	*Base rate plus 3.25% (2007: 3.25%) per annum.	First pari passu charge over fixed assets of the Company of Rs. 667 million.	Six half yearly equal installments of Rs.83.333 million, commencing from December 01, 2009, however, the Company has paid advance installment during the
7.1.14	Sukuk Funds (I)		1,200,000	-	Three (3) month KIBOR plus 175 bps with Floor of 10% and Cap of 25% per annum.	First pari passu charge on present and future plant and machinery of the Company amounting to Rs. 1,600 million.	Profit shall be paid on quarterly basis in arrears, whereas principal amount shall be paid in Fourteen consecutive quarterly units commencing from June 30, 2009.
7.1.15	Sukuk Funds (II)		650,000	-	Three month KIBOR plus 100 bps with Floor of 8% and Cap of 16% per annum.	Ranking charge on present and future fixed assets of the Company to be upgraded to first pari passu charge within 120 days from the date of first disbursement.	Profit shall be paid on quarterly basis in arrears, whereas principal amount shall be paid in Sixteen consecutive quarterly units commencing from June 30, 2011.
	Total		2,811,939	1,559,720			
	Less: current portion		331,701	245,501			
			2,480,238	1,314,219			

* The base rate means KIBOR (six months average ask side rate) and will be set on the last working day at the beginning of each bi-annual period for the mark-up due at the end of that period (Rate setting date).

** The Company has received this amount against securitization of its receivables from WAPDA, NTDC and various energy distribution companies through PRIME ELECTRONICS SECURITIZATION COMPANY LIMITED ("the SPV"). Under the terms of Assignment Agreement, the Company has also warranted that it shall maintain the amount with SPV that are sufficient to meet at least three months payments to investors. The investor has agreed to subscribe for TFCs having aggregate face value equal to the amount of loan upon the terms and conditions contained in the Assignment Agreement.

*** The Company issued privately placed TFCs amounting to Rs. 500 million to various financial institutions for the purpose of expansion of its power division. TRUST LEASING & INVESTMENT BANK LIMITED has been appointed as trustees to the TFCs issue. TFCs are secured against mortgage charge over land measuring 242 kanals 15 marlas situated at Muaza Amer Siddhu Tehsil and Distt. Lahore Cantt. and land measuring 10 acres bearing plot no. 302, 303 and 305 situated at industrial trading state area Tehsil and District Swabi, hypothecation of plant and machinery, reserve fund amounting to Rs. 50 million to be maintained in interest bearing account over the life of TFCs, further the Company would maintain Escrow account for redemption of TFCs.

7.2 The Company entered into a Dividend Securitization Agreement in November 2004 with MCB Bank Limited whereby finance facility was arranged to pay off the outstanding balance in respect of Demand Finance I and II, from MCB Bank Limited by creation of security interest over the dividend to be declared by Kohinoor Energy Limited (an associated company).

		Note	2008	2007
8	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**		**(Rupees in thousand)**	
	Present value of minimum lease payments		270,240	290,132
	Less: current portion		100,286	103,105
			169,954	187,027

8.1 The Company has entered into lease / Ijarah agreements with various leasing companies, banks and modarabas to acquire various assets. The rentals under these lease agreements are payable on monthly / quarterly basis in arrears and are subject to mark-up rate ranging from 8.50% to 15.89% (2007: 7.5% to 15.15%) per annum.

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

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

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

	2008		2007		
	………………………. (Rupees in thousand) ………………………				
	Minimum lease payments	Present value	Minimum lease payments		Present value
Within one year	132,133	100,286	142,486	#	103,105
After one year but not more than five years	175,778	169,954	202,072	#	187,027
	307,911	270,240	344,558		290,132
Less: amounts representing finance costs	37,671	-	54,426		-
Present value of minimum lease payments	270,240	270,240	290,132		290,132
Less: current portion	100,286	100,286	103,105		103,105
	169,954	169,954	187,027		187,027

		Note	2008	2007
9	**DEFERRED LIABILITIES**			
	Deferred taxation	9.1	1,438,405	736,263
	Employee benefits		-	46
			1,438,405	736,309
9.1	This comprises following:			
	Deferred tax liability on taxable temporary differences:			
	- tax depreciation allowance		505,491	416,743
	- finance lease		62,087	55,099
	- surplus on revaluation of property, plant and equipment		1,014,304	443,336
			1,581,882	915,178
	Deferred tax asset on deductible temporary differences:			
	- provision for obsolete and slow moving inventories		(10,112)	(10,900)
	- provision for doubtful debts and advances		(40,170)	(121,009)
	- other provisions		(14,780)	(19,832)
	- provision for excise duty and sales tax		(8,295)	(8,295)
	- provision for leave absences		(11,053)	(6,547)
	- minimum tax adjustable against future tax liability		(59,067)	(12,332)
			(143,477)	(178,915)
			1,438,405	736,263

10 DEFERRED INCOME

	Note	2008	2007
		(Rupees in thousand)	
Deferred income on:			
- grant-in-aid	10.1	63,007	66,323
- sale and lease back activities	10.2	19,989	-
		82,996	66,323

10.1 Grant-in-aid

	Note	2008	2007
Balance at beginning of year		66,323	69,814
Less: transferred to income	29	3,316	3,491
		63,007	66,323

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

The grant recoverable in cash amounting to Rs.11,735,188 was recognized as income in the year of receipt i.e. year ended June 30, 2001. The value of machinery received in grant was capitalized in year 2001 which started its operation in January 2003. The grant amounting to Rs. 3,316,170 (2007: Rs. 3,490,652) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

