PAK ELEKTRON LIMITED

FINANCIAL STATEMENTS

For the year ended

June 30, 2007

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, 2007.

Operating Results

In 2006-07, your Company has maintained the growth pattern of last 5 years. Gross sales at Rs. 13.07 billion and Profit after tax of Rs. 582 million show an increase of 18.42% and 31.67% respectively. Summary of key financial results is given below :

	2006-07	2005-06
	(Rupees in millions)	
Gross Sales	13,077	11,042
Profit before tax	707	516
Profit after tax	582	442
Earnings per share (Basic) - Rupees	6.87	5.04
Earnings per share (Diluted) – Rupees	6.65	4.82

Economy

Pakistan's economy continued to perform impressively as it is experiencing longest spell of growth in its history. The outcome of the fiscal year 2006-07 indicates that Pakistan's economic momentum remained on track. Economic growth accelerated to 7 percent in 2006-07 as a result of robust growth in agriculture, manufacturing and services and has been notably stable and resilient. Compared with other emerging economies in Asia, this puts Pakistan as one of the fastest growing economies in the region.

Growing per capita income coupled with fiscal revenues approaching a trillion mark are resulting into increased consumer spending on one side and increased investment in infrastructure by the government on the other side. These prime indicators are providing a healthy canvass for both of our business divisions i.e. Appliances and Power.

General Overview

PEL designs and builds a full line of products serving all three principal markets – Government, Private Industry and Direct Consumers. This gives us unrivaled breadth and balance including the ability to move best practices form one area of the business to another. We see clear opportunities for profitable growth in all three markets.

We also recognize that there is one common denominator to achieving success - Value – providing the most gain for the cost – has become the driver in everything we do. For this purpose, the Company is thriving hard to achieve the following in addition to other measures :

- Detailed customer knowledge and support
- Large-scale integration
- Lean design and manufacture
- Good governance

Share of revenue from Power and Appliances divisions has reached to equal proportion which gives your Company a great balance in terms of diversity. We have more latitude, therefore, in deploying people from one sector to another according to business cycle changes. Moreover, with the extraordinary array of capabilities and talents that exists inside our Company, we will be able to respond quickly and decisively to opportunities, whenever and wherever they may exist.

Power Division
Power business has the highest growth potential for PEL within and outside geographical boundaries of the country. In the current year 2006-07, demand for our products continued to grow mainly owing to need for strengthening power supply network and village electrification. We are pleased to report that Company achieved its budgeted sales for the year in this division. With continuity in Government's plan for energy sector coupled with demand from WAPDA, we are confident of achieving the same level of growth in future which we have been witnessing for the last few years. With more diversification in this division achieved through production of Power Transformers and construction of Grid Stations on turnkey basis, we now have more flexibility to our already diversified range of products in this division.

As mentioned in our quarterly reviews, Company entered into a new business segment in Power division i.e. manufacture of Power Transformers and construction of Grid stations on turnkey basis and has successfully delivered first of its products in this area in the current year. Successful delivery of these projects provides good grounds to hope that these products will become an important source of revenue for the Company in the coming years.

Business in private sector also grew significantly primarily due to growing economic activity resulting into more demand for our products. With the growing business opportunities, your Company is well positioned to take advantage of this anticipated growth through cost effectiveness, technological advancement in designs and human resource development.

Appliances division
Appliances business is growing fast in volumes and barrier to entry in this business is not very high. Consequently a number of new entrants representing foreign products and brands are entering this area. This has resulted in challenges to maintain and increase market shares and squeezing margins.

Our efforts in this business are concentrated on product diversification in order to maximize utilization of our sales and service infrastructure, aggressive marketing campaigns, effective sales and credit policies and a number of other measures. Bringing production efficiencies, product innovation, process improvement are the areas where your Company has been continuously investing. Human excellence plays an important role in development of skills in order to fully utilize the investments made. The Company has always focused on specific training programs for its human resource.

In appliances division, we achieved our objectives of Implementation of new sales strategy by bringing uniformity in pricing, reduction in market credit and widening of dealers' network under the umbrella of aggressive marketing campaigns. Company now is well set to take advantage of this new sales strategy in the coming years.

As a policy of widening the range of its products in appliances division which is intended to provide a complete range of home appliances to its customers, Company added Mini Refrigerators, Diesel Generators and Geysers to its range during the year 2006-07 and all of these products were well received in the market. In continuation of this policy, Company is not only planning to add new models to its existing range but make addition of new products.

Future Outlook
The economy is expected to perform well in the next year however it is exposed to certain challenges like current account deficit, lower exports, increased competition in the international market and lack of technological advancement as compared to competing nations. It is still hoped that national economy will continue to grow and rising prosperity will bring expanding opportunities for the Engineering Industry and for your Company.

The company will continue to focus on cost effectiveness, quality standards and best after sales services to our valued customers. We expect to go farther, faster and higher than we have ever been in serving the interests of our customers, shareholders and employees.

Dividend and equity
The Board has recommended a stock dividend (Bonus shares) of 25% .

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, 2006 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. 6.87 (2006 : 5.04).

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

Appropriations

	Rupees in thousands
Amount available for appropriation	1,872,683
Dividend on preference shares @ 9.50%	57,475
Proposed bonus shares @ 25%	190,898
	_______
Un-appropriated profit carried forward	1,624,310
	=======

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, 2007 is Rs. 95.842 million.
- Board meetings :

During the year under review, Board of Directors held four meetings on October 9, 2006, October 20,2006, February 24, 2007 and April 19, 2007. Attendance by each director during these meetings was as follows:

Name of Director	No. of meetings attended
Mr.M.Naseem Saigol	3
Mr.M.Azam Saigol	2
Mr.Shahid Sethi	1
Mr.Murad Saigol	3
Mr.Haroon Ahmad Khan	4
Mr.Homaeer Waheed	1
Mr.Gul Nawaz (NIT Nominee)	4
Mr.Masood Karim Sheikh (NBP Nominee)	-
Mr.Wajahat A.Baqai (NBP Nominee)	2
Mr.Tajammul H. Bokhari (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 Yousef 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, 2008, at a fee to be mutually agreed.

Acknowledgement
We take this opportunity to thank all our customers, vendors, foreign collaborators, bankers, arrangers and advisors, shareholders, all employees, CBA and workers for their continued help, support and guidance.

