

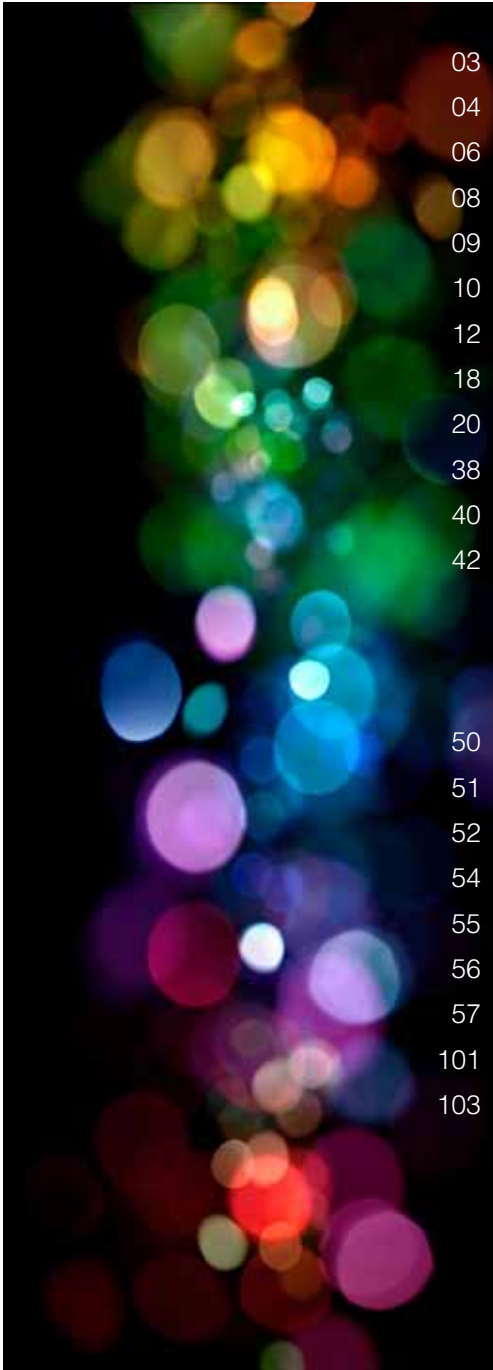
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“ We remain **confident** about our future. We are **well-positioned** competitively, with a devoted, endowed **workforce**, and an industry-leading and diverse backlog. We endeavor to be — and be seen as — the industry’s strongest and **best-integrated**. ”



Financial Highlights

Amount in Pak Rupees	For 6 months ended December 31, 2009	For the Year ended June 30, 2009
Sales	5,203 million	16,118 million
Profit after taxation	161 million	261 million
Market capitalization	1,788 million	2,467 million
Earnings per share - basic	1.28 per share	1.97 per share
Earnings per share- diluted	1.11 per share	1.94 per share
Breakup value per share	39.22 per share	37.54 per share
Market value per share	16.75 per share	23.11 per share

Pakistan's Economic Profile



Country's Statistics

Land area (sq. km)	796,100
Population (million)	180
Population growth (%)	2
Population density (people/sq.km.)	206
Life expectancy (years)	64
Literacy (%)	56

At fiscal year end		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Economic Indicators							
GDP Growth	(%)	6.40	8.40	6.60	7.02	5.80	2.00
GDP at current factor cost	(Pak Rs. billion)	5,251	6,123	7,159	8,235	9,962	12,460
GDP at market prices	(Pak Rs. billion)	5,640	6,500	7,623	8,673	10,284	13,095
Inflation	(%)	5	9	8	8	12	21
Trade Balance	(USD million)	(3,279)	(6,207)	(12,130)	(13,564)	(20,914)	(14,160)
Current account balance –							
ex. Officials transfers	(USD million)	1,811	(1,534)	(4,999)	(7,403)	(13,874)	(9,424)
Foreign currency reserves –							
year end	(USD million)	12,389	12,598	13,122	15,647	11,369	12,425
Exchange rate	(USD)	58	60	60	60	68	81
Exchange rate	(Euro)	71	72	76	82	108	115
KSE	100 index points	5,279	7,450	9,989	13,772	12,289	7,162
Stock Market Capitalization	(Pak Rs. billion)	1,403	2,037	2,766	3,981	3,778	2,155

Corporate Information



Board of Directors

Mr. M. Naseem Saigol
(Chief Executive Officer)

Mr. M. Azam Saigol

Mr. M. Murad Saigol

Mr. Muhammad Zeid Yousaf Saigol

Mr. Haroon Ahmad Khan
(Managing Director)

Mr. Muhammad Rafi Khan

Ms. Neelofer Hameed
(NIT Nominee)

Mr. Rizwan Hameed
(NBP Nominee U/S 182 of the Ordinance)

Mr. Wajahat A. Baqai
(NBP Nominee U/S 182 of the Ordinance)

Mr. Syed Hasan Irtaza Kazmi
(NBP Nominee U/S 182 of the Ordinance)

Audit Committee

Mr. M. Azam Saigol
Chairman/Member

Mr. Wajahat A. Baqai
Member

Mr. Rizwan Hameed
Member

Mr. Haroon Ahmad Khan
Member

Company Secretary

Mr. M. Omer Farooq

Chief Financial Officer

Syed Manzar Hasan
FCA

Auditors

M/s Yousaf Adil Saleem & Co.
(A member firm of Deloitte Touche Tohmatsu)
Chartered Accountants

Legal Advisors

M/s Hassan & Hassan Advocates

Registered Office

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35718274-5, 35717364-5
Fax: 042-35715105
E-mail: shares@saigols.com

Shares Registrar

Corplink (Pvt) Limited
Wings Arcade, 1-K Commercial
Model Town, Lahore
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037



Works

14Km, Ferozpur Road,
Lahore
Tel: 042-35811951-7 (7 Lines)
Website: www.pel.com.pk

Unit II

34Km, Ferozpur Road,
Keath Village, Lahore
Tel: 042-35935151-2

Karachi

Kohinoor Building
25-West Wharf Road, Karachi
Tel: 021-32200951-4
Fax: 021-32310330

Islamabad

Room # 1404, 14th Floor
Green Trust Tower, Blue Area, Islamabad
Tel: 051-2824543, 2824543, 2828941
Fax: 051-2273858

China

910, No. 1007, Zhong Shan Naun Er Road
Shanghai, China.
Tel: 86-21-64567533
Fax: 86-21-54109971

Bankers

Bank Alfalah Limited
Bank of Khyber
Bank of Punjab
Deutsche Bank
Dawood Islamic Bank
Faysal Bank Limited
KASB Bank Limited
Meezan Bank Limited
My Bank Limited
National Bank of Pakistan
NIB Bank Limited
Royal Bank of Scotland Limited
SILK Bank Limited
Soneri Bank Limited
Standard Chartered Bank

Vision & Mission



Vision

To excel in providing engineering goods and services through continuous improvement.

Mission

To provide quality products and services to the complete satisfaction of our customers and maximize returns for all stake holders through optimal use of resources

To focus on personal development of our Human Resource to meet future challenges

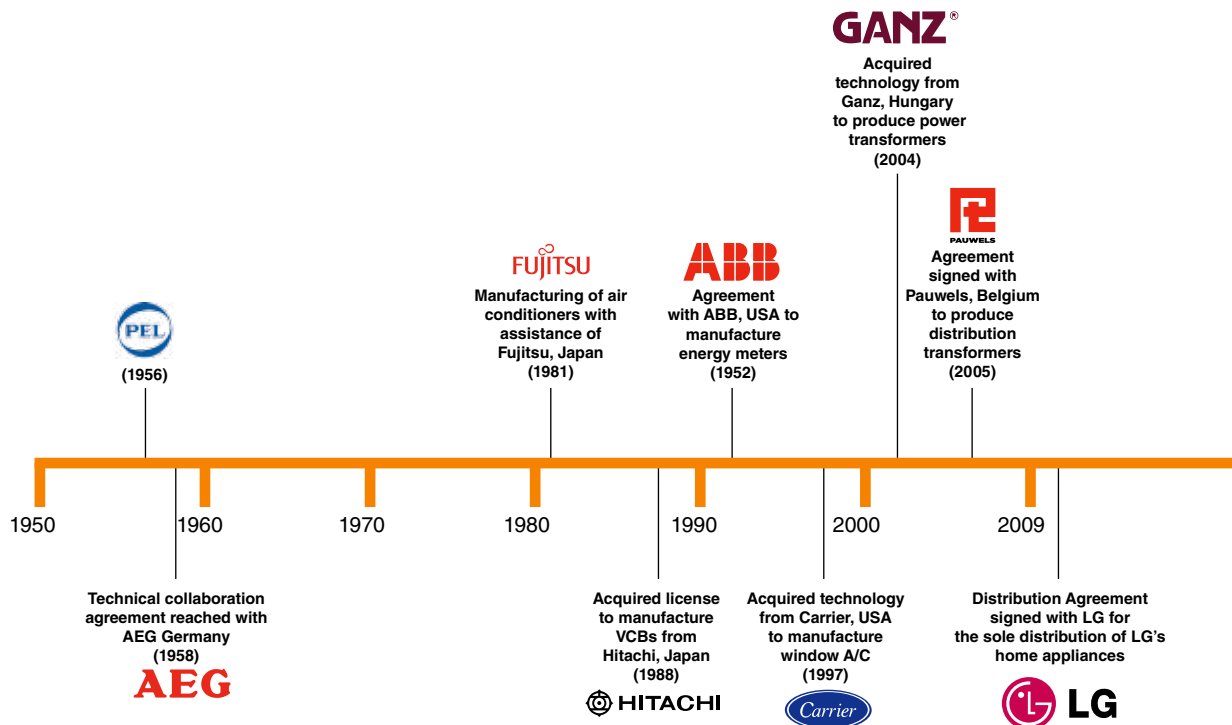
To promote good governance, corporate values and a safe working environment with a strong sense of social responsibility.