10.2 Sale and lease back activities

	Note	2008	2007
Gain on sale and lease back activities		29,983	-
Less: transferred to income	29	9,994	-
		19,989	-

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

11 TRADE AND OTHER PAYABLES

	Note	2008	2007
Creditors		580,615	406,795
Foreign bills payable	11.1	1,003,692	795,573
Accrued liabilities		87,375	108,769
Advances from customers		169,231	111,251
Regulatory duty payable		-	2,262
Employees' provident fund	11.2	5,653	37,770
Compensated absences		31,580	18,707
Advance against contracts		158,697	34,676
Workers' profit participation fund	11.3	33,854	39,008
Workers' welfare fund		-	14,437
Others		13,654	3,484
		2,084,351	1,572,732

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

11.2 The Company is paying mark-up at the rate of 15.00% (2007: 15.00%) on the outstanding balance of provident fund.

11.3 Workers' profit participation fund

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Balance at beginning of year		39,008	27,093
Add: interest on funds utilized in the Company's business	33	4,388	3,048
- allocation for the year	32	33,854	37,992
Less: amount paid during year		43,396	29,125
Balance at end of year		33,854	39,008

11.4 Interest on workers' profit participation fund has been provided at the rate of 15.00% (2007: 15.00%) per annum.

12 INTEREST / MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES

	2008	2007
Mark up accrued on:		
- long-term financing	32,545	29,854
- liabilities against assets subject to finance lease	587	936
- short-term borrowings	184,215	123,463
- provident fund payable	2,757	59,045
	220,104	213,298

13 SHORT-TERM BORROWINGS

	Note	2008	2007
Secured			
Borrowings from:			
- banking companies	13.2	3,068,037	2,784,957
- non banking finance companies (NBFCs)	13.3	625,290	180,000
		3,693,327	2,964,957
Unsecured			
Overdraft	13.4	175,661	78,693
		3,868,988	3,043,650

13.1 The aggregate un-availed short-term borrowings facilities as at June 30, 2008 amounts to Rs. 450 million (2007: Rs. 420 million).

13.2 These facilities have been obtained from various banks under mark-up arrangements for working capital requirements and carry mark-up rate ranging from 10.99% to 16.38% (2007: 11.00% to 14.66%) per annum. These facilities are secured against the pledge / hypothecation of raw materials and components, work-in-process, finished goods, machinery, spare parts, charge over book debts, shares of public companies, and other assets having aggregate value of Rs. 3,646 million (2007: Rs. 3,513 million) and personal guarantees of the sponsoring directors of the Company. These facilities are generally for a period of one year and renewed at the end of the period.

13.3 These facilities have been obtained from NBFCs for purchase of raw material and carry mark-up rate ranging from 10.56% to 12.90% (2007: 14.00% to 16.00%) per annum. These facilities are secured against pledge of shares of listed companies with 30% margin and personal guarantees of the directors of the Company.

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

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14 CONTINGENCIES AND COMMITMENTS

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

	Note	2008		2007
		(Rupees in thousand)		
Tender bonds		63,220	#	81,380
Performance bonds		357,076	#	367,156
Advance guarantees		206,210	#	179,163
Custom guarantees		10,535	#	10,575
Letters of credit		1,096,707	#	561,936
Bills discounted		1,616,438	#	1,069,311
Foreign guarantees		6,342	#	4,432
Tax and other disputed liabilities		-		48,040

14.2 Assessments for tax year 2004 and 2005 were reviewed by the Inspecting Additional Commissioner (IAC) under section 122(5A) whose orders were cancelled on appeal before Commissioner (Appeals) on account of inadequate jurisdiction. However, on re-assessment, the likely disallowances on account of provisions and history, will be Rs. 56.702 million and Rs. 14.699 million for tax year 2004 & 2005 respectively. This would give rise to an aggregate tax liability of Rs. 12.228 million for both the tax years.

14.3 The Income Tax Appellate Tribunal for assessment years 2000-01 to tax year 2003 has directed to charge separate taxes under section 80C and 80CC of Income Tax Ordinance 1979, amounting to Rs. 7.513 million where assessee was required to pay minimum tax under section 80D of the Income Tax Ordinance, 1979. However, on this issue a reference has been filed by the Company before the Honourable Lahore High Court which is pending adjudication. Liability of the Company for subsequent years upto tax year 2007, following this order, amounts to Rs. 58.008 million.

14.4 The Collector Customs, Sales Tax and Federal Excise (Appeals) Lahore rejected the Company's stance that the electric meters fall under zero rated regime and directed the Company to deposit sales tax amounting to Rs. 36.458 million on sale of electric meters during the year 2006. The Company has filed an appeal before the Custom, Excise and Sales Tax Appellate Tribunal Lahore against the order of the Collector Customs, Sales Tax and Federal Excise (Appeals). The management is hopeful that the decision will be made in favour of the Company and accordingly has not recognized this liability.