On behalf of the Board

Lahore
October 2, 2007

M.Naseem Saigol
Chairman/Chief Executive

PAK ELEKTRON LIMITED

BALANCE SHEET
AS AT JUNE 30, 2007

EQUITY AND LIABILITIES	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
SHARE CAPITAL AND RESERVES			
Share capital	3	1,368,591	1,215,873
Reserves	4	1,872,683	1,467,619
		3,241,274	2,683,492
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	5	823,341	464,171
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	6	187,027	182,487
Long-term financing	7	1,314,219	250,365
Deferred Liabilities	8	736,309	409,155
Deferred income grant-in-aid	9	66,323	69,814
		2,303,878	911,821
CURRENT LIABILITIES			
Trade and other payables	10	1,572,732	1,599,580
Interest / mark-up accrued on loans and other payables	11	213,298	226,709
Short-term borrowings	12	3,043,650	3,795,340
Current portion of long-term liabilities;			
- long-term financing	7	245,501	321,496
- liabilities against assets subject to finance lease	6	103,105	105,132
		5,178,286	6,048,257
CONTINGENCIES AND COMMITMENTS	13		
		11,546,779	**10,107,741**

ASSETS	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
NON-CURRENT ASSETS			
Property, plant and equipment	14	4,046,378	3,144,904
Intangible assets	15	581,705	602,465
		4,628,083	3,747,369
Long-term investments	16	12,474	11,227
Long-term deposits	17	35,332	38,811
CURRENT ASSETS			
Stores, spare parts and loose tools	18	64,376	58,543
Stock-in-trade	19	2,507,679	2,576,026
Trade debts	20	2,947,646	2,614,396
Loans and advances	21	315,641	225,113
Trade deposits and short-term prepayments	22	306,775	287,034
Other receivables	23	29,374	9,266
Other financial assets	24	162,825	91,022
Cash and bank balances	25	536,574	448,934
		6,870,890	6,310,334
		11,546,779	**10,107,741**

The annexed notes from 1 to 44 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, 2007

	Note	2007	2006
		(Rupees in thousand)	
Revenue	26	13,077,670	11,042,160
Less: sales tax and discount		1,264,183	1,634,142
Revenue - net		11,813,487	9,408,018
Cost of goods sold and contract cost	27	9,283,623	7,360,351
Gross profit		2,529,864	2,047,667
Other operating income	28	100,458	112,553
		2,630,322	2,160,220
Distribution cost	29	588,981	590,412
Administrative expenses	30	356,556	262,482
Other operating expenses	31	52,429	25,108
Finance cost	32	937,109	742,130
Share of profit / (loss) of associate		12,162	(23,337)
Profit before taxation		707,409	516,751
Provision for taxation	33	125,165	74,609
Profit for the year		582,244	442,142
Earnings per share		Rupees	Rupees
Basic	35	6.87	5.04
Diluted	35	6.65	4.82

The annexed notes from 1 to 44 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, 2007

	Note	2007	2006
		(Rupees in thousand)	
Cash flows from operating activities			
Profit before taxation		707,409	516,751
Adjustments for:			
Depreciation on property, plant and equipment		201,238	162,275
Amortization of intangible assets		33,585	14,699
Share of profit / (loss) of associate		(12,162)	23,337
Reversal of provision for impairment in value of investments		-	(15,853)
Provision for impairment in value of investments		10,915	-
Finance cost		937,109	742,130
Provision for doubtful receivables		79,869	32,827
Provision for obsolete and slow moving stock		13,124	4,580
Reversal of provision against slow moving and obsolete finished goods		(2,858)	(3,170)
Payable to insurance company - written back		-	(22)
Provision for compensated absences		2,979	15,728
Dividend income		-	(2,050)
Gain due to change in the fair value of investments		(71,803)	(55,426)
Amortization of grant-in-aid		(3,491)	(3,674)
Gain on disposal of property, plant and equipment		(848)	(1,502)
		1,187,657	913,879
		1,895,066	1,430,630
Movement in working capital	40	(495,873)	(770,712)
Cash generated from operations		1,399,193	659,918
Payment of employee retirement benefits		(16)	-
Finance cost paid		(950,520)	(656,172)
Net Income taxes (paid) / refunded		(25,325)	19,723
		(975,861)	(636,449)
Net cash from operating activities		**423,332**	**23,469**
Cash flows from investing activities			
Purchase of property, plant and equipment		(400,030)	(400,798)
Proceeds from disposal of property, plant and equipment		11,797	2,824
Cash flow on acquisition of PEL Daewoo Electronic Limited - net of cash acquired		-	317
Increase in long-term deposits		(5,569)	(13,248)
Dividend received		-	2,050
Net cash used in investing activities		**(393,802)**	**(408,855)**
Cash flows from financing activities			
Payment of long-term financing		(275,141)	(278,258)
Proceeds from long-term financing		1,263,000	-
Payment of liabilities against assets subject to finance lease		(120,584)	(88,402)
Proceeds from sale & leaseback activities		-	36,550
Net (decrease)/Increase in short-term borrowings		(751,690)	915,513
Dividend paid		(57,475)	(86,344)
Net cash from financing activities		**58,110**	**499,059**
NET INCREASE IN CASH AND CASH EQUIVALENTS		87,640	113,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		448,934	335,261
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**536,574**	**448,934**

The annexed notes from 1 to 44 form an integral part of these financial statements.

NASEEM SAIGOL
Chairman / Chief Executive Officer

HAROON A. KHAN
Managing Director

PAK ELEKTRON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Share capital	Capital reserves		Revenue reserves	Total
		Premium on issue of shares	Reserve for bonus shares	Unappropriated profit	
	……………………. (Rupees in thousand) …………………….				
Balance as at June 30, 2005	**1,136,194**	**301,515**	**-**	**865,555**	**2,303,264**
Profit for the year	-	-	-	442,142	442,142
Dividend for the year ended June 30, 2005	-	-	-	(86,344)	(86,344)
Transferred to reserve for bonus shares	-	(79,679)	79,679	-	-
Issue of bonus shares	79,679	-	(79,679)	-	-
Transfer to unappropriated profit on account of incremental depreciation charged during the year - net of deferred taxation	-	-	-	24,430	24,430
Balance as at June 30, 2006	**1,215,873**	**221,836**	**-**	**1,245,783**	**2,683,492**
Profit for the year	-	-	-	582,244	582,244
Dividend for the year ended June 30,2006	-	-	-	(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 profit 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**

The annexed notes from 1 to 44 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, 2007

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.

These activities are organized under following divisions:

Power Division: manufacture of Switchgear, Energy meters and Transformers.