Key Milestones

PEL is the pioneer manufacturer of electrical goods in Pakistan. In 1956, the Company was set up by Malik Brothers in technical collaboration with M/s AEG of Germany ("AEG") to manufacture transformers, switchgear, and electric motors. AEG exited from the venture and sold their share of PEL to the Malik Brothers in the late 1960s, which was subsequently acquired by the Saigol Group of Companies ("Group" or "Saigol Group") in 1978.

Until the acquisition by the Saigol Group, PEL was solely catering the power equipment market. The Company ventured into home appliances market in 1981 after acquisition as a part of the Group's long term strategy of diversification.

Below is the timeline of key milestones that PEL has achieved over its history.



Notice of Annual General Meeting

Notice is hereby given that 54th Annual General Meeting of Shareholders of Pak Elektron Limited will be held on Friday, April 30, 2010 at 11: 00 a.m. at factory premises at 14-Km, Ferozpur Road, Lahore to transact the following business:

1. To confirm minutes of the annual general meeting held on October 30, 2009.
2. To receive, consider and adopt the Audited Accounts of the Company for the period ended December 31, 2009 together with Auditors' reports thereon.
3. To approve the issue of Bonus Shares @ 10% i.e. 10 shares of Rs.10/- each for every 100 shares of Rs.10 each held as recommended by the Board.
4. To appoint auditors of the Company to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

By order of the Board

Lahore
April 9, 2010

M. Omer Farooq
Company Secretary

Notes:

1. Share Transfer Books of the Company will remain closed from April 30, 2010 to May 6, 2010 (both days inclusive) for entitlement of 10% Bonus Shares for the accounting year ended December 31, 2009. Physical transfers / CDS Transactions IDs received in order at Company registrar office M/s Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial Model Town, Lahore on April 29, 2010 will be treated in time for entitlement of 10% Bonus Shares.
2. Share transfer book of preference shares (non-voting) of the Company will remain closed from April 30, 2010 to May 6, 2010 (both days inclusive) for entitlement of preferred dividend @ 9.5% p.a. Holder of Preference shares whose names appear in the books of the Company on 29 April, 2010 shall be entitled to receive 9.5% p.a. preferred dividend.
3. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the registered office of the company not later than 48 hours before time for holding of the meeting.
4. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and account/sub account number along with original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
5. Shareholders are requested to immediately notify the Company, change in their address, if any.

STRATEGIC PARTNERSHIP



**LG IS PLEASED TO APPOINT PEL AS THE SOLE DISTRIBUTOR OF
AIR-CONDITIONERS, WASHING MACHINES, REFRIGERATORS,
MICROWAVE OVENS & VACUUM CLEANERS FOR PAKISTAN & AJK
MARKETS FROM JUNE 2009**



Stake Holders' Information

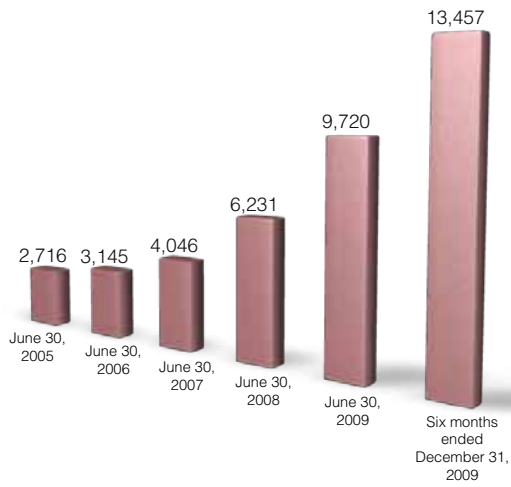
Key Operating and Financial data – Six years at a glance

	Six months Dec-09	2009	2008	2007	2006	2005	2004
Rupees in '000							
Trading result							
Gross Sales	5,203,152	16,117,524	13,926,572	13,077,670	11,042,160	8,075,382	6,077,006
Gross Profit	1,483,030	3,337,816	2,850,096	2,589,864	2,047,667	1,489,393	1,070,381
Operating Profit	839,367	1,757,025	1,601,558	1,632,356	1,282,218	837,758	659,103
Profit before tax	221,894	393,597	634,525	707,409	516,751	380,875	280,102
Profit after tax	161,251	260,546	456,555	582,244	442,142	285,174	277,224
EBITDA	1,133,942	2,084,694	1,923,473	1,879,341	1,435,855	1,030,727	756,218
Financial Position							
Issued, subscribed and paid up capital	1,593,720	1,496,677	1,496,677	1,368,591	1,215,873	1,136,194	236,876
Reserves and retained earnings	4,186,906	4,007,358	3,702,621	3,241,274	2,683,492	2,303,264	800,547
Property plant and equipment	13,457,138	9,720,022	6,231,129	4,046,378	3,144,904	2,716,401	3,594,164
Long term/ deferred liabilities	7,183,256	5,720,534	4,091,845	2,303,878	911,821	936,500	1,114,892

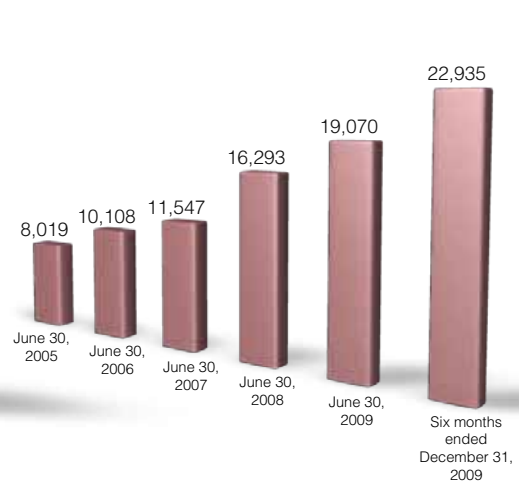
Investors' Information

	Six months Dec-09	2009	2008	2007	2006	2005	2004
Gross profit ratio (%)	32.02%	22.83%	22.53%	21.92%	21.77%	21.94%	21.71%
EBITDA margin to sales (%)	24.48%	14.26%	15.20%	15.91%	15.26%	15.18%	15.34%
Return on equity capital employed (%)	3.94%	6.76%	13.15%	19.65%	17.73%	18.24%	41.28%
Inventory turnover ratio (times)	0.89	3.30	3.22	3.63	3.24	3.24	3.63
Inventory turnover ratio (No. of days)	203	109	112	99	111	111	99
Debtor turnover ratio (times)	1.48	4.02	3.89	4.70	4.94	5.70	7.03
Debtor turnover ratio (No. of days)	122	90	92	77	73	63	51
Creditor turnover ratio (times)	3.26	8.61	7.03	7.57	8.11	9.62	7.88
Creditor turnover ratio (No. of days)	55	42	51	48	44	37	46
Total assets turnover ratio (times)	0.25	0.91	1.00	1.21	1.22	1.09	1.00
Fixes assets turnover (times)	0.45	2.02	2.71	3.64	3.77	2.56	1.86
Current ratio (Times)	1.23	1.32	1.43	1.33	1.04	1.16	0.94
Quick/acid test ratio	0.70	0.82	0.89	0.84	0.62	0.70	0.54
Price earning ratio	13.09	11.73	13.53	15.64	21.02	8.81	5.55
Cash Dividend %	0%	0%	0%	0%	0%	10%	10%
Stock Dividend %	10%	10%	0%	25%	25%	15%	30%
Dividend yield ratio	0.00	0.00	0.00	0.00	0.00	0.03	0.03
Dividend cover ratio	-	-	-	-	-	5.37	11.70
Interest Coverage ratio	1.36	1.29	1.65	1.75	1.70	1.84	1.74
Break up value per share	39.22	37.54	38.15	42.45	43.93	43.36	34.80
Market value per share (rupees)	16.75	23.11	56.00	86.00	105.95	39.90	36.75
Share Price during the year							
- High (Rupees)	24.81	56.49	96.00	105.50	108.35	97.00	74.00
- Low (rupees)	16.50	12.45	45.05	63.50	12.45	36.00	33.00
Earning per share (rupees)	1.28	1.97	4.14	5.50	5.04	4.53	6.62
Profit before tax to sales (%)	4.79%	2.69%	5.02%	5.99%	5.49%	5.61%	5.68%

