

KSB Pumps Company Limited

Annual Report 2011



Quality at its best from KSB: Pumps and valves, services and systems



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Vision

KSB provides the best solutions worldwide.



Mission Statement

A photograph showing two hands, one from a darker-skinned person and one from a lighter-skinned person, reaching upwards towards a globe. The globe is partially visible on the left side of the frame. The background is a bright blue sky with some white clouds. The overall image conveys a sense of global reach and collaboration.

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

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

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



Strategic Objectives

Focus business lines

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

Further business lines

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



Values



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

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

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

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

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



Quality Principles

Achieving maximum customer satisfaction

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

Promoting quality consciousness

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

Every employee meets the customer's wishes

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

Avoiding mistakes instead of remedying them

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

Improving quality

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

Involving suppliers

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



Principles for Environment, Occupational Health & Safety

Informing about relevance to the environment

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

Promoting awareness of environmental issues, occupational health and safety

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

Strengthening our employees' sense of responsibility

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

Recognizing and avoiding risks

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

Compliance with regulations

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

Commitment of outside companies

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



KSB Pakistan - 53 Years of Setting Standards

KSB Pakistan is an affiliate company of the world famous German KSB Group, which was founded in 1871. The KSB Group is among the leading companies in the field of pumps and valves with subsidiaries and affiliated companies all over the world. The KSB name stands for the highest standards of product and service quality. KSB Pakistan was established in July 1959 in Lahore. The production facilities at Hassanabdal were completed in 1964 and a full-fledged foundry was commissioned in the same premises in 1980. The Company is ISO 9001 certified since 1994 and lately has added ISO-14001 and 18001 certifications for complete Integrated Management System certified by TUV, Germany. Now the Company employs around 350 people and operates through its Sales offices at Lahore, Karachi, Quetta, Rawalpindi, Hassanabdal and Multan and through a dealership and Franchise network throughout the country. In addition, the Company has a full-fledged Service Department comprising qualified and experienced personnel capable of undertaking turnkey installation jobs and O&M Contracts. KSB Pakistan became a public limited company in 1979 providing a broader base for local participation. The company's shares are traded on both Karachi and Lahore Stock Exchanges. The Company has received the Merit Trophy for exports of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Top Company Award for exemplary payment to the shareholders by Karachi Stock Exchange. Corporate Excellence and Good Management Practices Awards have also been bestowed on the Company by the Management Association of Pakistan. The Company has rapidly expanded its production range to include a large variety of pumps to serve various business segments. KSB believes in continuous



innovations and adds new solutions for the customers in its production range, particularly to meet the requirements of sugar, paper and other process and chemical industries apart from meeting the requirements of drinking water supply, sewage disposal and surface drainage schemes.

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

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

Company has completed five very successful decades in the Country and become the first Asian Subsidiary of KSB AG, Germany to have this honor. It is a moment of great pride and joy for the Management and Team of KSB Pakistan to celebrate 53 glorious years of setting standards, and we share this delight with all our business partners, who have helped us grow and strengthen over these five decades.

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

Board of Directors



Mr. Tonjes Cerovsky
Chairman Board of Directors

Mr. Tonjes Cerovsky has been working for KSB since 31 years. During this time he held different managerial positions in KSB's overseas companies. He has a degree in mechanical engineering from the University of Cologne in Germany and a Masters degree in Business Administration (MBA) from the Business School of the University of Birmingham, UK. He is Senior Vice President Sales - Region Middle East & Africa for KSB. He is the Chairman of the Board of Directors of KSB Pakistan.



Mohammad Masud Akhtar
Managing Director

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



Mr. Hasan Aziz Bilgrami
Director

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



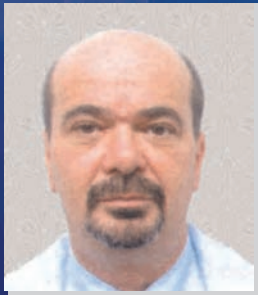
Mr. R. D. Ahmad
Director

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



Mr. Sajid Mahmood Awan
Director

Mr. Awan is the Director Finance and Company Secretary of KSB Pakistan. He has more than 18 years of professional experience in multinational environments in Pakistan, Africa and Middle East. He is a fellow member of ICMAP and ICSP, and certified director from PICG, Pakistan.



Mr. Werner Spiegel
Director

Mr. Werner Spiegel is a BE - Mechanical having more than 41 years of experience in KSB: 37 years in the group, 10 years as Managing Director of KSB Venezuela, 4 years as Managing Director, KSB Spain, 2 years in Germany, 6 years as Head of Sewage and Industrial Division, KSB Group, and since 10 years as Managing Director, KSB India. In addition, he is the President, Operations, KSB Region Asia Pacific.