Appliances Division: manufacture and assembling of Refrigerators, Air conditioners, Microwave ovens, Televisions 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) and directions 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 Accounting Standards as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Following International Financial Reporting Standards ("IFRSs") and interpretations of accounting standards issued by International Financial Reporting Interpretations Committee ("IFRIC") are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

Title of IFRSs	Effective from accounting period on or after
IFRS 2 - Share based payment	January 1, 2007
IFRS 3 - Business Combinations	January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	November 1, 2006
IFRIC 11 - Group and treasury share transactions	March 1, 2007
IFRIC 12 - Services concession arrangements	January 1, 2008

2.3 Accounting convention

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

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

The principal accounting policies adopted are set out below:

2.4 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 value 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 payment. 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 general policy on borrowing costs.

2.5 Employee benefits

2.5.1 Defined contribution plan

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.

Interest at the rate of 15% per annum is payable to the fund on the balance utilized by the Company which is charged to profit and loss account.

Employees are entitled for retirement benefits after completion of probation period.

2.5.2 Gratuity

The Company operated an un-funded gratuity scheme covering all its eligible employees till June 30, 1996.

2.5.3 Compensated absences

The Company provides for compensated absences for all eligible employees in accordance with the rules of the Company.

2.6 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.

2.7 Trade and other payables

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

2.8 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 benefit 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.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost except lease hold land, building, machinery and tools, which are stated at re-valued amount, less accumulated depreciation / amortization and any identified accumulated impairment in value. 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 required, at each balance sheet date.

Depreciation is charged to income on reducing balance method using the rates specified in property, plant and equipment schedule except for leasehold land which is being amortized proportionately for the period of use in accordance with lease agreements.

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

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

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

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 profit.

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

All expenditures 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.

2.10 Intangible assets

Goodwill

Intangible assets representing goodwill are amortized over a period of twenty (20) years.

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.

2.11 Investments

Investments in equity instruments of subsidiaries and associated companies

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

Available for sale investments

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. The investments for which quoted market price is not available are measured at cost as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value are recognized directly in the equity under fair value reserve until sold, collected or otherwise disposed off at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account.

Financial assets at fair value through profit or loss

These 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.

2.12 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.

2.13 Stock-in-trade

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

Stock-in-transit and in bounded warehouses are valued at cost comprising invoice value plus other charges paid thereon up to 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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. 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.

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.

2.18 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.

2.19 Recognition of Contract revenue, expenses and expected losses

- Contract revenue and contract costs associated with the construction contract are recognized as revenue and expenses respectively by using the Percentage of Completion method.
- The expected loss is recognized as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

2.20 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis and are included in interest / mark-up payables on loans and other payables to the extent of amount remaining unpaid, if any.

2.21 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.

cost eligible for capitalization.

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

2.22 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 income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases 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" issued by the Institute of Chartered Accountants of Pakistan.

Deferred income 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.

2.23 Foreign Currencies

Transactions in currencies other than Pakistani 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 period.

2.24 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.

2.25 Dividend

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

2.26 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 value in use calculation 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.

2.27 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.

		Note	2007	2006
			(Rupees in thousand)	
3	**SHARE CAPITAL**			
	Authorized			
	150,000,000 (2006: 150,000,000) ordinary shares of Rs. 10 each		1,500,000	1,500,000
	100,000,000 (2006: 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

Issued, subscribed and paid up

2007	2006		Note	2007	2006
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
52,063,963	36,792,128	-as bonus shares		520,639	367,921
76,359,170	61,087,335		3.1	763,591	610,873
		Fully paid A class preference shares of Rs. 10 each			
60,500,000	60,500,000	Issued for cash		605,000	605,000
136,859,170	121,587,335			1,368,591	1,215,873

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

	2007	2006
Ordinary shares	Number of shares	
At beginning of year	61,087,335	53,119,422
Add: Issued during the year as bonus shares	15,271,835	7,967,913
At end of year	76,359,170	61,087,335

3.2 A Class Preference shares

The Company has issued A class preference shares of Rs. 605 million against authorized shares capital of this clause 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 rights.

Call option

The Company shall have an option to call the issue, subject to maximum of 75.00% of the total issue, within ninety days of the end of the each financial year commencing from third anniversary of the issue and ending of the fifth anniversary of the issue by giving at least thirty days notice.

The Company shall have an option to call 100.00% 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 25.00% of their holding in accordance with the specified conversion ratio on any conversion date by giving a thirty days notice to the issuer.

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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 share 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 dividends on a preference share 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.

3.3 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	2007	2006
4	**RESERVES**		(Rupees in thousand)	
	Capital:			
	Premium on issue of shares	4.1	69,118	221,836
	Revenue:			
	Unappropriated profits		1,803,565	1,245,783
			1,872,683	1,467,619
4.1	**Premium on issue of shares**			
	Balance at beginning of year		221,836	301,515
	Less: transferred to reserve for bonus shares	4.2	152,718	79,679
	Balance at end of year		69,118	221,836
4.2	**Reserve for bonus shares**			
	Balance at beginning of year		-	-
	Add: transfer from premium on issue of shares		152,718	79,679
			152,718	79,679
	Less: bonus shares issued during the year		152,718	79,679
	Balance at end of year		-	-
5	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax**			
	Surplus on revaluation of property, plant and equipment at beginning of year		464,171	488,601
	Surplus on revaluation of property, plant and equipment carried out during the year		603,359	-
			1,067,530	488,601
	Less:			
	- deferred taxation relating to revaluation surplus carried out during the year		211,176	-

- transfer to unappropriated profit on account of incremental depreciation charged during the year - net of deferred taxation	33,013	24,430
Surplus on revaluation of property, plant and equipment at end of year	823,341	464,171

	2007	2006
6 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	**(Rupees in thousand)**	
Present value of minimum lease payments	290,132	287,619
Less: current portion	103,105	105,132
	187,027	182,487

6.1 The Company has entered into lease / ijara agreements with various leasing companies / banks / modarabas to acquire various assets. The rentals under these lease / ijara agreements are payable on monthly / quarterly basis in arrears and are subject to mark-up rate ranged from 7.50 % to 15.15% (2006: 8.00% to 16.00%) 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.