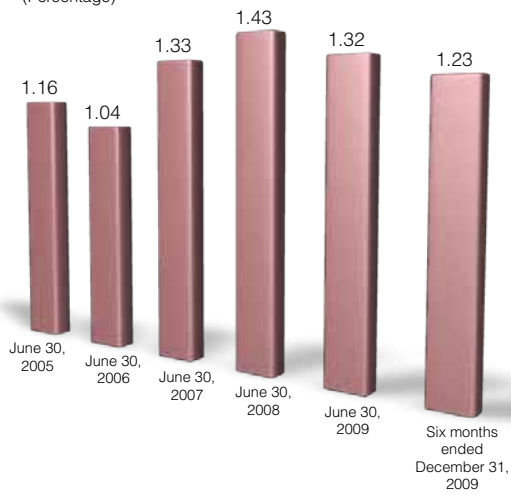
Fixed Assets
(Rs. in million)



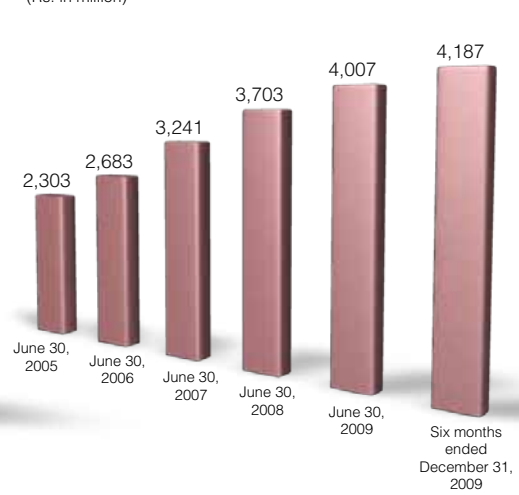
Total Assets
(Rs. in million)



Current Ratio
(Percentage)



Share Holders Equity
(Rs. in million)



Vertical Analysis

Balance Sheet

	Six months Dec-09		2009		2008		2007		2006		2005		2004	
	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%	Rs. in 000	%
Total equity	8,560,675	37.32%	6,795,669	35.64%	5,642,986	34.63%	4,064,615	35.20%	3,147,663	31.14%	2,791,865	34.82%	2,400,581	35.33%
Total non current liabilities	7,183,256	31.32%	5,720,534	30.00%	4,091,845	25.12%	2,303,878	19.95%	911,821	9.02%	936,500	11.67%	1,114,892	16.41%
Total current liabilities	7,191,289	31.36%	6,553,832	34.36%	6,558,372	40.25%	5,178,286	44.85%	6,048,257	59.84%	4,290,531	53.51%	3,280,068	48.26%
Total equity and liabilities	22,935,220	100.00%	19,070,035	100.00%	16,293,203	100.00%	11,546,779	100.00%	10,107,741	100.00%	8,018,896	100.00%	6,795,541	100.00%
Total non current assets	14,083,330	56.76%	10,405,484	54.56%	6,891,909	42.30%	4,675,889	40.50%	3,797,407	37.57%	3,052,533	38.07%	3,708,579	54.57%
Total current assets	8,851,890	43.24%	8,664,551	45.44%	9,401,294	57.70%	6,870,890	59.50%	6,310,334	62.43%	4,966,363	61.93%	3,086,962	45.43%
Total Assets	22,935,220	100.00%	19,070,035	100.00%	16,293,203	100.00%	11,546,779	100.00%	10,107,741	100.00%	8,018,896	100.00%	6,795,541	100.00%

Profit and Loss Account

Net Revenue	4,631,431	100.00%	14,621,612	100.00%	12,651,993	100.00%	11,813,487	100.00%	9,408,018	100.00%	6,787,882	100.00%	4,929,496	100.00%
Cost of sales	(3,148,401)	-67.98%	(11,283,796)	-77.17%	(9,801,897)	-77.47%	(9,223,623)	-78.08%	(7,360,351)	-78.23%	(5,298,489)	-78.06%	(3,859,115)	-78.29%
Gross Profit	1,483,030	32.02%	3,337,816	22.83%	2,850,096	22.53%	2,589,864	21.92%	2,047,667	21.77%	1,489,393	21.94%	1,070,381	21.71%
Other operating income	40,708	0.88%	37,088	0.25%	108,777	0.86%	100,458	0.85%	112,553	1.20%	60,014	0.88%	48,798	0.99%
Distribution cost	(315,170)	-6.81%	(892,068)	-6.10%	(676,452)	-5.35%	(618,981)	-5.24%	(590,412)	-6.28%	(402,348)	-5.93%	(273,692)	-5.55%
Administrative expenses	(349,450)	-7.55%	(609,004)	-4.17%	(543,636)	-4.30%	(386,556)	-3.27%	(262,482)	-2.79%	(285,676)	-4.21%	(169,321)	-3.43%
Other operating expenses	(19,751)	-0.43%	(116,807)	-0.80%	(137,227)	-1.08%	(52,429)	-0.44%	(25,108)	-0.27%	(23,625)	-0.35%	(17,063)	-0.35%
Operating Profit	839,367	18.12%	1,757,025	12.02%	1,601,558	12.66%	1,632,356	13.82%	1,282,218	13.63%	837,758	12.34%	659,103	13.37%
Finance cost	(619,911)	-13.38%	(1,372,676)	-9.39%	(972,618)	-7.69%	(937,109)	-7.93%	(742,130)	-7.89%	(450,888)	-6.64%	(379,001)	-7.69%
Share of profit/Loss of associate	2,438	13.38%	9,248	0.06%	5,585	0.04%	12,162	0.10%	(23,337)	-0.25%	(5,995)	-0.09%	-	0.00%
Profit before taxation	221,894	0.05%	393,597	2.69%	634,525	5.02%	707,409	5.99%	516,751	5.49%	380,875	5.61%	280,102	5.68%
Provision for taxation	(60,643)	-1.31%	(133,051)	-0.91%	(177,970)	-1.41%	(125,165)	-1.06%	(74,609)	-0.79%	(95,701)	-1.41%	(2,878)	-0.06%
Profit for the year	161,251	3.48%	260,546	1.78%	456,555	3.61%	582,244	4.93%	442,142	4.70%	285,174	4.20%	277,224	5.62%

Horizontal Analysis

Balance Sheet

	Six months Dec-09	2009	2008	2007	2006	2005	2004
	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'
Total equity	8,560,675	6,795,669	5,642,986	4,064,615	3,147,663	2,791,865	2,400,581
Total non current liabilities	7,183,256	5,720,534	4,091,845	2,303,878	911,821	936,500	1,114,892
Total current liabilities	7,191,289	6,553,832	6,558,372	5,178,286	6,048,257	4,290,531	3,280,068
Total equity and liabilities	22,935,220	19,070,035	16,293,203	11,546,779	10,107,741	8,018,896	6,795,541
Total non current assets	14,083,330	10,405,484	6,891,909	4,675,889	3,797,407	3,052,533	3,708,579
Total current assets	8,851,890	8,664,551	9,401,294	6,870,890	6,310,334	4,966,363	3,086,962
Total Assets	22,935,220	19,070,035	16,293,203	11,546,779	10,107,741	8,018,896	6,795,541
						% Increase / (Decrease) over preceding year	
	Dec-09	2009	2008	2007	2006	2005	2004
Total equity	25.97%	20.43%	38.83%	29.13%	12.74%	16.30%	19.80%
Total non current liabilities	25.57%	39.80%	77.61%	152.67%	-2.64%	-16.00%	26.69%
Total current liabilities	9.73%	-0.07%	26.65%	-14.38%	40.97%	30.81%	32.95%
Total equity and liabilities	20.27%	17.04%	41.11%	14.24%	26.05%	18.00%	26.99%
Total non current assets	35.35%	50.98%	47.39%	23.13%	24.40%	-17.69%	18.38%
Total current assets	2.16%	-7.84%	36.83%	8.88%	27.06%	60.88%	39.15%
Total Assets	20.27%	17.04%	41.11%	14.24%	26.05%	18.00%	26.99%

Profit and Loss Account

	Dec-09	2009	2008	2007	2006	2005	2004
	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'	Rs. in '000'
Net Revenue	4,631,431	14,621,612	12,651,993	11,813,487	9,408,018	6,787,882	4,929,496
Cost of sales	(3,148,401)	(11,283,796)	(9,801,897)	(9,223,623)	(7,360,351)	(5,298,489)	(3,859,115)
Gross Profit	1,483,030	3,337,816	2,850,096	2,589,864	2,047,667	1,489,393	1,070,381
Other operating income	40,708	37,088	108,777	100,458	112,553	60,014	48,798
Distribution cost	(315,170)	(892,068)	(676,452)	(618,981)	(590,412)	(402,348)	(273,692)
Administrative expenses	(349,450)	(609,004)	(543,636)	(386,556)	(262,482)	(285,676)	(169,321)
Other operating expenses	(19,751)	(116,807)	(137,227)	(52,429)	(25,108)	(23,625)	(17,063)
Operating Profit	839,367	1,757,025	1,601,558	1,632,356	1,282,218	837,758	659,103
Finance cost	(619,911)	(1,372,676)	(972,618)	(937,109)	(742,130)	(450,888)	(379,001)
Share of profit/Loss of associate	2,438	9,248	5,585	12,162	(23,337)	(5,995)	-
Profit before taxation	221,894	393,597	634,525	707,409	516,751	380,875	280,102
Provision for taxation	(60,643)	(133,051)	(177,970)	(125,165)	(74,609)	(95,701)	(2,878)
Profit for the year	161,251	260,546	456,555	582,244	442,142	285,174	277,224
						% Increase / (Decrease) over preceding year	
	Dec-09	2009	2008	2007	2006	2005	2004
Net Revenue	-68.32%	15.57%	7.10%	25.57%	38.60%	37.70%	53.60%
Cost of sales	-72.10%	15.12%	6.27%	25.31%	38.91%	37.30%	61.97%
Gross Profit	-55.57%	17.11%	10.05%	26.48%	37.48%	39.15%	29.49%
Other operating income	9.76%	-65.90%	8.28%	-10.75%	87.54%	22.98%	203.89%
Distribution cost	-64.67%	31.87%	9.28%	4.84%	46.74%	47.01%	65.15%
Administrative expenses	-42.62%	12.02%	40.64%	47.27%	-8.12%	68.72%	26.53%
Other operating expenses	-83.09%	-14.88%	161.74%	108.81%	6.28%	38.46%	71.47%
Operating Profit	-52.23%	9.71%	-1.89%	27.31%	53.05%	27.11%	23.62%
Finance cost	-54.84%	41.13%	3.79%	26.27%	64.59%	18.97%	8.48%
Share of profit/Loss of associate	-73.64%	65.59%	-54.08%	-152.11%	289.27%	0.00%	0.00%
Profit before taxation	-43.62%	-37.97%	-10.30%	36.90%	35.67%	35.98%	52.40%
Provision for taxation	-54.42%	-25.24%	42.19%	67.76%	-22.04%	3225.26%	-93.24%
Profit for the year	-38.11%	-42.93%	-21.59%	31.69%	55.04%	2.87%	96.32%