Engr. M. Abdul Jabbar
Director

Engr.M.Abdul Jabbar is an Engineer by profession & has a diversified experience of 30 years. He is Director of six other institutions & member of many trade bodies.

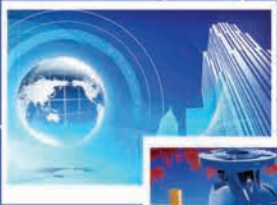


Mr. Aizaz Sarfraz
Director

Mr. Aizaz Sarfraz is Masters in Business Administration from the School of Business Columbia University NYC-NY. He has vast Experience of working with and for Multinational, foreign and large Pakistani Business Groups.

Mr. Tonjes Cerovsky

Chairman Board of Directors



Management Committee



Mr. Mohammad Masud Akhtar
Chief Executive Officer



Mr. Sajid Mahmood Awan
Director Finance &
Company Secretary



Mr. Nadeem Hamid Butt
Director Production & Projects



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



Mr. Saeed Zafar
GM Customer Services



Syed Kamran Hassan
General Manager Materials



Mr. Khurram Rana
Manager Human Resource



Kh. Faisal Rasheed
Head of Internal Audit



Mr. Shahzad Umer
DGM QHSE



Sales Offices

Lahore

16/2 Sir Aga Khan Road Lahore.

Ph: (042) 111 572 786, 36304173 Fax: (042) 36366192, 36368878

Email: info@ksb.com.pk

Multan

Golden Heights, Nusrat Road, Multan.

Ph: (061) 111 572 786 Fax: (061) 4541784

Email: ksbsmul@ksb.com.pk

Rawalpindi

309, A3 Peshawar Road, Westridge 1, Opp. Valley Clinic, Rawalpindi.

Ph: (051) 111 572 786. Fax: (051) 5472612

Email: ksbrwp@ksb.com.pk

Karachi

307 & 308, 3rd Floor Parsa Tower, Block 6, PECHS Shahrah-e-Faisal, Karachi

Ph: (021) 111 572 786 Fax: (021) 34388302

Email: ksbkhi@ksb.com.pk

KSB Partners

No.	FRANCHISE	ADDRESS	LOCATION	Cell #	Tele #	Fax	EMAIL
1	Standard Engineering Concern	25-Empress Road	Lahore	0321-4001255	0423- 63673881	042-36368011	kamran.razi@ksbpartners.com.pk
2	Industrial Development & Engineering Associates	20- C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	Karachi	0300-8203077	021-35390481-2	021-35390483	saquib@idea.com.pk
3	Ghani Enterprises 35 The Mall	3rd Floor , Mall Tower ,	Peshawar	0300-5895289	091-5285679	091-5278919	franchise.kpk@ksb.com.pk
4	Wali Muhammad & Co.	Zonkiram Road near mellennium Mall,	Quetta	0300- 8387668	081-2829635	081-2839721	gulistanmachinery@yahoo.com



Company Information

Board of Directors

Tonjes Cerovsky	Chairman
Mohammad Masud Akhtar	Managing Director
Werner Spiegel	
R. D. Ahmad	
Sajid Mahmood Awan	
Hasan Aziz Bilgrami	
Aizaz Sarfraz	
Engr. M. Abdul Jabbar	(Nominee NIT)

Company Secretary

Sajid Mahmood Awan

Management

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

Auditors

A.F. Ferguson & Co.	Chartered Accountants
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Legal Advisors

Mandviwala & Zafar

Bankers

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

Audit Committee

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

Secretary

Syed Afzaal Ali	DGM Admin & CA
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Registered Office

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

Works

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

Share Registrar

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

Notice of Annual General Meeting



54th AGM, held on April 26, 2011

Notice is hereby given that the 55th Annual General Meeting of the members of KSB Pumps Company Limited will be held on Wednesday, the 25th April, 2012, at 4.00 p.m. at Hotel Hospitality Inn, 25-26 Egerton Road, Lahore, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on April 26, 2011.
2. To consider and adopt the audited accounts of the Company for the year ended December 31, 2011 and report of Auditors and Directors thereon.
3. To appoint auditors and fix their remuneration

for the year ending 31.12.2012. M/s. A.F. Ferguson & Co., Chartered Accountants, the retiring auditors offer themselves for re-appointment as auditors of the Company.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Sajid Mahmood Awan'.