15 PROPERTY, PLANT AND EQUIPMENT AT JUNE 30, 2008

(Rupees in thousand)

Particulars	Cost / revaluation					Accumulated depreciation				Book value as at June 30, 2008	Annual rate of depreciation
	As at July 01, 2007	Additions /(disposals)	Transfers / adjustments	Revaluation Surplus	As at June 30, 2008	As at July 01, 2007	Charge for the year	Transfers / disposals / adjustments	As at June 30, 2008		
Operating Assets											
Owned											
Land - leasehold	13,256	-	-	-	13,256	3,065	-	(3,065)	-	13,256	
Land - freehold	394	93,853	-	56,656	150,903	-	-	-	-	150,903	
Building on leasehold land	786,211	-	66,120	169,938	1,022,269	177,528	30,710		208,238	814,031	5%
Building on free hold land	6,508	-	-	-	6,508	4,329	109	-	4,438	2,070	5%
Plant and machinery	3,913,194	266,628	121,576	1,524,731	5,775,306	1,043,503	151,081	10,648	1,199,616	4,575,690	5%
		(50,823)						(5,616)			
Office equipment and furniture	128,584	40,592	2,658	-	171,647	43,078	10,483	601	54,119	117,528	10%
		(187)						(43)			
Vehicles	53,020	57,872	44,135	-	126,563	39,138	7,073	22,082	52,363	74,200	20%
		(28,464)						(15,930)			
	4,901,167	**458,945**	**234,489**	**1,751,325**	**7,266,452**	**1,310,641**	**199,456**	**33,331**	**1,518,774**	**5,747,678**	
		(79,474)						**(24,654)**			
Held under finance lease											
Plant and machinery	369,636	74,718	(64,754)	-	379,600	30,633	16,095	(10,648)	36,080	343,520	5%
Office equipment	2,658	-	(2,658)	-	-	601	-	(601)	-	-	10%
Vehicles	143,822	45,816	(44,135)	-	145,503	37,323	26,294	(22,082)	41,535	103,968	20%
	516,116	**120,534**	**(111,547)**	**-**	**525,103**	**68,557**	**42,389**	**(33,331)**	**77,615**	**447,488**	
Capital work-in-progress											
Building on leasehold land	6,959	176,565	(66,120)	-	117,404	-	-	-	-	117,404	-
Plant and machinery	1,334	75,623	(56,822)	-	20,135	-	-	-	-	20,135	-
	8,293	**252,188**	**(122,942)**	**-**	**137,539**	**-**	**-**	**-**	**-**	**137,539**	**-**
2008	**5,425,576**	**831,667**	**-**	**1,751,325**	**7,929,094**	**1,379,198**	**241,845**	**-**	**1,596,389**	**6,332,705**	**-**
		(79,474)	**-**	**-**				**(24,654)**			

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

15.2 Depreciation for the year has been allocated as under:-

		2008	2007
		...............(Rupees in thousand)...............	
Cost of sales	28.1	219,920	186,962
Administrative expenses	31	21,925	14,276
		241,845	201,238

15.3 PROPERTY, PLANT AND EQUIPMENT AT JUNE 30, 2007

(Rupees in thousand)

Particulars	Cost / revaluation				Depreciation				Book value as at June 30, 2007	Annual rate of depreciation
	As at July 01, 2006	Additions /(deletions)	Transfers / adjustments	As at June 30, 2007	As at July 01, 2006	Charge for the year	Transfers / Adjustments	As at June 30, 2007		
Owned										
Land - leasehold	13,256	-	-	13,256	3,051	14	-	3,065	10,191	-
Land - freehold	394	-	-	394	-	-	-	-	394	-
Building on leasehold land	642,548	57,986	85,677	786,211	150,897	26,631		177,528	608,683	**5%**
Building on free hold land	6,508	-	-	6,508	4,214	115	-	4,329	2,179	**5%**
Plant and machinery	3,061,899	725,475	125,820	3,913,194	908,141	130,063	5,299	1,043,503	2,869,691	**5%**
Office equipment and furniture	98,563	27,529	2,727	128,584	34,975	7,267	872	43,078	85,506	**10%**
		(235)					(36)			
Vehicles	61,783	2,423	23,281	53,020	47,848	2,879	12,128	39,138	13,882	**20%**
		(34,467)					(23,717)			
	3,884,951	**813,413**	**237,505**	**4,901,167**	**1,149,126**	**166,969**	**18,299**	**1,310,641**	**3,590,526**	**-**
		(34,702)					**(23,753)**			
Held under finance lease										
Plant and machinery	342,324	62,726	(35,414)	369,636	20,069	15,863	(5,299)	30,633	339,003	**5%**
Office equipment	5,385	-	(2,727)	2,658	1,244	229	(872)	601	2,057	**10%**
Vehicles	105,700	61,403	(23,281)	143,822	31,274	18,177	(12,128)	37,323	106,499	**20%**
	453,409	**124,129**	**(61,422)**	**516,116**	**52,587**	**34,269**	**(18,299)**	**68,557**	**447,559**	**-**
Capital work-in-progress										
Building on leasehold land	3,543	89,093	(85,677)	6,959	-	-	-	-	6,959	-
Plant and machinery	4,714	87,026	(90,406)	1,334	-	-	-	-	1,334	-
	8,257	**176,119**	**(176,083)**	**8,293**	**-**	**-**	**-**	**-**	**8,293**	**-**
2007	**4,346,617**	**1,113,661**	**-**	**5,425,576**	**1,201,713**	**201,238**	**-**	**1,379,198**	**4,046,378**	**-**
		(34,702)					**(23,753)**			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