Statement of Value Addition

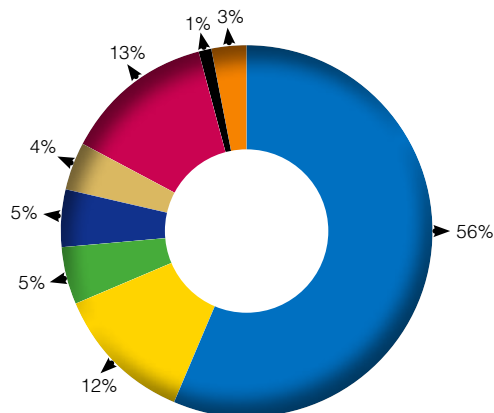
	Six Months Ended December 31, 2009	Year Ended June 30, 2009
Wealth Generation		
Contract Revenue	372,909	1,087,590
Sales	4,258,522	13,534,022
Value Added	4,631,431	14,621,612
Other Operating Income	40,708	37,088
Share of Profit of Associate	2,438	9,248
Wealth Created	4,674,577	14,667,948

Wealth Distribution

Cost of goods sold	2,633,674	10,276,792
Employees Remuneration and benefits	571,616	1,269,399
Depreciation and amortization	218,505	318,439
Administration and other operating expenses	217,979	425,042
Selling expenses	190,998	612,003
Financial Cost	619,911	1,372,676
Contribution to Government (Income tax, WWF, WPPF)	60,643	133,051
Profit Retained / (Distributed)	161,251	260,546
Wealth Distribution	4,674,577	14,667,948

Wealth Distribution

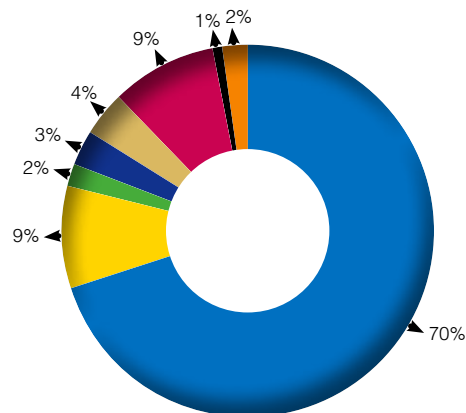
for six months ended December 2009



- Cost of goods sold
- Employees remuneration and benefits
- Depreciation and amortization
- Administration and other operating expenses
- Selling expenses
- Financial cost
- Contribution to Government (income tax, WWF, WPPF)
- Profit retained / (Distributed)

Wealth Distribution

for the year ended June 2009



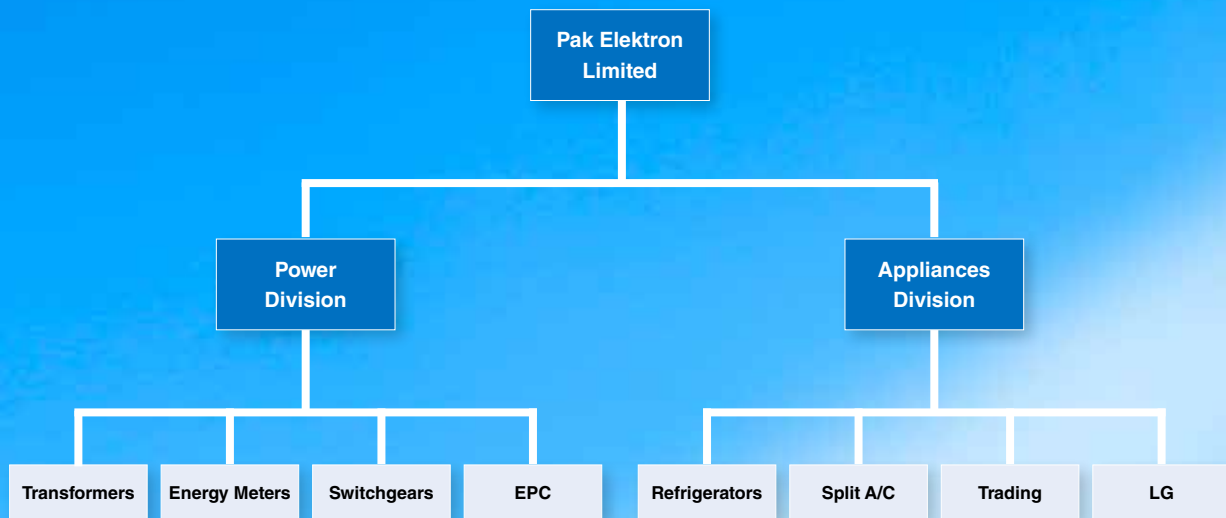
- Cost of goods sold
- Employees remuneration and benefits
- Depreciation and amortization
- Administration and other operating expenses
- Selling expenses
- Financial cost
- Contribution to Government (income tax, WWF, WPPF)
- Profit retained / (Distributed)



CE

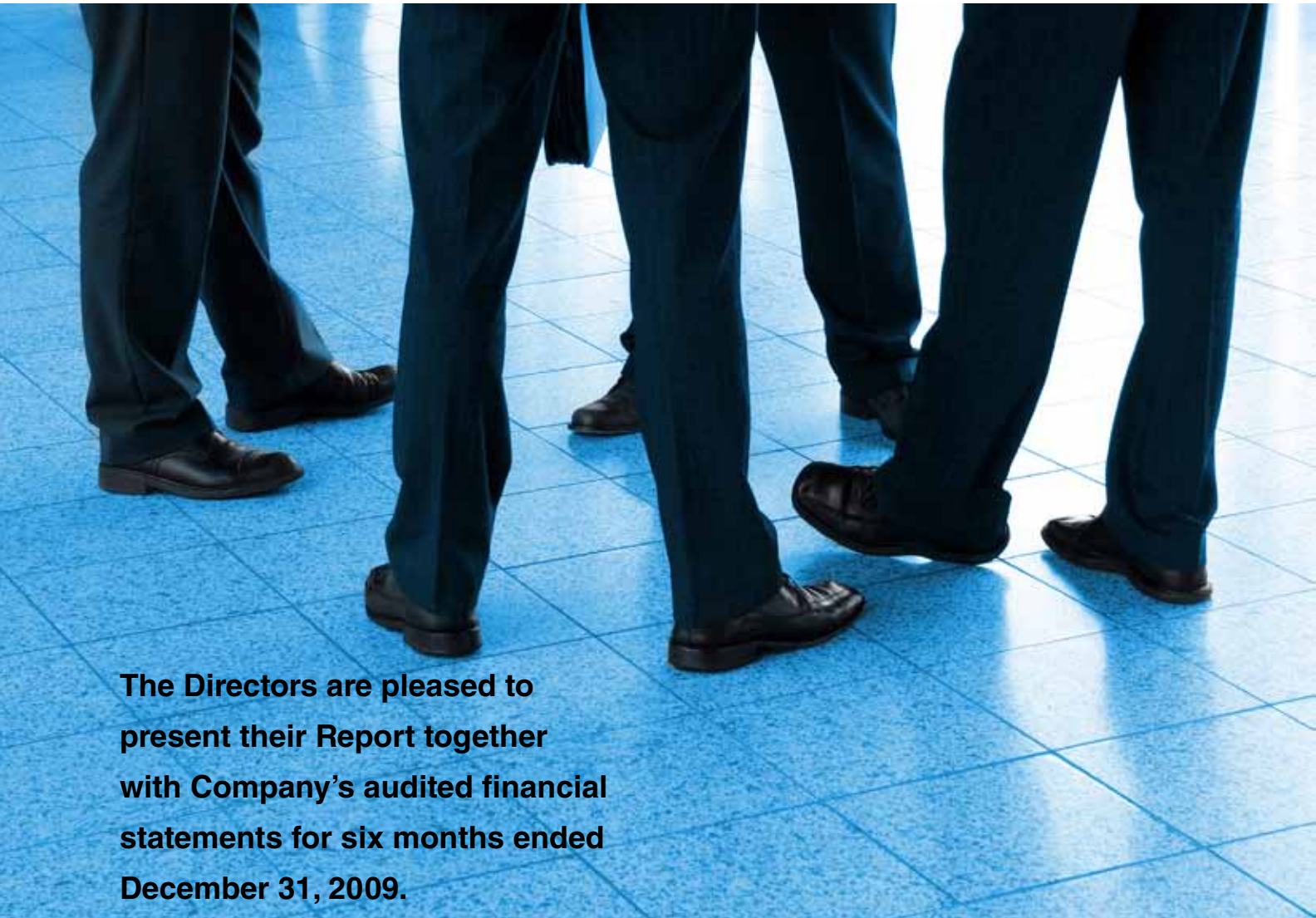
220 Volt
24 Volt

Business Segments and Products





Directors' Report to the Shareholders



The Directors are pleased to present their Report together with Company's audited financial statements for six months ended December 31, 2009.