SAJID MAHMOOD AWAN
Company Secretary
Lahore : April 03, 2012

Notes



Participants of 54th AGM

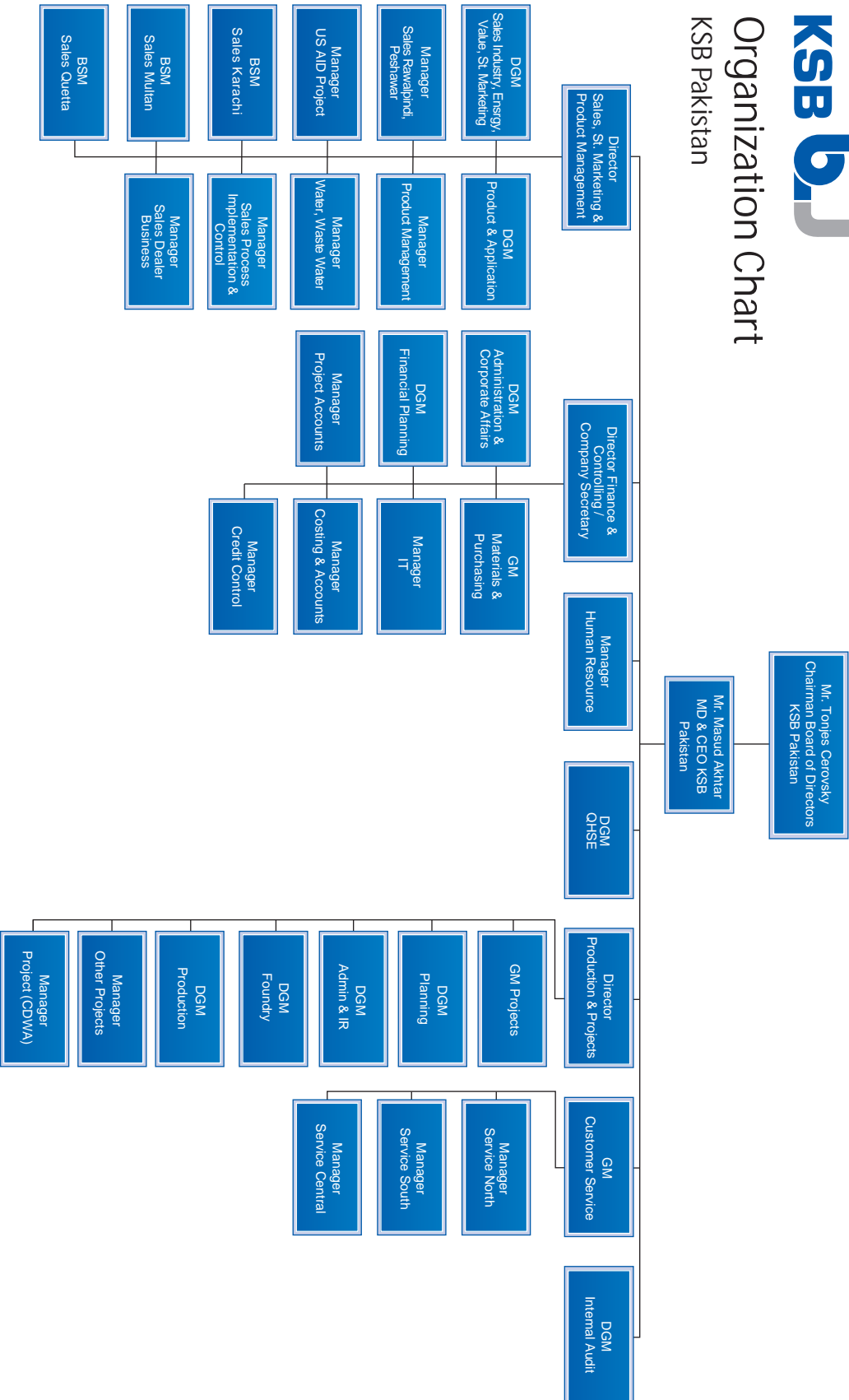
1. A member entitled to attend and vote at this meeting is entitled to appoint another member as proxy. Proxies in order to be effective must be received not later than 48 hours before the time appointed for the meeting. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid. Every proxy shall have the right to attend, speak and vote in place of the member appointing him/her at the meeting.
2. The Share Transfer Books of the Company will remain closed from 18th April, 2012 to 25th April, 2012 (both days inclusive). Transfers received in order at Company's Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74000, by the close of business on 17th April, 2012 will be in time.
3. The CDC account/sub account holders and/or the persons whose securities are in group account and their registration details are up-loaded as per the regulations, shall for identification purpose have to produce their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

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



Organization Chart

KSB Pakistan





KSB Pakistan's state-of-the-art manufacturing facility

Mohammad Masud Akhtar
Chief Executive Officer & MD KSB Pakistan



Directors' Report to the Shareholders

The Directors are pleased to present the Annual Report along with the Audited Financial Statements for the year ended December 31, 2011 together with Auditor's report thereon.

THE ECONOMY

Global Economy

Global activity has weakened and become more uneven, confidence has fallen sharply recently, and downside risks are growing. Against a backdrop of unresolved structural fragilities, a barrage of shocks hit the international economy this year. Japan was struck by the devastating Great East Japan earthquake and tsunami, and unrest swelled in some oil-producing countries. The year 2011 saw a series of protests and demonstrations in Egypt and Libya. The euro area debt crisis has intensified further, requiring urgent action to prevent highly destabilizing outcomes.