15.4 Disposal of property, plant and equipment **(Rupees in thousand)**

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
Motor vehicles							
Suzuki Bolan	200	155	45	127	82	Negotiation	Mr. Muhsin Mumtaz
Suzuki Khyber	350	268	82	65	(17)	As per Company's policy	Mr. Qasim Ali
Suzuki Cultus	604	464	140	158	18	As per Company's policy	Mr. Malik Haroon Rashid
Suzuki Mehran	379	291	88	131	43	As per Company's policy	Mr. Shahid Tanveer
Toyota Corolla	674	535	139	490	351	As per Company's policy	Mr. Asim Mumtaz
Suzuki Mehran	360	293	67	184	117	As per Company's policy	Mr. Sadiq Munir
Suzuki Mehran	376	228	148	131	(17)	As per Company's policy	Muhammad Maqsood
Suzuki Cultus	609	386	223	131	(92)	As per Company's policy	Mr. Qasim Ali
Suzuki Mehran	376	228	148	169	21	As per Company's policy	Mr. Ghulam Mustafa Naveed
Suzuki Mehran	376	238	138	129	(9)	As per Company's policy	Mr. Ghulam Muhudin
Suzuki Mehran	376	228	148	169	21	As per Company's policy	Mr. Ali Imran
Suzuki Mehran	376	238	138	158	20	As per Company's policy	Mr. Tariq Afzal
Suzuki Mehran	371	235	136	198	62	As per Company's policy	Mr. Rashid Ikram
Suzuki Mehran	376	238	138	169	31	As per Company's policy	Mr. Irshad Rub
Suzuki Mehran	371	240	131	144	13	As per Company's policy	Mr. Miraj Rasool
Suzuki Mehran	376	238	138	169	31	As per Company's policy	Mr. Khalil ur Rehman
Suzuki Mehran	371	235	136	69	(67)	As per Company's policy	Mr. Khalid Ahmed Cheema
Suzuki Mehran	450	128	322	275	(47)	As per Company's policy	Mr. Shafay A. Barkat
Suzuki Mehran	380	200	180	320	140	As per Company's policy	Mr. Safwan Siddique
Suzuki Cultus	590	375	215	178	(37)	As per Company's policy	Mr. Ejaz Ahmed
Toyota Corolla XLI	849	603	246	184	(62)	As per Company's policy	Mr. Nauman Khalid Butt
Suzuki Cultus	690	23	667	661	(6)		Insurance claim
Suzuki Alto	464	242	222	304	82	As per Company's policy	Mr. Kamal Khan
Suzuki Cultus	560	292	268	201	(67)	As per Company's policy	Mr. Naseer ud din Butt
Suzuki Mehran	384	200	184	83	(101)	As per Company's policy	Mr. Muhammad Azeem Qureshi
Honda City Vario	845	462	383	355	(28)	As per Company's policy	Mr. Farhan Siddique
Suzuki Mehran	480	151	329	280	(49)	As per Company's policy	Mr. Aslam Lakhani

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of property, plant and equipment	Gain/(loss) on disposal of property, plant and equipment	Mode of disposal	Particulars of purchaser/ transferee
Daihatsu Coure	519	88	431	403	(28)	As per Company's policy	Mr. Arsalan Ali Shah
Honda City Exis	790	504	286	238	(48)	As per Company's policy	Mr. Ameer Hamza
Honda City Exis	790	504	286	232	(54)	As per Company's policy	Mr. Amer Jamil
Honda City Exis	790	504	286	300	14	As per Company's policy	Mr. Muhammad Sadiq Munir
Toyota Corolla GLI	939	599	340	327	(13)	As per Company's policy	Mr. Rauf Ahmed
Hyundai Santro Club	499	318	181	136	(45)	As per Company's policy	Mr. Kashif Jafri
Toyota Corolla	849	541	308	257	(51)	As per Company's policy	Mr. Col. Shaukat Mehmood
Honda City Exis	790	504	286	330	44	As per Company's policy	Mr. Ibad Jamal
Hyundai Santro Club	376	239	137	151	14	As per Company's policy	Mr. Nadeem Asghar
Suzuki Mehran	376	239	137	174	37	As per Company's policy	Mr. Zulfiqar Abdullah
Suzuki Mehran	442	90	353	320	(33)	As per Company's policy	Mr. Kashif Manzoor
Suzuki Mehran	465	146	319	215	(104)	As per Company's policy	Mr. Atif Khan
Suzuki Mehran	395	219	176	151	(25)	As per Company's policy	Mr. Wasim Aslam Butt
Suzuki Mehran	395	219	176	152	(24)	As per Company's policy	Mr. Sher Afzal
Suzuki Alto	504	280	224	184	(40)	As per Company's policy	Mr. Abdul Jabbar
Suzuki Bolan	208	200	8	100	92	Negotiation	Mr. Haji Muhammad Ashraf
Daihatsu Coure	500	96	404	452	48	As per Company's policy	Mr. Rafat Ullah Khan
Honda City	830	476	354	265	(89)	As per Company's policy	Mr. Jalil-Ur - Rehman
Toyota Corolla	879	503	376	428	52	As per Company's policy	Mr. Alamghir Shams Awan
Daihatsu Coure	503	91	412	430	18	As per Company's policy	Mr. Hassan Sultan Cheema
Suzuki Mehran	435	73	362	360	(2)	As per Company's policy	Mr. Sy. Tanveer Ahmed
Suzuki Mehran	380	236	144	86	(58)	As per Company's policy	Mr. Abid Hassan
Suzuki Mehran	438	78	360	316	(44)		Insurance claim
Suzuki Mehran	374	239	135	265	130	Negotiation	Mr. Muhammad Aslam
Suzuki Mehran	438	79	359	365	6	As per Company's policy	Mr. Arif Noor
	26,517	14,479	12,039	12,269	230		
Other vehicles	1,947	1,450	497	1,045	548	Negotiation	Various individuals
Machinery	50,823	5,617	45,206	75,068	29,862	Negotiation	Various parties
Mobile sets	14	3	11	14	3	Negotiation	Various individuals
Others	173	40	133	125	(8)	Negotiation	Various individuals
2008	**79,474**	**21,589**	**57,886**	**88,521**	**30,635**		
2007	34,702	23,753	10,949	11,797	848		

15.5 The latest revaluation of free hold land, building on lease hold land and plant and machinery has been carried out by Hamid Mukhtar and Company (Pvt.) Limited, (consulting engineers, surveyors, loss adjustors and valuation consultants) independent valuers on the approved panel of State Bank of Pakistan, as at June 30, 2008 and incorporated in the financial statements for the year. The previous revaluation of freehold land, building on lease hold land and plant and machinery was carried out in 1999 and surplus was determined at Rs. 910 million. Further revaluation was carried out in 2001 with additional surplus of Rs.144 million and further revaluation was carried out in December 2006 by M/S Hamid Mukhtar & Co. (Pvt) Limited, which resulted in additional surplus of Rs. 603 million.