Operating Results and Performance Overview

Company achieved sales of Rs. 5.203 billion during six months ended December 31, 2009 which were marginally lower than corresponding period's sales of Rs. 5.547 billion. Profit after taxation of Rs. 161 million grew more than 16% over previous six months figure of Rs. 138 million. This performance is noteworthy especially in view of prevailing non-conductive business conditions. Comparative figures, although, have been reported for the year ended June 30, 2009 but for better understanding figures

of corresponding six months have also been reported wherever necessary, in this report.

In order to match the seasonal business cycle with the accounting year, Company has adopted calendar year as its accounting year whereby the year-end will not fall in the peak season. As such these accounts have been prepared for six months ended December 31, 2009 after obtaining necessary approvals from relevant authorities.

Summary of the results is as under :

Financial Results

Rupees in million	6 months ended December 31 2009	6 months ended December 31 2008	Year ended June 30 2009
Gross Sales	5,203	5,547	16,117
Gross Profit	1,483	1,302	3,337
Operating Profit	839	820	1,757
Profit before tax	224	204	394
Profit after tax	160	139	261
Earnings per share (Basic) – Rupees	1.28	1.17	1.97
Earning per share (Diluted) – Rupees	1.11	1.06	1.94

Economic Analysis & Company's Contribution

Pakistan has been facing both economic and political instability in parallel to the global financial crisis. Turbulent political and security situation coupled with inflation, trade deficit, adverse balance of payment, circular debt, poor performance of state enterprises and stock market have remained the key indicators of Pakistan's economy. Lately, Political, Security and Economic indicators are seen taking a positive turn and given the resilience demonstrated by this country in the past, we are confident that this turnaround should continue. GDP growth is likely to achieve the target of 3.3 per cent for the year and gradual recovery is underway.

During the period under review, with IMF's program in place and support from multilateral lending agencies, country's foreign exchange reserves have been strengthening after going through a worst period in the previous year, but the much needed confidence from domestic as well as foreign investors in the country's economy remained weak. This was probably due to instability in political as well security situation together with internal financial woes like liquidity constraints, circular debt, unabated inflation,





negative growth of large scale manufacturing sector and slow down in growth of services sector. Robust growth of agricultural sector despite worries about availability of water and healthy foreign remittances from overseas Pakistanis are contributing in achieving the GDP growth target.

On top of all above was internal strife and intensification of domestic security challenge which caused an extremely high cost to the economy both in terms of direct cost of war against extremism and in terms of knock-on effect on investment inflows and market confidence.

Continued international support through IMF's and other programs, reduction in the current account deficit mainly due to lower oil prices together with growing foreign remittances have caused foreign exchange reserves to cross US\$ 14 billion mark. Relative calm in security situation, silver lining in the agricultural sector and recent positive developments on the political front have given rise to a positive

sentiment. Stock exchange is bouncing back to win confidence of investors. Bumper wheat, cotton and other crops, with good price received by farmers has given them enough disposable income to purchase goods and services and hence boost economy. As such the outlook at the end of year is encouraging for companies to do a good business during the next year.

Power Division

The gap in demand and supply of energy in the country is on the rise for quite a while resulting into severe load management. This requires huge input from Government and Private sector on the generation side in different forms such as thermal, hydel, coal and wind. Funding aspect of fuel supply and the circular debt issue also results into less than optimum capacity utilization of the generation facilities. Commensurate investment in the distribution network is also required without which it is deteriorating day by day due to increasing load on old and worn out electrical distribution equipment.



Although financial institutions like ADB and World Bank have stepped in, however, the pace of implementation is lower than plans envisaged. Increased pace in the implementation would play a pivotal role in the improvement of electrical distribution network.

Keeping in view the challenges in this area, few years ago the company embarked upon a major program of enhancing its capabilities to design and manufacture state of the art electrical distribution equipment in the country. We by the Grace of God, are market leaders in the field of distribution transformers and have taken a leap in this direction by setting up a new state of the art manufacturing facility for production of new generation of distribution transformers. This has commenced production during the period under review.

An estimate of the benefits of replacing the existing population of distribution transformers in the country by the newly designed transformers reveals a minimum saving of 450 MWs of power in addition to bringing the much needed reliability and stability in the distribution system. Hence with a very modest investment by electrical utility companies, not only the electrical shortage can be covered, sizeable additional revenue to utilities can be generated. The resultant stability in the system will also enhance the life and productivity of the electrical goods in domestic and industrial usage.

Power division manufactures distribution & power transformers, switchgears, energy meters and is involved in construction of grid stations and power networks on EPC basis. Share of



the power division in the overall sales of the Company during six months ended December 31, 2009 amounted to PKR 2.226 billion.

The Company has also diversified its power division business by establishing an Engineering Procurement and Construction (EPC) division which has recognized itself as a major player in the construction of 132KV grid stations on EPC basis. Recently PEL was awarded its first 220KV sub-station construction contract. Over the years, PEL electrical equipment has been used in numerous power projects of national importance within Pakistan.

Distribution Transformers

Setting up of the new manufacturing facility has given a technological edge to the Company over its competitors not only within the country but also in the entire Middle East and North African region. The new site is 20 Km away from the present factory on Ferozpur Road and has commenced production during the period under review. The new designs, in addition to achieving more market penetration on the

basis of lower transformation losses, increased strength to sustain over loading, ensure smooth power supply, enhanced life and low after sale service will also provide reduction in variable manufacturing costs.

Parallel to building the required hardware and the manufacturing facilities, investments have been made in acquiring and strengthening the necessary software and human resource in the engineering design, manufacturing, quality control and marketing & sales areas. Adequately experienced professionals from local as well as foreign organizations with Pakistani and European nationalities are part of our core teams.

As part of our continuing R & D activities, we also have acquired technologies and developed in-house dry type and smart transformers for specialized applications.

Power Transformers

PEL established its power transformers division in 2005 and has become the leading manufacturer of power transformers in Pakistan





capable to produce 132KV power transformers and have started to contribute to revenues and profitability of the company.

The volumetric growth in this area has been exemplary over the past few years. This has been based on recognition of electrical distribution companies that only improved distribution networks can bring efficiencies in the system and availability of stable energy for the final consumer.

After completing the full range 132KV transformers, your company is now in process of acquisition of technology for production of 220 KV Power Transformers. Educational order for 250 MVA, 220 KV Power Transformer is expected from WAPDA soon.

After setting up a solid base of successful performance in Pakistan, we have started export of this product to African and European Markets.

Energy Meter

The cash machine of Electric Utility Companies is in the process of change from Electro Mechanical to Digital Meters. The features of digital metering include time of the day, maximum demand indication, remote access, two way communication and a number of other features that make this equipment a smart product. It also enjoys the confidence of the consumer with respect to its reliability and accuracy.

PEL had anticipated this new trend and had timely acquired proven technology. Hence we are able to meet the demand for single and three phase applications by in-house production. The business in this product is showing healthy signs in terms of revenue and profitability and enhanced utilization of production capacities.



Switchgear

Switchgear business during the current period remained constant due to moderate demand from both private sector as well as from WAPDA. Since implementation of programs funded by World Bank and ADB, we are expecting more orders from public sector.

PEL manufactures MV & LV switchgears for indoor & outdoor installations which comply with all significant international standards & regulations. PEL's share in market for switchgear including MV metal clad switchgear cubicles, MV Pad Mounted Transformers, Kiosk Type Substations, LV Power Factor improvement plants, Motor control centers & bus tie duct remained stable due to better management of customer relation. Marketing efforts to accelerate sales to private sector, WAPDA and also KESC market are well underway.

EPC Contracting

With restructuring of power sector in Pakistan customers demand of high value packaged solutions for transmission systems and enterprise electrification requirements are expected to grow. PEL EPC consists of human resource with high academic qualifications and experience of local as well as global markets. The EPC division delivers custom designed and built solutions in following areas.

- 132KV and 220KV grid stations for power utility companies.
- 132KV and 11KV substations for industrial and commercial customers.
- Integration of private captive power generation plants into utility network for sale of their surplus power to utility companies.
- Electrification of housing projects and industrial parks



Appliances Division

The period under review has registered steady growth in Appliances division. Sales grew to Rs. 2.898 billion from Rs. 2.642 billion over corresponding period showing an increase of 10%.