6.2 The amount of future minimum lease payments together with the financial charges allocated to future period and the periods during which they fall due are as follows:-

	2007		2006	
	……………………….. (Rupees in thousand)		………………………..	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	142,486	103,105	128,912	105,132
After one year but not more than five years	202,072	187,027	202,780	182,487
	344,558	290,132	331,692	287,619
Less: finance cost allocated to future periods	54,426	-	44,073	-
Present value of minimum lease payments	290,132	290,132	287,619	287,619
Less: current portion	103,105	103,105	105,132	105,132
	187,027	187,027	182,487	182,487

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7 LONG-TERM FINANCING - Secured

	Descriptions	Note	2007	2006	Mark-up	Security	Repayment
			(Rupees in thousand)				
7.1	**From banking companies and financial institutions**						
7.1.1	Demand finance II		33,334	100,000	*Base rate plus 3.00% (2006: base rate plus 4.00% per annum with floor of 9.00%) 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 of Rs. 2,400 million.	Twelve half yearly equal installments of Rs. 33.333 million commenced from March 31, 2002.
7.1.2	Demand finance		300,000	-	*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 principal installments of Rs. 18.750 million each commencing from December 31, 2007.
7.1.3	Demand finance IV		27,500	82,500	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 commenced from March 31, 2002 .
7.1.4	Demand finance V		13,064	30,488	Mark-up rate as provided in 7.1.1	Secured against securities as provided in 7.1.1	Eighteen quarterly installments of Rs. 4.35 million along with mark-up commenced from September 2003.
7.1.5	Demand finance VI & VII		26,449	67,128	Mark-up rate as provided in 7.1.1	Secured against securities as provided in 7.1.1	Eighteen quarterly installments commenced from June 2003.
7.1.6	Demand finance VIII		75,000	124,560	*Base rate plus 3.00% (2006: base rate plus 4.00% with floor of 9.00%) per annum	Secured against securities as provided in 7.1.1	Eight bi-annual installments of Rs. 25 million each commenced from December 31, 2004.
7.1.7	Demand finance		13,905	42,857	KIBOR plus 4.00% (2006: KIBOR plus 5.00% with floor of 11.00%) per annum.	First pari passu charge over present and future fixed assets of the Company comprising land, building, plant and machinery of Rs. 133.33 million. Personal guarantees of all directors of the Company.	Forty two equal monthly installments commenced from May 2004.
7.1.8	Term finance		-	10,023	10.00% (2006: 10.00%) per annum.	Charge over present and future, current and moveable assets of the Company to the extent of Rs. 75 million. Personal guarantees of sponsoring directors of the Company.	As per revised agreement dated September 2002, an amount of Rs. 4.388 million was payable in July 2002 and the balance principal amount of Rs.92.791 million is payable in thirty nine equal monthly installments of Rs 2.8 million each commenced from July 2002. The facility has been fully repaid during the year.
7.1.9	Demand finance 1	7.3	41,366	41,366	Mark-up rate as provided in note 7.3	First registered 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.	The outstanding balance of loan plus future mark-up of Rs. 4.971 million would be settled as follows: Bi-annually in year 2008 = Rs. 41.219 million Bi-annually in year 2009 = Rs. 41.220 million
7.1.10	Demand finance 2	7.3	36,102	36,102	Mark-up rate as provided in note 7.3	Secured against securities as provided in 7.1.9	Repayment is included in note 7.1.9
7.1.11	Finance 3		-	6,837	9.00% (2006: 9.00%) per annum	First pari passu charge over all present and future current and fixed assets of the Company. Personal guarantees of some of the directors of the Company.	Repayable in 35 monthly un-equal instalments from April 2003 to March 2007 along with outstanding balance of Demand finance 4
7.1.12	Term finance		30,000	30,000	14.00% (2006: 14.00%) per	First charge over current assets of the Company of Rs. 70	Profit will be paid on quarterly basis starting from January 01,

	Descriptions	Note	2007	2006	Mark-up	Security	Repayment
			(Rupees in thousand)				
					annum.	million Personal guarantees of sponsoring directors.	2006, whereas principal amount would be redeemed at the maturity i.e. December 31, 2008.
7.1.13	** Term Finance - convertible to TFCs		463,000	-	Base rate plus 2.50% per annum.	Ranking charge over fixed assets of the Company of Rs. 1,067 million Lien on inland LCs drawn on WAPDA	Sixty equal monthly instalments.
7.1.14	*** Term Finance - PPTFCs		500,000	-	Base rate plus 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.
	Total		1,559,720	571,861			
	Less: current portion		245,501	321,496			
			1,314,219	250,365			

* 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.

*** During the year 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 & INVESTEMENT 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 & 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, futher the Company would maintain Escrow account for redemption of TFCs.

7.2 Current portion includes overdue instalments of Rs.46.355 million (2006: Rs. 63.634 million)

7.3 The Company, as on 01 May, 2000, entered into an agreement with MCB Bank Limited whereby MCB Bank rescheduled the outstanding principal amounts of running and demand finances aggregating at that time to Rs. 62.715 million.

Mark-up on both the finances as at 31st October, 1999 aggregating Rs.36.102 million was rescheduled as Demand Finance-2 without mark-up.

Failure to comply with any of the terms of the above rescheduling package and non-payment of any instalment as stipulated therein would render the rescheduling package as withdrawn and the liabilities will become repayable immediately.

The outstanding balance would be payable as follows:

	(Rupees in thousand)
Principal outstanding	41,366
Accumulated mark-up	36,102
Mark-up @ 6% per annum w.e.f 01 July, 2006 to 30 June, 2008	4,971
	82,439

The Company has entered into a Dividend Securitization Agreement with MCB Bank whereby finance facility will be further securitized by creation of security interest over the dividend to be declared by Kohinoor Energy Limited (an associated company).

As per the terms of the agreement, the Company's sponsoring directors through an irrevocable order pursuant to section 250 of the Companies Ordinance, 1984 directed Kohinoor Energy Limited to pay the entire dividend payables on 11,014,810 shares held in the name of sponsoring directors to MCB Bank. Kohinoor Energy Limited has agreed to abide by the order.

As per dividend securitization agreement an amount of Rs. 82.439 million has been securitized.

8 DEFERRED LIABILITIES

	Note	2007	2006
		(Rupees in thousand)	
- deferred taxation	8.1	736,263	409,093
- employee retirement benefits	8.2	46	62
		736,309	409,155

8.1 Deferred tax liability on taxable temporary differences:

	2007	2006
- tax depreciation allowance	416,743	341,366
- finance lease	55,099	39,621
- surplus on revaluation of property, plant and equipment	443,336	249,937
	915,178	630,924
Deferred tax asset on deductible temporary differences:		
- provision for obsolete and slow moving inventories	(10,900)	(7,305)
- provision for doubtful debts and advances	(119,126)	(99,467)
- other provisions	(16,662)	(15,216)
- provision for Excise duty and sales tax	(8,295)	-
- available tax losses	-	(25,786)
- provision for leave absences	(6,547)	(5,505)
- provision for worker's welfare fund	(5,053)	-
- minimum tax adjustable against future tax liability	(12,332)	(47,040)
- available tax credits	-	(21,512)
	(178,915)	(221,831)
	736,263	409,093

8.2 It represents balance of gratuity provided for till June 30, 1996 in respect of those employees who are still in service of the Company. Effective from July 01, 1996 the Company is operating a contributory provident fund scheme for all of its eligible employees and accrual of gratuity was ceased accordingly.