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

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

The carrying value of freehold land includes revaluation surplus of Rs. 56.656 million arising from revaluation of freehold land as at June 30, 2008. The effect has been incorporated in the financial statements for the year as increase in surplus on revaluation of free hold land.

The carrying value of building on lease hold land includes revaluation surplus of Rs.169.938 million arising from revaluation of building on lease hold land as at June 30, 2008. The effect has been incorporated in the financial statements for the year as increase in surplus on revaluation of lease hold building.

The carrying value of plant and machinery includes revaluation surplus of Rs. 1,524.731 million arising from revaluation of plant and machinery as at June 30, 2008. The effect has been incorporated in the financial statements for the year as increase in surplus on revaluation of plant and machinery.

15.6 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets as at June 30, 2008 would have been as follows:

	Cost	Accumulated depreciation	Book value
	………. (Rupees in thousand) ……….		
Building on lease hold land	691,212	168,377	522,835
Plant and machinery	2,765,286	794,341	1,970,945
	3,456,498	962,718	2,493,780

16 INTANGIBLE ASSETS	**Note**	**2008**	**2007**
		(Rupees in thousand)	
Goodwill on acquisition of PEL Appliances Limited		220,482	220,482
Goodwill on acquisition of PEL Daewoo Electronics Limited	16.1	294,526	348,920
Technology transfer agreements	16.2	58,609	12,303
		573,617	581,705

16.1 Reconciliation of carrying amount of goodwill

Opening balance of goodwill	348,920	367,284
Less: amortization for the year	-	18,364
	348,920	348,920
Less: Impairment loss	54,394	-
	294,526	348,920

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	Note	2008	2007
16.2 Technology transfer agreements		(Rupees in thousand)	
Technology transfer agreements		62,405	12,825
Less: amortization to date	16.3	3,796	522
Balance at end of year		58,609	12,303

16.3 The Company has obtained technology of single phase and three phase digital meters and also of power transformer from different foreign companies. The intangible asset is amortized on the same rate as of the depreciation of relevant plant.

17 LONG-TERM INVESTMENTS

Investment in associate at equity method

	2008	2007
Kohinoor Power Company Limited		
Ownership interest %	23.10	23.10
	(Rupees in thousand)	
Cost of investment	54,701	54,701
2,772,000 shares (2007: 2,772,000 shares)		
Share of post acquisition profit - net of dividend received	49,937	44,352
	104,638	99,053
Less: provision for impairment in value of investment	51,693	86,579
	52,945	12,474

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

17.2 Financial statements and information of the associated company

The assets, liabilities and equity of Kohinoor Power Company Limited as at June 30, 2008 and related revenue and profit for the year then ended based on latest un-audited financial statements are as follows:

	2008	2007
Assets	383,116	593,358
Liabilities	37,544	271,694
Revenue	405,612	127,592
Profit for the year	24,178	52,650
Market value per share (Rupees)	19.10	4.50

18 LONG-TERM DEPOSITS

	Note	2008	2007
Security deposits with leasing companies		40,363	48,869
Less: current portion	23	6,145	13,537
		34,218	35,332

19 STORES, SPARE PARTS AND LOOSE TOOLS

	2008	2007
Stores	1,602	1,271
Spare parts	64,194	46,325
Loose tools	26,663	27,249
	92,459	74,845
Less: Provision for slow moving and obsolete items	10,469	10,469
	81,990	64,376

NOTES TO THE FINANCIAL STATEMENTS
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20 STOCK-IN-TRADE

	Note	2008	2007
		(Rupees in thousand)	
Raw material and components			
-In stores	20.1	1,542,317	1,449,391
-In bonded warehouse		15,947	5,094
-In-transit		588,101	254,025
Less: provision for slow moving and obsolete items		17,887	20,139
		2,128,478	1,688,371
Work-in-process		577,855	429,383
Finished goods		865,370	390,460
Less: provision for slow moving and obsolete items		535	535
		864,835	389,925
		3,571,168	2,507,679

20.1 Stocks with carrying value of Rs. 2,354 million (2007: Rs. 2,290 million) have been pledged as security with certain banks against financing facilities.

21 TRADE DEBTS - unsecured

	Note	2008	2007
Considered good:			
- against normal sales		3,760,220	2,742,747
- due from contractees	21.1	447,521	204,899
		4,207,741	2,947,646
Considered doubtful		362,707	301,879
Debts written off during the year		301,879	-
		60,828	301,879
		4,268,569	3,249,525
Provision for doubtful debts		60,828	301,879
		4,207,741	2,947,646

21.1 These include receivables from associated companies in ordinary course of business amounting to Rs. 27.231 million (2007: Rs. 46.783 million).