Among other reasons, increase in sales of home appliances can be attributed to increase in disposable income of farmers from agricultural products. For instance, according to Economic survey of Pakistan, the disposable income of farmers has grown from Rs. 288 billion in 2003 (for wheat, cotton, rice & sugarcane) to Rs. 900 billion in 2009. With availability of this additional money, demand of home appliances have gained momentum and have come within reach of farmers. Refrigerator for example in addition to preservation of food ensures availability of cool water.

Demand for electrical goods in Pakistan, despite energy crisis and inflationary pressure, is on the rise again and is mainly attributable to shift of majority of home appliances products from

'Luxury' to 'Necessity' cadre. We are seeing a shift in demand of ACs from urban to rural areas whereas similar shift in demand has already been witnessed for last 5 to 7 years in Refrigerators with total market increasing from 200,000 to over 1 million units. Similar trend was observed in Microwave ovens and Washing machines.

Despite shortage of power and load shedding, surge in demand and sales of air conditioners is seen. This is due to the fact that consumers have buying power for this product and want to use air conditioners even for smaller durations when power supply is there.

Raw material costs increased in last six months on account of both, in Forex rates as well as in C & F prices. Increase in other fixed costs were also observed following inflationary trend while energy costs i.e. electricity & generator running costs went up sharply due to ongoing power crisis. Consequently selling prices of our appliances products during current period had

NOT ONLY REFRIGERATION WE BELIEVE IN HEALTHY PRESERVATION

Refrigerators only store things at a low temperature but LG Refrigerator keeps food fresh and in good health to keep you healthy. It's **Green Ion Door Cooling** keeps freshness 2.5 times longer and the **Vitamin Kit** preserves vitamin C 1.7 times more to let you enjoy the freshness anytime!



Vitamin Plus
Preserves vitamins for fresher
fruit and vegetables



bioshield™
Prevents mold growth



Convertible corner
Stores meat or vegetable in a
suitable environment



**Green Ion Door
Cooling**
Circulates air combined with ions
to maintain hygiene & freshness



LG
Life's Good

Customer Services: 111-102-103 www.pel.com.pk

Lahore 042-36290257, Okara 044-2029910, Sahiwal 040-4228628, Burewala 067-3771198, Faisalabad 041-8714048, Multan 081-8213041, D. G. Khan 066-2467270,
Bahawalpur 062-2731282, R. Y. Khan 098-5887837, Sargodha 048-3728110, Gujranwala 055-3542181, Gujrat 0633-626275, Blakket 052-3251665, Gujrat Khan 061-3810514,
Rawalpindi 051-4422506, W. Cantt 0514-540224, Peshawar 091-5853362, D. I. Khan 096-8718000, Sukkur 071-5027461, Quetta 041-2861342, Hyderabad 0223-818382,
Karachi 021-3272804

Keeps you cool

(No matter how hard anyone tries!)

The leader in air conditioning, PEL, introduces the most powerful and energy efficient outdoor unit which will keep you cool and calm, no matter what.

Inner groove piping feature

Internationally famous brand compressor adopted

Elaborate multilayer dustproof filter net

Super quiet motor

Unique double mute technology

PEL
Change your life

to be increased but increase was less than what It was during corresponding period when Pak rupee was devalued substantially.

Assigning of distributorship rights of LG products in Pakistan has started to yield positive results. The addition of LG brand implies that PEL will have two leading brands in both the categories of home appliances and air conditioners with minimal products directly competing with each other. This synergy of brands will bring technologically superior products to the customer at competitive prices.

Refrigerators

Consumer demand for Refrigerators remained steady despite unfavorable economic conditions during last six months and we are pleased to

report that we achieved our six monthly targets of this product. In view of increase in raw material prices and energy crisis, much against our will, we had to increase selling prices of Refrigerators and we are satisfied to note that these increases were absorbed by the market.

Economical models introduced last year were continued to be well received by the market and have become a permanent part of our Refrigerator range. By offering single price strategy, we have gained huge confidence of our customers which has brought uniformity of pricing across the country.

We are planning to introduce new range in Refrigerators offering new features in attractive designs and colors. We have also strengthened

NOT ONLY REFRIGERATION WE BELIEVE IN HEALTHY PRESERVATION



Pak Elektron Limited
Customer Services: 111-102-103
www.pel.com.pk

our R & D team to upgrade the existing line up and play a vital role in bringing new series to the market.

Forecast for forthcoming season appears to be conducive for our business and with the onset summer and , increased consumer demand, we are confident in achieving our annual targets.

Air Conditioners

Air conditioners sold well in the last six months and we are pleased to inform that Company achieved its budgeted sales figures of the period. With the induction of new models, we now offer wide range of choice to our customers at competitive prices. The launch of LG products, especially, air conditioner, will give us an edge and will also compliment PEL brand with the same group of dealers used for primary sales.

The outlook for the next six months appears to be promising as demand for the next six months is anticipated to grow due to increasing temperature in Pakistan. Aggressive advertising and in-store branding has added to enhance consumer perception of PEL brand.

Deep Freezers

The ability to produce tailor made B2B projects has helped in securing orders from corporate sector. This segment has become permanent feature to our deep freezer business with repeat orders. Proven quality of our products and our prompt after sales service has also helped us to maintain and develop stronger relation with our valuable corporate customers.

Meanwhile, we also intend to increase our dealer network in this category by offering new models to customers at competitive prices.



Other Domestic Appliances

This category includes Microwave ovens, Water dispensers and Washing machines which compliment the home appliances range of the Company. PEL emphasizes on each product category through product campaigns, in-time availability & focusing on shop share. Microwave was the most highlighted in this category which is offered with new & attractive designs for the consumers. PEL has increased Microwave product range by offering different sizes and models meeting varying requirement of our customers. New art flower designs in Microwave range will be shortly added to our Microwave range. In addition, we have launched economical

models in water dispenser category to meet the growing customer needs.

LG Electronics

LG Electronics is one of the world's top companies in Home Appliances, and as mentioned in our last annual review, company has acquired distribution rights for its domestic appliances and air conditioners.

Sales for Split ACs constitutes more than 70% of total LG business and majority of split ACs sale takes place in summer. For the forthcoming season, we have planned to introduce innovative and attractive models which includes Art Cool, Jet Cool & Exceed. Combined with contemporary



Change your life





technological characteristics, modern designs, the split air conditioner series is a must for luxury and healthy living. The new series includes MF (multi-flow) condenser which is 30% lighter, with longer life & energy efficiency due to the new multi-flow technology.

LG Refrigerator is known across the globe for its technologically advanced features like green ion door cooling system, vitamin plus, bio shield. LG refrigerator series promises to store things with healthy preservation to keep food fresh and in good health so that you can be healthy.

The flagship model of LG refrigerators, the side-by-side fridge features premium styling, a soft-touch LED control panel, and easy access to the foods you reach for most. Inside are plenty of adjustable shelves, bins and drawers, a "Moisture Balance Crisper" for longer lasting veggies, even digital controls which react instantly to fluctuations in temperature.

LG is always at the forefront of advanced technology with special emphasis on healthcare.

New and attractive models were also introduced in other products of LG like Solar Dom in Microwave category which uses light wave cooking instead of conventional microwaves and is 40% energy efficient. LG Washing Machine has unique feature of Inverter Direct Drive motor which offers energy efficiency & comes with a ten year warranty.

Future Outlook

PEL is geared towards addressing and meeting the expectation of our customer for quality products in both domestic appliances and electrical equipments. With achievement of higher deletion levels, a source of import substitution, the Company is effectively contributing towards saving of valuable foreign exchange of the country. PEL future performance will be based on cost savings, increased sales and high operating efficiencies. Various steps have already been introduced with the objective of generating sustainable earnings by focusing on different operational areas and business diversifications.



As a successful business enterprise, PEL continues to attract great numbers of diverse and talented people in every discipline. As a corporation, we are committed to greater diversity in our workforce and the competitive edge.

Pakistan's economy is also expected to grow largely on account of population, utilization of natural resources, potential of agricultural products and competitive edge it has towards manufacturing of goods at lesser costs. We are confident that PEL is well positioned to realize its potential by taking advantage from the expected growth in the economy as our capabilities are aligned with the priorities of our customers both in Power as well as Appliances division.

Dividend and equity

Stock dividend @ 10% has been declared out of capital reserves for the period ended December 31, 2009.

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 relevant rules and regulations.

Material Changes

The annexed financial statements have been prepared for six months ended December 31, 2009 as the Company changed its accounting year from June 30th to December 31st. The said change was made after obtaining necessary approvals from relevant authorities.

There have been no other material change since June 30, 2009 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. 1.28 (June 2009 : 1.97).

Operating and Financial Data

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

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 from the best practices of corporate governance, as detailed in the listing regulations.
- Value of investments of Provident Fund as on December 31, 2009 is Rs. 305 million.
- The Board of Directors presently comprises ten individuals, out of which six are independent non executive directors.
- **Board Meetings**
Meetings of the board of directors are held regularly to take notice of the results of corporate operations and their management and to make decisions concerning company's business activities. Meetings also take place to consider business trends and operational plans of the company.