9 DEFERRED INCOME GRANT-IN-AID

	Note	2007	2006
Balance at beginning of year		69,814	73,488
Less: transferred to income	28	3,491	3,674
		66,323	69,814

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. 3,490,652 (2006: Rs. 3,674,371) has been included in other income in proportion to depreciation charged on related plant and machinery keeping in view the matching principle.

10 TRADE AND OTHER PAYABLES

	Note	2007	2006
Creditors		406,795	470,490
Foreign bills payable	10.1	795,573	763,517
Accrued liabilities		108,769	81,225
Advances from customers		111,251	117,731
Sales tax payable		-	98,650
Regulatory duty payable		2,262	2,262
Employees' provident fund	10.2	37,770	20,151
Compensated absences		18,707	15,728
Advance against contracts		34,676	-
Others	10.3	56,929	29,826
		1,572,732	1,599,580

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

10.2 The Company is providing mark-up at the rate of 15.00% (2006: 15.00%) on the outstanding balance of provident fund.

		Note	2007	2006
			(Rupees in thousand)	
10.3	**Others**			
	Tax on bonus shares		1,475	1,475
	Workers' profit participation fund	10.3.1	39,008	27,093
	Workers' welfare fund		14,437	-
	Excise duty on short-term borrwoings		19	19
	Tax deducted at source under section 153		1,990	1,239
			56,929	29,826
10.3.1	**Workers' profit participation fund**			
	Balance at beginning of year		27,093	23,764
	Add: interest on fund utilized in the Company's business	32	3,048	1,782
	Less: amount paid during year		29,125	25,546
			1,016	-
	Add: allocation for the year	31	37,992	27,093
	Balance at end of year		39,008	27,093
11	**INTEREST / MARK-UP ACCRUED ON LOANS AND OTHER PAYABLES**			
	Long-term financing		29,854	27,176
	Liabilities against assets subject to finance lease		936	647
	Short-term borrowings		123,463	139,667
	Provident fund payable		59,045	59,219
			213,298	226,709
12	**SHORT-TERM BORROWINGS**			
	Secured			
	Banking companies	12.2	2,784,957	3,462,921
	Non banking financial companies (NBFCs)	12.3	180,000	285,000
			2,964,957	3,747,921
	Unsecured			
	Overdraft	12.4	78,693	47,419
			3,043,650	3,795,340

12.1 The aggregate un-availed short-term financing facilities as at June 30, 2007 amounted to Rs. 420 million (2006: Nil).

12.2 These facilities have been obtained from various banks under mark-up arrangements for working capital and carry mark-up rate ranged from 11.00% to 14.66% (2006: 12.10% to 14.60%) 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. 3,513 million (2006: Rs. 4,369) 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.

12.3 These facilities have been obtained from NBFCs for purchase of raw material and carry mark-up at the rate of 14.00% to 16.00% (2006: 12.10% to 16.00%) per annum. These facilities are secured against pledge of shares of listed companies with 30.00% margin and personal guarantees of the directors of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS
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13 CONTINGENCIES AND COMMITMENTS

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

	2007	2006
	(Rupees in thousand)	
Tender bonds	81,380	59,092
Performance bonds	367,156	275,677
Advance guarantees	179,163	130,504
Custom guarantees	10,575	8,340
Letters of credit	561,936	414,243
Bills discounted	1,069,311	538,664
Foreign guarantees	4,432	4,432
Tax and other disputed liabilities	48,040	48,040

13.2 Assessments for tax year 2003 to 2005 were reviewed by the Inspecting Additional Commissioner (IAC) under section 122(5A). In revised orders, certain expenses amounting to Rs. 137.15 million (June 30, 2006: 370.915 million) in aggregate were disallowed. The Company has filed appeals for these three years against Commissioner's order with Income Tax Appellate Tribunal which are still pending adjudication.

13.3 The return filed for tax year 2006 has been selected by the Commissioner for audit under section 177 of the Income Tax Ordinance, 2001. The audit proceedings have been initiated by the Taxation Officer, however no order in this respect has yet been issued.

13.4 The Income Tax Appellate Tribunal has directed to charge separate taxes under section 80C and 80CC of Income Tax Ordinance 1979 instead of charging single tax under section 80D of the said ordinance on turnover from all sources. However, on this issue a reference has been filed by the Company before the Honourable Lahore High Court which is yet subjudiced. Liability of the Company against separate charge of 80C and 80CC for 2000-2001 to 2002-2003 and tax year 2003, 2004 and 2006 amounts to Rs. 56 million.

14.3 Property, plant and equipment of the Company i.e. building on leasehold land and machinery were revalued 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, independent valuers on the approved panel of State Bank of Pakistan, which resulted in additional surplus of Rs. 603 million.

14.4 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets would have been as follows:

	………… (Rupees in thousand) ………...		
	Cost	**Accumulated depreciation**	**Book value**
Building on lease hold land	625,092	144,049	481,043
Plant and machinery	2,427,904	695,070	1,732,834
	3,052,996	839,119	2,213,877

15 INTANGIBLE ASSETS	**Note**	**2007**	**2006**
		(Rupees in thousand)	
Technology transfer agreements			
Technology transfer agreements	15.1	12,825	-
Less: amortization to date		522	-
Balance at end of year		12,303	-
Reconciliation of carrying amount of goodwill			
Goodwill on acquisition of Pel Appliances Limited	15.2	293,977	293,977
Less: amortization to date		73,495	58,796
Balance at end of year		220,482	235,181
Goodwill on acquisition of Pel Daewoo Electronics Limited	15.3	367,284	367,284
Less: amortization to date		18,364	-
		348,920	367,284
		581,705	602,465

15.1 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.

15.2 Goodwill on acquisition of Pel Appliances Limited is being amortized over a period of twenty years starting from the year ending June 30, 2003.

15.3 Goodwill on acquisition of Pel Daewoo Electronics Limited is being amortized over a period of twenty years starting from the year ending June 30, 2007.

16 LONG-TERM INVESTMENTS		
Investment in associate - equity method		
Kohinoor Power Company Limited		
Ownership interest %	23.10%	23.10%
Cost on investment	54,701	54,701
2,772,000 shares (2006: 2,772,000 shares)		
Share of post acquisition profit - net of dividend	44,352	32,190
	99,053	86,891
Less: provision for impairment in value of investment	86,579	75,664
	12,474	11,227

16.1 The results of associated company for last three years reflect a continues increase in loss for the year and it 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.