22 ADVANCES

	Note	2008	2007
Advances to employees - Considered good:			
- purchases		18,180	3,721
- expenses		5,591	3,714
- traveling		4,577	-
- others	22.1	1,176	1,282
		29,524	8,717
Advances to employees - considered doubtful		1,449	1,449
Less: provision for doubtful advances		1,449	1,449
		29,524	8,717
Advances to suppliers and contractors		399,879	232,327
Less: provision for doubtful advances against suppliers		47,114	37,031
		352,765	195,296
Advance excise duty and sales tax		23,700	23,700
Less: provision against excise duty		23,700	23,700
		-	-
Retention money		160,374	63,314
		542,663	267,327

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

		Note	2008	2007
23	**DEPOSITS AND SHORT-TERM PREPAYMENTS**		**(Rupees in thousand)**	
	Letters of credit		4,846	2,002
	Security deposits		78,375	47,515
	Less: provision for security deposits considered doubtful		5,379	5,379
			72,996	42,136
	Current portion of long-term deposits	18	6,145	13,537
	Margin deposits		201,721	226,939
	Prepayments		35,866	22,161
			321,574	306,775

24 OTHER FINANCIAL ASSETS

Investments at fair value through profit and loss

Standard Chartered Bank
(Formerly Union Bank Limited)

Number of shares 2008	Number of shares 2007	Ordinary shares of Rs. 10 each	Note	2008	2007
3,075,070	1,230,028	Balance at beginning of year		162,825	91,022
-	1,845,042	Additional shares received on merger of Union Bank into Standard Chartered Bank		-	-
3,075,070	3,075,070			162,825	91,022
		(Loss)/ gain due to change in the fair value of investment	29	(90,530)	71,803
		Market value per share is Rs. 23.51 (2007: Rs. 52.95)		72,295	162,825

		Note	2008	2007
25	**SALES TAX REFUNDABLE**			
	Sales tax refundable		49,620	3,831
	Custom duty refundable		41,751	41,751
	Less: Provision against custom duty refundable		41,751	41,751
			-	-
			49,620	**3,831**
26	**CASH AND BANK BALANCES**			
	In local currency			
	Cash in hand		8,019	3,343
	Balance with banks:			
	In current accounts - local currency		373,544	482,658
	In saving accounts - local currency	26.1	52,915	50,568
			426,459	533,226
	In foreign currency			
	US Dollar account (US $ 90.74 @ Rs. 68.20 (2007: US $ 90.74 @ Rs. 60.50))		6	5
			434,484	536,574

26.1 Effective mark-up rate in respect of saving accounts was 4.75% (2007: 2.50% to 4.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

		Note	2008	2007
			(Rupees in thousand)	
27	**REVENUE**			
	Contract revenue		926,905	466,974
	Sales - Local		12,909,570	12,472,726
	Sales - Export		90,097	137,970
			13,926,572	13,077,670
	Less: - sales tax and excise duty		1,168,097	888,265
	- trade discounts		106,482	375,918
			1,274,579	1,264,183
			12,651,993	11,813,487
28	**COST OF SALES**			
	Finished goods at beginning of year		390,460	451,069
	Cost of goods manufactured	28.1	9,238,379	8,541,779
	Finished goods purchased		443,767	328,123
			9,682,146	8,869,902
	Finished goods at end of year		(865,370)	(390,460)
	Cost of goods sold		9,207,236	8,930,511
	Contract cost		607,358	293,112
			9,814,594	9,223,623
28.1	**Cost of goods manufactured**			
	Work-in-process at beginning of year		429,383	640,795
	Raw material and components consumed		8,078,164	7,240,571
	Direct wages		476,555	425,952
	Factory overheads:			
	- salaries, wages and benefits	28.2	178,509	145,073
	- traveling and conveyance		22,147	13,849
	- electricity, gas and water		124,883	92,951
	- repairs and maintenance		98,283	78,244
	- vehicles running and maintenance		7,999	5,964
	- insurance		25,884	24,155
	- depreciation	15.2	219,920	186,962
	- amortization of intangible assets		3,274	33,585
	- impairment of goodwill	16	54,394	-
	- provision for obsolete and slow moving stock		-	10,266
	- carriage and freight		20,143	24,390
	- erection and testing		63,868	39,103
	- other factory overheads		12,828	9,302
			832,132	663,844
			9,816,234	8,971,162
	Work-in-process at end of year		(577,855)	(429,383)
			9,238,379	8,541,779

28.2 These include employee benefits amounting to Rs.28.261 million (2007: Rs. 19.460 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

		Note	2008	2007
			(Rupees in thousand)	
29	**OTHER OPERATING INCOME**			
	Income from financial assets			
	(Loss)/ gain due to change in the fair value of investment at fair value through profit and loss	24	(90,530)	71,803
	Reversal of provision of slow moving and obsolete items		2,252	-
	Reversal / (provision) for impairment in value of investments		34,886	(10,915)
	Reversal of provision for workers' welfare fund		14,437	-
	Mark-up income		2,794	615
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		653	848
	Gain on sale and lease back activities	10.2	9,994	-
	Grant-in-aid	10.1	3,316	3,491
	Commission income		24,329	33,025
	Exchange gain/ (loss)		10,405	(134)
	Others		5,711	1,725
			18,247	100,458

		Note	2008	2007
30	**DISTRIBUTION COST**			
	Salaries, allowances and benefits	30.1	219,682	156,062
	Traveling and conveyance		38,925	32,348
	Rent, rates and taxes		37,752	38,798
	Electricity, gas, fuel and water		6,042	4,881
	Repairs and maintenance		6,227	3,682
	Vehicles running and maintenance		15,930	11,985
	Printing and stationery		11,827	7,045
	Postage, telegrams and telephones		14,166	12,065
	Entertainment and staff welfare		9,826	5,962
	Advertisement and sales promotion		93,275	139,897
	Insurance		3,960	2,638
	Freight and forwarding		130,738	132,501
	Contract and tendering		1,507	835
	Warranty period services		59,235	33,614
	Royalty		-	3,343
	Others		27,360	33,325
			676,452	618,981