During the period under review, Board of Directors held two meetings on October 8, 2009 and October 30, 2009. Attendance by each director during these meetings was as follows:

Mr. M. Naseem Saigol	1
Mr. M. Azam Saigol	1
Mr. Murad Saigol	2
Mr. Zeid Yousaf Saigol	2
Mr. Haroon Ahmad Khan	2
Mr. Muhammad Rafi Khan	–
Ms. Neelofar Hameed (NIT Nominee)	1
Mr. Wajahat A. Baqai (NBP Nominee) (Resigned)	1
Mr. Tajammal H. Bokhari (NBP Nominee)	1
Mr. Rizwan Hameed (NBP Nominee)	1

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, retires and being eligible, has offered them 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 December 31, 2010, 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
April 9, 2010

M. Naseem Saigol
Chief Executive Officer

Statement of Compliance

with the Code of Corporate Governance

For six months ended December 31, 2009

The statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37,43 & 36 of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board of Directors of the Company includes six non-executive and four executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in the payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. One casual vacancy occurred in the Board of Directors during the period ended December 31, 2009.
5. The Company has prepared a Statement of Ethics and Business Practices which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are aware of their fiduciary responsibilities and most of them have attended orientation courses.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

11. The Director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. The financial statements of the Company were duly endorsed by Chief Executive and Chief Financial Officer prior to approval by the Board of Directors.
 13. The Directors, Chief Executive and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 14. The Company has complied with all the corporate and financial reporting requirements of the Code.
 15. The Board has formed an audit committee. It comprises four members, of whom two are non-executive directors. A non-executive Director is the Chairman of the committee.
 16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the code. The terms of reference of the committee have been formed and advised to the committee for compliance.
 17. The Board has set-up an effective internal audit function, members of which suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
 18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
 19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 20. All related party transactions were approved and reviewed by the Board of Directors and placed before the Audit Committee. All record prescribed in this context were maintained.
- We confirm that all other material principles contained in the Code have been substantially complied with.

Lahore
April 9, 2010

M. Naseem Saigol
Chairman / Chief Executive

Health, Safety and Environment (HSE)



Safeguarding the health and safety of our people and our customers is not only a moral responsibility, but also essential to the success of the business.

We promote a safety culture where each team member is responsible for the safety of those around them - and is required to act accordingly.

Equally important is minimizing the impact of our operations on the local communities in which we work.

Our aim is to set industry-leading standards on health, safety and the environment and make these a point of key competitive advantage in our market.

PEL Integrated Management System (PIMS)

We have recently developed and implemented PEL Integrated Management System (PIMS) based on ISO 14001:2004 & OHSAS 18001:2007 requirements.

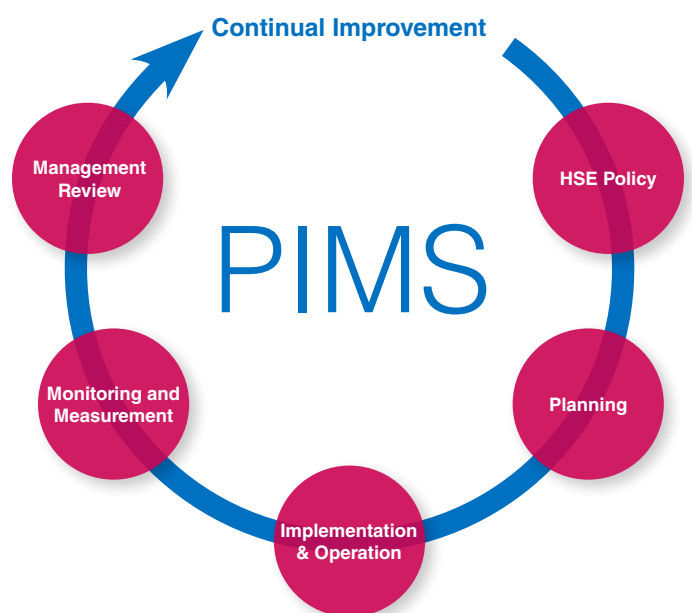
A number of policies, procedures and work guidelines have been developed & implemented. 1st Internal HSE Audit and Management Review have been conducted successfully.

1st stage audit of OHSAS 18001 and ISO 14001 bodies has been conducted successfully by reputed external certification body and currently we are preparing for final certification audit and hopefully we will get certified very soon.



PEL'S NUMBER
ONE OPERATIONAL
PRIORITY REMAINS
**HEALTH, SAFETY AND
THE ENVIRONMENT.**

Elements of PEL Integrated Management System
(PIMS)



Corporate Social Responsibility (CSR)



At PEL, we're making life a little brighter as we share the hopes of local communities around the world.

We're building a better tomorrow as we grow and prosper together with our partners. We're making the world a little greener as we practice the principles of sustainability. And as we continue to fulfill our responsibilities as a corporate citizen, we'll be bringing the dream of a sustainable future a step closer to reality

CSR is fundamental part of the way we do business and is imperative part of our business strategies.

We believe that our contribution to the society is the only way to achieve true success.

Serving to make a world of difference

We're involved in a diverse range of community service programs and initiatives spanning the gamut from volunteer service and social

welfare to culture and the arts, academics and education, sports, environmental conservation and sponsoring socio-cultural activities.

We intend to continually expand the scope and effectiveness of our activities in the years ahead as we pursue our vision of becoming the most trusted and respected company.

Pak Elektron Limited (PEL) has been awarded for the second time with '4th CSR National Excellence Award 2009' for best efforts within the multi-dimensional scope of CSR and a special award for 'Best Information Material on CSR'.

Our social contribution initiatives focus on following areas.

Academics and Education

Primary & secondary education: PEL has undertaken establishing a girls' school in coordination with a charitable trust by the name to "Care Foundation" this will be followed by



establishing more schools in other areas of the country.

Higher Education: PEL has also under taken sponsoring talented and deserving students at LUMS for higher education.

Sports

PEL has been running a top level football club which was formed six years ago. In a span of just two years, PEL football club qualified for Pakistan Premier League which includes country's 14 top teams.

This is a recognition of sporting talent that our country has and we pledge to harness and groom this talent.

Others

PEL always supported various activities and projects for the children of SOS Children's Villages of Pakistan. In response to the request from SOS Children's Village of Pakistan Lahore, PEL donated 50 KVA, 11000/415V Distribution Transformer to SOS Children's Village Sargodha, situated at 49-Tail, Main Faisalabad Road, Sargodha.

Internal Audit Function

Mission

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve the PEL's operations. It helps the company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Scope

The scope of work of the Internal Audit Department is to determine whether the company's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the company's control process.
- Significant legislative or regulatory issues impacting the company are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and the company's image may be identified during audits. They will be communicated to the appropriate level of management.

Accountability

The Head of Internal Audit, in the discharge of his duties, shall be accountable to management and the Audit Committee to:

- Provide annually an assessment on the adequacy and effectiveness of the company's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the company, including potential improvements to those processes, and provide information concerning such issue through resolution.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (compliance, security, legal, ethics, environmental, external audit).

Independence

To provide for the independence of the Internal Audit Department, its personnel report to the Head of Internal Audit, who reports functionally to the Audit Committee.

Responsibility

The Head of Internal Audit and staff of the Internal Audit Department have responsibility to:

- Develop a flexible quarterly audit plan using an appropriate risk-based methodology, including any risks or control concern

identified by management, and submit that plan to the audit committee for review and approval as well as periodic updates.

- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of Internal Audit Charter.
- Evaluate and assess significant new or changing development, implementation, and/or expansion.
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Assist in the investigation of significant suspected fraudulent activities within the company and notify management and the Audit Committee of the results.
- Consider the scope of work of the external auditors as appropriate, for the purpose of providing optimal audit coverage to the company at a reasonable overall cost.

Authority

The Head of Internal Audit and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit Committee.