16.2 Financial statements and information of the associated company

The assets, liabilities and equity of Kohinoor Power Company Limited as at June 30, 2007 and related revenue and profit / (loss) for the year then ended based on latest financial statements are as follows:

	Note	2007	2006
		(Rupees in thousand)	
Assets		593,358	674,848
Liabilities		271,694	405,781
Revenue		127,592	278,144
Profit for the year		52,650	(101,096)
Market value per share (Rupees)		4.50	4.05

17 LONG-TERM DEPOSITS

Security deposits with leasing companies		48,869	43,300
Less: current portion		13,537	4,489
		35,332	38,811

18 STORES, SPARE PARTS AND LOOSE TOOLS

Stores		1,271	1,380
Machinery maintenance spare parts		46,325	42,879
Loose tools		27,249	24,753
		74,845	69,012
Less: Provision for slow moving and obsolete items		10,469	10,469
		64,376	58,543

19 STOCK-IN-TRADE

Raw materials and components			
In stores	19.1	1,449,391	1,068,886
In bonded warehouse		5,094	40,204
In-transit		254,025	385,480
Less: Provision for slow moving and obsolete items		20,139	7,015
		1,688,371	1,487,555
Work-in-process		429,383	640,795
Finished goods		390,460	451,069
Less: provision for slow moving and obsolete items		535	3,393
		389,925	447,676
		2,507,679	2,576,026

19.1 Raw material in stores amounting to Rs. 12.037 million (2006: Rs. 9.621 million) issued for processing is lying with vendors.

19.2 Stocks with carrying value of Rs. 2,290 million (2006: Rs. 2,257 million) have been pledged as security with certain banks against financing facilities.

20 TRADE DEBTS

Considered good:			
- against normal sales		2,742,747	2,614,396
- due from contractee		204,899	-
		2,947,646	2,614,396
Considered doubtful		301,879	248,282
		3,249,525	2,862,678
Less: provision for doubtful debts		301,879	248,282
		2,947,646	2,614,396

		Note	2007	2006
21	**LOANS AND ADVANCES**		**(Rupees in thousand)**	
	Advances to employees - Unsecured considered good:			
	- purchases		3,721	670
	- expenses		3,714	5,366
	- others	21.1	1,282	1,832
			8,717	7,868
	Advances to employees - Unsecured considered doutful		1,449	1,449
	Less: provision for doubtful advances		1,449	1,449
			8,717	7,868
	Advances to suppliers and contractors		232,327	195,845
	Less: provision for doubtful advances		37,031	34,459
			195,296	161,386
	Advance excise duty and sales tax	21.2	23,700	23,700
	Less: provision for doubtful advances		23,700	-
			-	23,700
	Retention money		63,314	-
	Advance income tax		48,314	32,159
			315,641	225,113

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

21.2 It includes an amount of Rs. 11.914 million (2006: Rs. 11.914 million) on account of regulatory duty, levy of which has been challenged by the Company. The concerned authority has adjudged the case in favour of the Company.

It also includes Rs. 11.725 million (2006: Rs. 11.725 million) on account of custom duty and sales tax. In 1996 the Company has lodged a claim for Rs. 27.835 million with Assitant Collector Customs, Central Excise and Sales Tax for the custom duty and sales tax under SRO No. 108(1)/95 dated February 12, 1995 out of which a claim of Rs. 16.111 million was accepted. The writ filed for the balance amount of Rs. 11.725 million was decided in favour of the Company by the Honourable Peshawar High Court vide its order dated August 02, 2001. The custom authorities filed appeal before the Supreme Court of Pakistan against the judgment of the Honourable Peshawar High court. Based on legal opinion and expectations of favourable outcome the amount is considered to be recoverable by the management. However the Company has made the provision for the same amount.

		2007	2006
22	**TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**		
	Letters of credit	2,002	1,629
	Security deposits	47,515	36,835
	Less: provision for security deposits considered doubtful	5,379	5,379
		42,136	31,456
	Current portion of long-term deposits	13,537	4,489
	Margin deposits	226,939	228,530
	Prepayments	22,161	20,930
		306,775	287,034
23	**OTHER RECEIVABLES**		
	Commission, insurance claim and other receivables	29,374	9,266

23.1 The Honorable Supreme Court of Pakistan did not admitted the review application of the Company against decision of the Apex Court regarding levy of regulatory duty imposed under SRO 1050(1)/97. On the basis of said decision the management of the Company has proposed to write-off the Custom duty refundable Rs. 41.751 million (2006: Rs. 41.751million) through resolution in the meeting of Board of Directors of the Company. Provision for the whole amount have already been charged.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

24 OTHER FINANCIAL ASSETS

Investments at fair value through profit & loss

Standard Chartered Bank
(Formerly Union Bank Limited)

Number of shares 2007	2006	Ordinary shares of Rs. 10 each	Note	2007 (Rupees in thousand)	2006
1,230,028	891,326	Balance at beginning of year		91,022	35,596
-	338,702	Bonus shares received		-	-
1,845,042	-	Additional shares received on merger of Union Bank into Standard Chartered Bank		-	-
3,075,070	1,230,028			91,022	35,596
		Add: gain due to change in the fair value of investment	28	71,803	55,426
		Market value per share is Rs. 52.95 (2006: Rs. 74.00)		162,825	91,022

25 CASH AND BANK BALANCES

In local currency

	Note	2007	2006
Cash in hand		3,343	13,412
Balance with banks:			
In current accounts - local currency		482,658	435,401
In saving accounts - local currency	25.1	50,568	112
		533,226	435,513
US Dollar account (US $ 90.74 @ Rs. 60.50 (2006: US $ 155.74 @ Rs. 59.60))		5	9
		536,574	448,934

25.1 Effective mark-up rate in respect of saving accounts ranges from 2.50% to 4.75% (2006: 2.00% to 2.50%) per annum.

26 REVENUE

	Note	2007	2006
Contract revenue		466,974	-
Sales - Local		12,472,726	10,885,856
Sales - Export		137,970	156,304
		13,077,670	11,042,160
Less: - sales tax	26.1	888,265	842,341
- trade discounts		375,918	791,801
		1,264,183	1,634,142
		11,813,487	9,408,018

26.1 Sales tax includes penalties and additional sales tax of Rs. 2.403 million (2006: Rs. 0.360 million).

27 COST OF GOODS SOLD AND CONTRACT COST

	Note	2007	2006
Finished goods at beginning of year		451,069	129,517
Cost of goods manufactured	27.1	8,601,779	7,223,755
Finished goods purchased		328,123	458,148
		8,929,902	7,681,903
Finished goods at end of year		(390,460)	(451,069)
Cost of goods sold		8,990,511	7,360,351
Contract cost		293,112	-
		9,283,623	7,360,351