30.1 This includes employee benefits amounting to Rs.17.257 million (2007: Rs. 10.037 million).

	Note	2008	2007
31 ADMINISTRATIVE EXPENSES		(Rupees in thousand)	
Salaries, allowances and benefits	31.1	229,423	177,796
Traveling and conveyance		15,950	12,829
Rent, rates and taxes		36,089	28,586
Legal and professional		40,410	2,950
Electricity, gas and water		14,120	11,265
Auditors' remuneration	31.2	1,980	1,160
Repairs and maintenance		29,129	15,387
Vehicles running and maintenance		10,086	9,758
Printing, stationery and periodicals		5,128	4,715
Postage, telegrams and telephones		7,182	5,177
Entertainment and staff welfare		20,406	15,841
Advertisement		1,714	1,213
Insurance		4,860	3,669
Provision for doubtful debts and advances		70,911	79,869
Depreciation	15.2	21,925	14,276
Others		4,809	2,065
		514,122	386,556

31.1 These include employees' benefits amounting to Rs.16.694 million (2007: Rs. 10.024 million).

31.2 Auditors' remuneration

		2008	2007
Audit fee		650	500
Certification, statutory reporting, advisory and other services		1,250	600
Out of pocket expenses		80	60
		1,980	1,160

32 OTHER OPERATING EXPENSES

	Note	2008	2007
Workers' profit participation fund	11.3	33,854	37,992
Workers' welfare fund		12,843	14,437
		46,697	52,429

33 FINANCE COST

	Note	2008	2007
Interest / mark-up on secured:			
- long-term financing		320,720	95,646
- short-term borrowings		591,715	718,645
- workers' profit participation fund	11.3	4,388	3,048
- liabilities against assets subject to finance lease		30,127	29,128
Interest on provident fund payable		2,757	4,626
Bank charges and commission		43,858	86,016
		993,565	937,109

34 PROVISION FOR TAXATION

	Note	2008	2007
		(Rupees in thousand)	
For the year			
Current		39,876	59,067
Deferred		166,288	135,157
		206,164	194,224
Prior year			
Current		29,086	(49,897)
Deferred		(57,280)	(19,162)
		(28,194)	(69,059)
		177,970	125,165

34.1 Numerical reconciliation between the average effective tax rate and applicable tax rate

	2008	2007
	%	
Applicable tax rate	35.00	35.00
Tax effects of amounts that are:		
Allowable for tax purpose	(1.94)	(2.93)
Not allowable for tax purpose	4.87	-
Effect of difference in tax rates under normal assessment and final tax regime	(3.40)	(6.44)
Effect of change in prior year's tax	(4.35)	(9.67)
Tax effect of adjustment of losses	(2.14)	-
Others	0.48	1.73
Average effective tax rate	28.52	17.69

35 LONG-TERM CONSTRUCTION CONTRACTS

	Note	2008	2007
		(Rupees in thousand)	
Contract revenue for the year		926,905	466,974
Contract costs for the year		607,358	293,112
Gross profit realised to date		500,924	261,278
Balance of advance received		158,697	34,676
Retention money receivable		160,374	63,314
Gross amount due from customers		447,521	204,899
Estimated future costs to complete projects in progress	35.1	993,273	571,440

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

36 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Directors		Executives	
	2008	2007	2008	2007
	.... (Rupees in thousand)			
Remuneration	12,037	6,012	65,063	32,724
House rent	2,924	1,719	23,119	12,320
Utilities	1,204	601	6,484	3,272
Bonus	-	-	9,819	5,576
Employment benefits	998	395	6,019	3,159
Reimbursable expenses				
Motor vehicles expenses	526	463	8,283	5,395
Medical expenses	109	231	2,979	1,598
TOTAL	17,798	9,421	121,766	64,044
Number of persons	4	4	65	42

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

36.2 Chief Executive Officer, directors and executives have been provided with free use of the Company's cars.

36.3 The above balances include an amount of Rs. 16.361 million (2007: Rs. 13.783 million) on account of compensation to key management personnel the detail of which are given in note 38 to the financial statements.

37 EARNINGS PER ORDINARY SHARE - BASIC AND DILUTED

The calculation of basic and diluted earnings per ordinary share is based on the following data:

	Note	2008	2007
		(Rupees in thousand)	
Earnings			
Profit for the year		452,425	582,244
Less: dividend payable on preference shares		56,881	57,475
Earnings attributable to ordinary shares		395,544	524,769
Number of shares			
		(numbers)	
Weighted average number of ordinary shares for the purpose of basic earnings per share		95,572,815	95,448,962
Effect of dilutive potential ordinary shares		12,480,314	11,204,704
		108,053,129	106,653,666

Basic and diluted earnings per share have been calculated through dividing earnings as stated above by weighted average number of ordinary shares.

	2008	2007
Basic earnings per share (rupees)	4.14	5.50
Diluted earnings per share (rupees)	4.14	5.46

38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from related parties are shown under receivables and remuneration of directors and key management personnel is disclosed in note 36 to these financial statements. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	Note	2008	2007
			(Rupees in thousand)	
Associated companies				
	Contract revenue		4,859	43,732
	Contract cost		4,500	35,112
	Receivables	21.1	27,231	46,783
Compensation of key management	Remuneration and other benefits		22,967	12,652
personnel	Post employment benefits		997	845

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

39 CAPITAL DISCLOSURE

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserve or/and issue new shares.