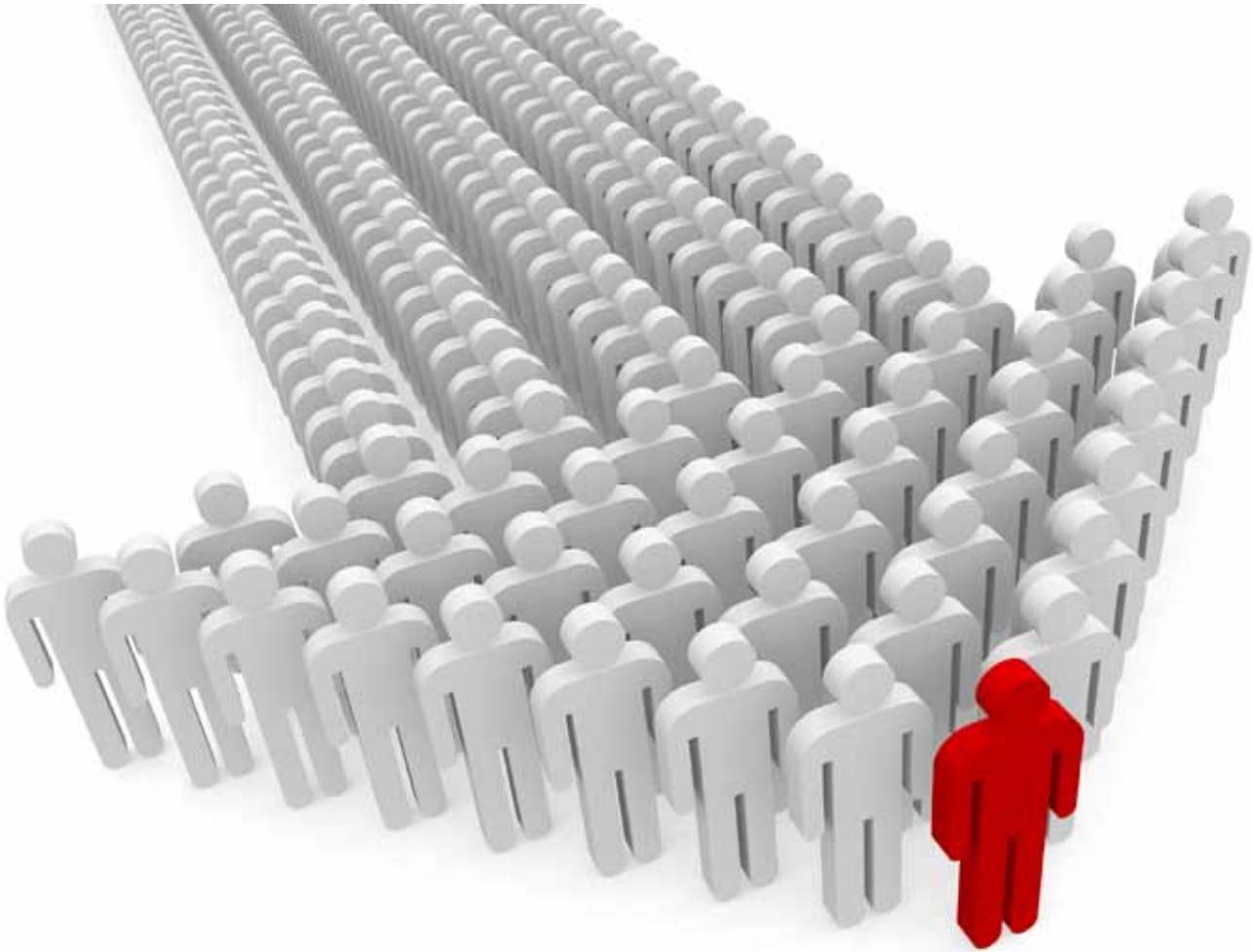


- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the company where they perform audits, as well as other specialized services from within or outside the organization.

The Head of Internal Audit and staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the company or its affiliates.
- Initiate or approve accounting transactions other than Internal Audit Department.
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Human Resource



Challenge

In the year 2005, the management of PEL decided to do a bit of soul-searching by conducting a series of meetings, titled “Journey towards excellence’. During these meetings the management carried out a thorough SWOT analysis of the organization.

After much deliberation the management recognized a major and urgent need for greater emphasis on “Development of Human Resource Management”. Initially HR operations were clubbed with Admin department but the earnestness and gravity of the situation was accentuated by the fact that a separate HR department came into existence subsequently.

Initiatives

After much planning and contemplation, the proposed strategy was finally put into action. A competent HR team was formulated which ended up founding an organized HR department and currently the team comprises of 13 dedicated staff members.

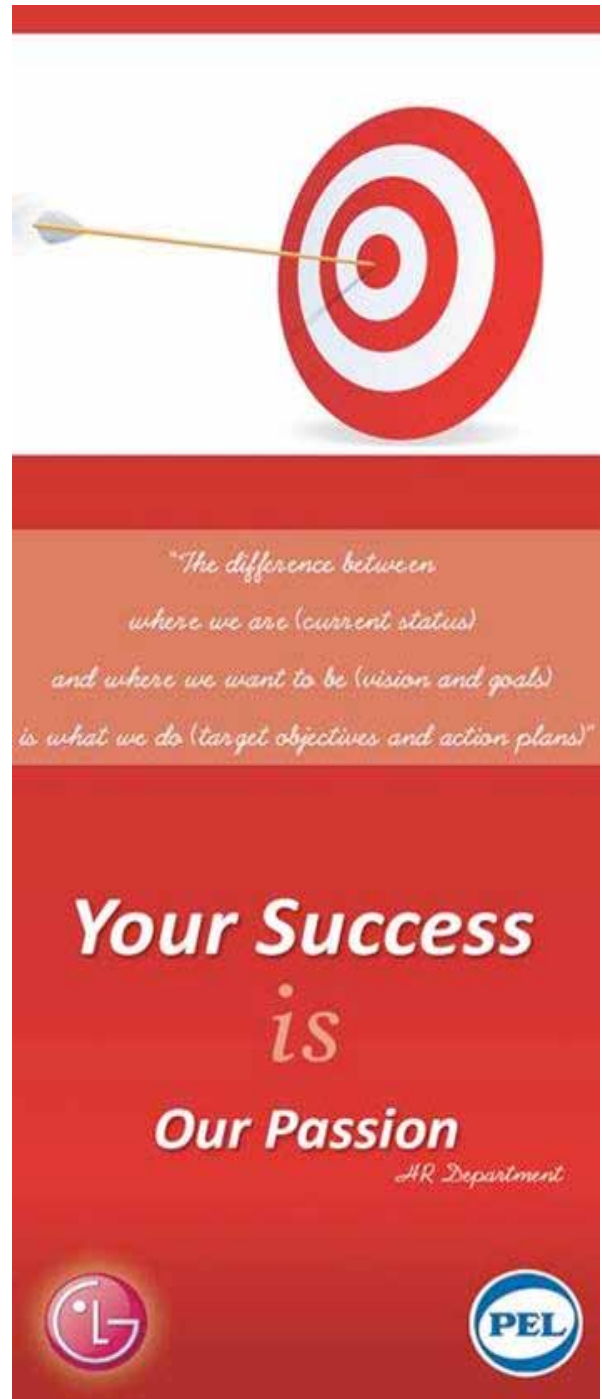
- Initially, the department was set to perform four major functions (Recruitment & Selection, Training & Development, Performance Management & Development and Organizational Development).
- HR Vision & Mission was articulated through collective effort by HR team and came up with a vision:

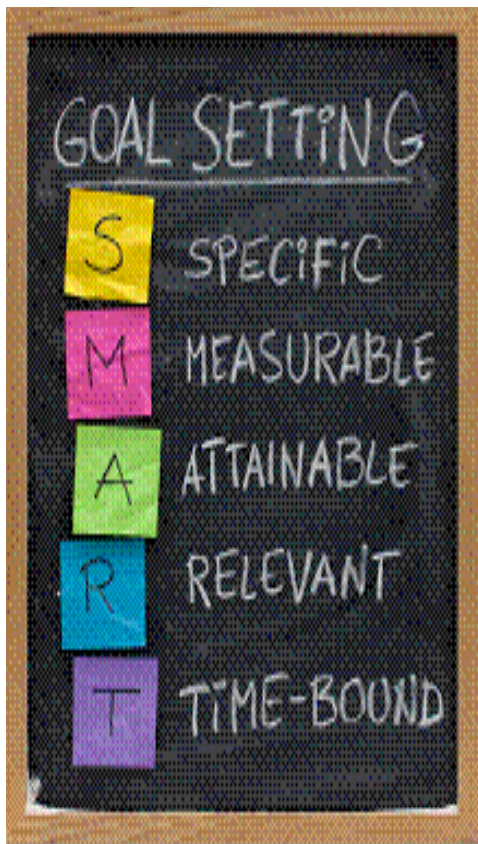
“To achieve Excellence through Innovative HR Practices and continuously exceed our PEOPLE Expectations”

- Various objectives were set as below:
 - Streamlining of existing functions and procedures
 - Automation of HR functions
 - Bringing innovative HR practices to explore new dimensions
 - Invest on People development to achieve sustained performance
 - Build up a Collaborative Work Environment
- Leadership Development Program was launched in the company
- Trainings conducted after proper TNA / DNA

Futuristic View

- Introducing Competency Directory / Mapping
- Launch Company E-Magazine
- Youth Assistance Program
- Strengthen Employer Branding
- Work on the following theme for the year 2010 under Learning & Development:
 - Managing Change
 - Emotional Intelligence
 - Team Building
- Collaboration with Institutes like LUMS/UMT for introducing MBA programs for potential employees
- Conduct Surveys for benchmarking to have a better idea about market competitiveness.





Success Outcomes

- Employees can easily access and input HR related information through integrated systems such as Online HR Portal, Recruitment Management system, Employee Training Management System, Objectives Management System and Performance Management & Development System.
- Systems comprise of various features such as Pictorial representation of customized reports and DASHBOARDS which were developed for a quick and comprehensive overview of HR activities, in collaboration with our IT Department.
- All reliable information is available in the system to ensure less time consumption, proper data management and thorough data analysis.
- Transition of Training to Learning in order to gauge effective learning interventions & behavioral change.

Effective Performance Management

Effective Performance Management relies on systems and people working together to make sure the right things happen.

PEL is committed to its Performance Management and Development Process (PMDP) to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behaviors and contributions.

Guidelines around which we formulate our goals

- Optimization of workforce costs by time and motion studies, reduction in overhead costs and control on over time.
- Development of SOPs, ICPs, system automation
- Improvement in bottom line
- Human Resource development at all levels
- Customer focus and product knowledge

Hence in a relatively short time span, HR department started producing results. It has actively played a role of a change agent and is already hailed as an employee champion. One of the key indicators of employee satisfaction can be attributed to the fact that PEL employees utter high level of mutual respect which flows from top to bottom and will remain as one of the core values of Saigols Group.