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

		Note	2007	2006
27.1	**Cost of goods manufactured**		**(Rupees in thousand)**	
	Work-in-process at beginning of year		640,795	525,301
	Raw material and components consumed		7,240,571	6,397,803
	Direct wages	27.2	425,952	358,888
	Factory overheads:			
	- salaries and other benefits	27.2	205,073	164,818
	- travelling and conveyance		13,849	16,241
	- electricity and gas charges		92,951	91,745
	- repairs and maintenance		78,244	58,897
	- vehicles running and maintenance		5,964	5,629
	- insurance		24,155	16,308
	- depreciation	14.1	186,962	151,131
	- amortization of intangible assets	15	33,585	14,699
	- provision for obsolete and slow moving stock		10,266	4,580
	- carriage and freight		24,390	20,309
	- erection and testing		39,103	31,587
	- other factory overheads		9,302	6,614
			723,844	582,558
			9,031,162	7,864,550
	Work-in-process at end of year		(429,383)	(640,795)
			8,601,779	7,223,755

27.2 These include employees' retirement benefits amounting to Rs. 19.460 million (2006: Rs. 17.676 million).

		Note	2007	2006
28	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Gain due to change in the fair value of investment at fair value through profit and loss	24	71,803	55,426
	Reversal of provision for doubtful finished goods stock		-	3,170
	Provision for diminution in value of investment		(10,915)	15,853
	Dividend income		-	2,050
	Mark-up income		615	-
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment		848	1,502
	Grant-in-aid	9	3,491	3,674
	Commission income		33,025	30,209
	Exchange gain		(134)	647
	Others		1,725	-
	Payable to insurance company written back		-	22
			100,458	112,553
29	**DISTRIBUTION COST**			
	Salaries and benefits	29.1	126,062	97,096
	Travelling and conveyance		32,348	30,078
	Rent, rates and taxes		38,798	26,575
	Electricity and gas charges		4,881	4,164
	Repairs and maintenance		3,682	2,107
	Vehicles running and maintenance		11,985	10,348
	Printing, stationery and periodicals		7,045	6,898
	Postage, telegrams and telephones		12,065	11,479
	Entertainment and staff welfare		5,962	5,064
	Advertisement and sales promotion		139,897	146,969
	Insurance		2,638	2,413
	Freight and forwarding		132,501	144,508
	Contract and tendering		835	610
	Erection		33,325	73,545
	Warranty period services		33,614	28,558
	Royalty		3,343	-

		588,981	590,412

29.1 These include employees' benefits amounting to Rs. 10.037 million (2006: Rs. 8.833 million).

			2007	2006
30	**ADMINISTRATIVE EXPENSES**	**Note**	**(Rupees in thousand)**	
	Salaries and benefits	30.1	147,796	118,022
	Travelling and conveyance		12,829	12,339
	Rent, rates and taxes		28,586	21,655
	Legal and professional		3,450	5,082
	Electricity and gas charges		11,265	10,072
	Auditors' remuneration	30.2	660	388
	Repairs and maintenance		15,387	8,687
	Vehicles running and maintenance		9,758	8,375
	Printing, stationery and periodicals		4,715	4,910
	Postage, telegrams and telephones		5,177	4,886
	Entertainment and staff welfare		15,841	15,451
	Advertisement		1,213	429
	Insurance		3,669	3,141
	Provision for doubtful debts and advances		79,869	32,827
	Others		2,065	5,074
	Depreciation	14.1	14,276	11,144
			356,556	262,482

30.1 These include employees' benefits amounting to Rs. 10.024 million (2006: Rs. 8.865 million).

30.2 Auditors' remuneration

Annual audit fee	500	300
Half yearly review	100	80
Out of pocket expenses	60	8
	660	388

31	**OTHER OPERATING EXPENSES**			
	Workers' welfare fund - net		14,437	(1,985)
	Workers' profit participation fund	10.3.1	37,992	27,093
			52,429	25,108
32	**FINANCE COST**			
	Interest / mark-up on secured:			
	- long-term financing		95,646	83,321
	- short-term borrowings		718,645	541,697
	- workers' profit participation fund	10.3.1	3,048	1,782
	- liabilities against assets subject to finance lease		29,128	23,169
	Interest on provident fund payable		4,626	9,592
	Bank charges and commission		86,016	82,569
			937,109	742,130
33	**PROVISION FOR TAXATION**			
	For the year			
	Current		59,067	50,000
	Deferred		135,157	28,186
			194,224	78,186
	Prior year			
	Current		(49,897)	(38,487)
	Deferred		(19,162)	34,910
			(69,059)	(3,577)

	2007	2006
	125,165	74,609
	----------------%----------------	

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

	2007	2006
Applicable tax rate	35.00	35.00
Tax effects of amounts that are:		
Allowable for tax purposes	(2.93)	(4.14)
Effect of difference in tax rates under normal assessment and final tax regime	(6.44)	(1.56)
Effect of change in prior year's tax	(9.67)	(0.70)
Tax effect of adjustment of losses	-	(14.68)
Others	1.73	0.52
Average effective tax rate	17.69	14.44

34 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	
	2007	2006	2007	2006
	……………………. (Rupees in thousand) …………………….			
Remuneration	6,012	5,015	32,724	20,314
House rent	1,719	1,390	12,320	7,373
Utilities	601	501	3,272	2,032
Bonus	-	-	5,576	3,170
Retirement benefits	395	347	3,159	1,886
Reimbursable expenses				
Motor vehicles expenses	463	477	5,395	3,866
Medical expenses	231	238	1,598	1,151
TOTAL	9,421	7,968	64,044	39,792
Number of persons	4	4	42	28

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

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

35 EARNINGS PER ORDINARY SHARE - BASIC AND DILUTED

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

	Note	2007	2006
		(Rupees in thousand)	
Earnings			
Profit for the year		582,244	442,142
Less: dividend payable on preference shares		57,475	57,475
Earnings attributable to ordinary shares		**524,769**	384,667
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share		**76,359,170**	76,359,170
Effect of dilutive potential ordinary shares	3.2	**11,204,704**	15,310,490
		87,563,874	91,669,660

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

	2007	2006
Basic earnings per share	**6.87**	5.04

Diluted earnings per share	**6.65**	4.82

36 TRANSACTIONS WITH RELATED PARTIES

36.1 Following parties are considered to be related by virtue of common directorship / major shareholding with whom the Company has not entered into any transaction during the year:

- Kohinoor Industries Limited
- Azam Textile Mills Limited
- Saritow Spinning Mills Limited
- Kohinoor Energy Limited
- Saigol Brothers Limited
- Guarantee Life Employment Limited
- Standard Grinding Wheels Industries (Private) Limited
- Innovative Technologies (Private) Limited
- Raytex (Private) Limited
- Saritow (Pakistan) Limited
- Progressive Industries (Private) Limited
- Art Centre (Private) Limited
- Conforce (Private) Limited
- Kohinoor Power Company Limited

37 PLANT CAPACITY AND ACTUAL PRODUCTION

		2007		2006	
	Unit	Annual Production capacity	Actual production during the year	Annual Production capacity	Actual production during the year
Transformers	MVA	3,000	2,243	3,000	2,022
Switchgears	Nos.	4,500	3,347	4,500	3,832
Energy meters	Nos.	1,700,000	912,997	1,700,000	1,266,521
Air conditioners	Tones	90,000	61,161	90,000	41,499
Refrigerators / deep freezers	Cfts	5,000,000	2,899,583	5,000,000	3,552,595
Television	Nos.	70,000	570	70,000	554

Reason for shortfall

The capacity utilization is dependent on overall demand, supply and availability of imported goods in the local market.

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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.

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.

	2007							2006
	INTEREST / MARK-UP BEARING			NON INTEREST / MARK-UP BEARING				
	Maturity upto one year	Maturity after one year	**Sub-total**	Maturity upto one year	Maturity after one year	**Sub-total**	**Total**	**Total**
	Rupees in thousand							
Financial assets								
Long-term deposits	-	-	**-**	13,537	35,332	48,869	**48,869**	43,300
Trade debts	-	-	**-**	3,249,525	-	3,249,525	**3,249,525**	2,862,678
Loans and advances	-	-	**-**	64,596	-	64,596	**64,596**	1,832
Trade deposits	-	-	**-**	269,075	-	269,075	**269,075**	259,986
Other receivables	-	-	**-**	29,374	-	29,374	**29,374**	9,266
Other financial assets	-	-	**-**	162,825	-	162,825	**162,825**	91,022
Cash and bank balances	50,568	-	**50,568**	486,006	-	486,006	**536,574**	448,934
Total	**50,568**	**-**	**50,568**	**4,274,938**	**35,332**	**4,310,270**	**4,360,838**	3,717,018
Financial liabilities								
Long-term financing	245,501	1,314,219	1,559,720	-	-	-	**1,559,720**	571,861
Liabilities against assets subject to finance lease	103,105	187,027	290,132	-	-	-	**290,132**	287,619
Interest / mark-up accrued on loans and other payables	-	-	-	213,298	-	213,298	**213,298**	226,709
Short-term borrowings	3,043,650	-	3,043,650	-	-	-	**3,043,650**	3,795,340
Trade and other payables	-	-	-	1,455,735	-	1,455,735	**1,455,735**	1,341,458
Total	**3,392,256**	**1,501,246**	**4,893,502**	**1,669,033**	**-**	**1,669,033**	**6,562,535**	6,222,987
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)**	(2,505,969)
On balance sheet gap - 2006	(4,221,856)	(432,852)	(4,654,708)	2,109,928	38,811	2,148,739	(2,505,969)	

OFF BALANCE SHEET ITEMS

Contingencies	1,117,351	-	1,117,351	-	-	-	1,117,351	586,704
Guarantees	-	-	-	642,706	-	642,706	642,706	478,045
Letter of credits	-	-	-	561,936	-	561,936	561,936	414,243
Total - 2007	**1,117,351**	**-**	**1,117,351**	**1,204,642**	**-**	**1,204,642**	**2,321,993**	**1,478,992**
Total - 2006	586,704	-	586,704	892,288	-	892,288	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. 4,361million (2006: Rs. 3,717 million), the financial assets which are subject to credit risk amounted to Rs. 3,314 million (2006: Rs. 2,865 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

39 SEGMENT REPORTING

	POWER		APPLIANCES		Company	Company
Revenue	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	(Rupees in thousand)					
Inter-segment	-	7,684	-	1,219		
External	6,720,881	4,421,148	5,092,606	4,986,870	11,813,487	9,408,018
	6,720,881	4,428,832	5,092,606	4,988,089	11,813,487	9,408,018
RESULT						
Segment result	498,987	265,272	278,437	299,216	777,424	564,488
Unallocated income / (expenses)						
Other operating income					63,942	94,650
Interest expense					(93,690)	(93,942)
Other operating expenses					(52,429)	(25,108)
Share of profit / (loss) of associate					12,162	(23,337)
Income taxes					(125,165)	(74,609)
Profit for the year					582,244	442,142
OTHER INFORMATION						
Segment assets	3,098,081	2,357,793	6,312,453	5,593,629	9,410,534	7,951,422
Unallocated corporate assets					2,136,245	2,156,319
					11,546,779	10,107,741
Segment liabilities	494,259	352,609	804,801	950,988	1,299,060	1,303,597
Unallocated corporate liabilities					6,183,104	5,656,481
					7,482,164	6,960,078
Capital expenditure	420,291	220,510	529,139	528,315	949,430	748,825
Non-cash items other than depreciation / amortization	5,863	21,299	9,353	28,162	15,216	49,461
Depreciation and amortization	48,057	34,085	134,260	114,368	182,317	148,453

Inter-segment sales

Inter-segment sales have been eliminated from the total.

Inter-segment pricing

Transactions among business segments are recorded at arm's length prices using admissible valuation methods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

40 MOVEMENT IN WORKING CAPITAL

	2007	2006
	(Rupees in thousand)	
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(5,833)	(5,782)
Stock-in-trade	58,081	(613,559)
Trade debts	(386,847)	(789,078)
Loans and advances	(100,645)	(43,914)
Trade deposits and short-term prepayments	(10,693)	(50,493)
Other receivables	(20,108)	2,230
	(466,045)	(1,500,596)
(Decrease) / increase in trade and other payables	(29,828)	729,884
	(495,873)	(770,712)

41 NON-CASH TRANSACTIONS

Additions to property, plant and equipment during the year amounting to Rs. 124.129 million (2006: 163.928 million) were financed by new finance leases.

42 DIVIDEND

In respect of current year, the Board of Directors of the Company propose to issue bonus shares @ 25.00% (2006: 25.00%). This dividend is subject to the approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. This will be accounted for subsequently in the year of issue.

43 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 02, 2007.

44 GENERAL

- Figures have been rounded off to the nearest thousand rupees except as stated otherwise.
- Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

NASEEM SAIGOL
Chairman / Chief Executive Officer

HAROON A. KHAN
Managing Director