40 PLANT CAPACITY AND ACTUAL PRODUCTION

		2008		2007
	Unit	Annual Production capacity	Actual production during the year	Actual production during the year
Transformers	MVA	3,000	2,385	2,243
Switchgears	Nos.	4,500	4,685	3,347
Energy meters	Nos.	1,700,000	525,155	912,997
Air conditioners	Tonnes	90,000	81,631	61,161
Refrigerators / deep freezers	Cfts.	5,000,000	3,556,450	2,899,583
Televisions	Nos.	70,000	1,120	570

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

40.2 Due to increased demand, the production of switchgears is above their normal capacity, which was achieved through extra shift working.

41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest / mark-up rate risk management

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

	2008							2007
	INTEREST / MARK-UP BEARING			NON INTEREST / MARK-UP BEARING			Total	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
	......Rupees in thousand......							
Financial assets								
Long-term deposits	-	-	-	6,145	34,218	40,363	**40,363**	48,869
Trade debts	-	-	-	4,268,569	-	4,268,569	**4,268,569**	3,249,525
Advances	-	-	-	161,550	-	161,550	**161,550**	64,596
Deposits	-	-	-	274,717	-	274,717	**274,717**	269,075
Other receivables	-	-	-	28,334	-	28,334	**28,334**	29,374
Other financial assets	-	-	-	72,295	-	72,295	**72,295**	162,825
Cash and bank balances	52,915	-	52,915	381,569	-	381,569	**434,484**	536,574
Total	**52,915**	**-**	**52,915**	**5,193,179**	**34,218**	**5,227,397**	**5,280,312**	4,360,838
Financial liabilities								
Long-term financing	331,701	2,480,238	2,811,939	-	-	-	**2,811,939**	1,559,720
Liabilities against assets subject to finance lease	100,286	169,954	270,240	-	-	-	**270,240**	290,132
Interest / mark-up accrued on loans and other payables	-	-	-	220,104	-	220,104	**220,104**	213,298
Short-term borrowings	3,868,988	-	3,868,988	-	-	-	**3,868,988**	3,043,650
Trade and other payables	-	-	-	1,901,466	-	1,901,466	**1,901,466**	1,455,735
Total	**4,300,975**	**2,650,192**	**6,951,167**	**2,121,570**	**-**	**2,121,570**	**9,072,737**	6,562,535
On balance sheet gap - 2008	**(4,248,060)**	**(2,650,192)**	**(6,898,252)**	**3,071,609**	**34,218**	**3,105,827**	**(3,792,425)**	(2,201,697)
On balance sheet gap - 2007	(3,341,688)	(1,501,246)	(4,842,934)	2,605,905	35,332	2,641,237	(2,201,697)	

	2008							2007
	INTEREST / MARK-UP BEARING			NON INTEREST / MARK-UP BEARING			Total	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total		
	Rupees in thousand							
Off balance sheet items:								
Contingencies	1,616,438	-	1,616,438	-	-	-	1,616,438	1,117,351
Guarantees	-	-	-	643,383	-	643,383	643,383	642,706
Letters of credit	-	-	-	1,096,707	-	1,096,707	1,096,707	561,936
Total - 2008 - off balance sheet gap	**1,616,438**	**-**	**1,616,438**	**1,740,090**	**-**	**1,740,090**	**3,356,528**	**2,321,993**
Total - 2007 - - off balance sheet gap	1,117,351	-	1,117,351	1,204,642	-	1,204,642	2,321,993	1,478,992

Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of total financial assets of Rs. 5,280 million (2007: Rs. 4,361 million), the financial assets which are subject to credit risk amounted to Rs. 4,992 million (2007: Rs. 3,314 million). The Company has developed formal approval process whereby credit limits are applied to its customers. In certain cases the business with Government sector customers are secured by way of inland letter of credit. The management also continuously monitors the credit exposure towards the customers and makes provisions against those balances which are considered doubtful of recovery.

Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. However, the Company is not exposed to any significant foreign currency risk.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability could be settled between knowledgeable willing parties in an arm's length transaction. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

43 WORKING CAPITAL CHANGES

	2008	2007
	(Rupees in thousand)	
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(17,614)	(5,833)
Stock-in-trade	(1,061,237)	58,081
Trade debts	(1,320,923)	(386,847)
Advances	(285,419)	(100,645)
Deposits and short-term prepayments	(22,191)	(10,693)
Other receivables	(52,683)	(20,108)
	(2,760,067)	(466,045)
Increase / (decrease) in trade and other payables	498,746	(29,828)
	(2,261,321)	(495,873)

44 RE-CLASSIFICATION

Corresponding figure have been re-classified wherever necessary to reflect more appropriate presentation of events and transaction for the purpose of comparison. Significant re-classification are as follows:

From	To		
Profit and Loss account	Profit and Loss account	Reason	(Rupees in thousand)
Cost of sales - salaries, wages and benefits	Administration expenses - salaries, allowances and benefits	For better presentation	30,000
Cost of sales - salaries, wages and benefits	Distribution expenses - salaries, allowances and benefits	For better presentation	30,000

45 NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the year amounting to Rs. 120.534 million (2007: Rs. 124.129 million) were financed by new finance leases.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 08, 2008.

47 GENERAL

- Figures have been rounded off to the nearest thousand rupees except as stated otherwise.

NASEEM SAIGOL
Chairman / Chief Executive Officer

HAROON A. KHAN
Managing Director