The problems stalking the global economy are multiple and interconnected. The most pressing challenges are the continued jobs crisis and the declining prospects for economic growth, especially in the developed countries.

Pakistan's Economy

Unfortunately, as in year 2010, the country was hit once again by floods in the year 2011 which adversely impacted economic growth, besides bringing distress and devastation to the country. Our economy suffered from acute energy and natural gas shortages, intensifying and effecting power generation, the ongoing war on terror with its ramifications for the economy, inability to implement fiscal reforms, rising public debts and loss making public sector enterprises continuing to drain scare resources. Financing of fiscal deficit remained a challenge in the year 2011.

Agriculture is facing many challenges this year: flood damage to kharif crops; taxation on inputs (which has reduced margins); decline in global commodity prices; and low credit availability. A revival in construction was a challenge on account of sales tax on the already anemic sector in Sindh and high building material prices; this had a negative impact on our sales. Due to irregular domestic production, demand of steel is largely being met via imports that have become costlier which along-with inflation of 9.7% resulted in high production cost

THE COMPANY

FINANCIAL RESULTS

The comparative financial results for the year 2011 as against 2010 are as follows:

Rupees in '000'

	2011	2010
Sales	1,944,764	2,047,989
Gross Profit	328,804	483,560
Operating Profit Before Extraordinary Items	43,385	153,251
Extraordinary Expenses (SAP)	(189,625)	-
Profit/(Loss) Before Tax	(156,121)	153,251

Cost of implementation of state of the art ERP system SAP in the year 2011 had adverse effect on our profit for the year. High material cost, devaluation of rupee and inflation and economic conditions of Pakistan had negative impact on sales which resulted in low gross profit as compared to the year 2010, resultantly no dividend has been declared for the year ended 31.12.2011.

SALES



Sewatec-Pump for water and waste water applications



Water / Waste Water Technical Symposium in Halle

Despite the prevailing unstable economic situation in the country the Company has further penetrated nationwide through dealers and KSB Partners increasing the breadth and effectiveness in market. KSB Pakistan experienced a substantial growth in the Industry segment. Company has shown a strong commitment to the changing market demands and through an effective utilization of Project & Application Department, we have gained a good mileage in Petrochemical sector with exponential boost in sales of ISO and API Pumps which is considered a high end engineered market.

The water and waste water, which has remained our main market segment, experienced significant decline due to reduction in public sector development plan. Enlistments of low quality and low cost product from trading and backyard assembling companies by Government have further compounded the problem. We are actively lobbying the government to correct this anomaly to protect its interest and that of consumers of the essential utilities. Business in construction sector remained slow as the major projects are on hold. Application of 16% sales tax had a very negative effect on pump manufacturer operating in the formal sector and our business suffered significantly.

To improve our customer product knowledge and impart our global experience, a number of product seminars and focus groups have been conducted in 2011. In line with the 'Process innovation' and growing customer needs, a new product namely Sewatec has been launched which is a competitive product for waste water applications.

PROJECTS

Since the year 2011 started with healthy in-hand orders, our focus was towards achieving substantial completion of projects, and associated money collection. The progress on the execution of the projects has been smooth throughout the year, specially on the 2 major projects won within 2011 signed with NSUSC; Larkana, for Rehabilitation of 12 Sewage Stations, and M/s. Tobishima Corporation Japan, for Water Supply Scheme of Faisalabad.

The other significant positive has been the resumption of execution of Projects with MDA, Multan, signed in 2010, which had remained suspended for almost a whole year. These projects are poised for completion by Q3 of the year 2012.

The CDWA project signed in the year 2009 however has not yet resumed and we are trying to find an amicable solution with the client.

PRODUCTION



New Dual-Welding machine installed at Works, Hassanabdal

The infrastructure development at the factory was continued in the year 2011 as per plan. A new Fabrication Shop was constructed on modern lines, with optimized layout for increasing productivity. The shop is equipped with a new automatic Pipe Welding machine that further improves the quality and efficiency of the pipe flange welding process. Online data acquisition system was acquired from KSB AG for more accurate pump testing.

FOUNDRY

Foundry produced more than 3300 tons of castings for the year, and by employing value stream mapping, this achievement was carried out in a single shift operation.



KSB Pakistan's Fully Equipped Foundry, at works Hassanabdal

New Sand Dryer of capacity 2 ton/hr has replaced the old machine. In addition, washed sand is now being sourced which is cost effective and better in efficiency.

Pattern development for products from KSB South Africa, KSB AG, and those for SNW in Duplex SS, has been efficient in meeting the tight delivery schedules

SUCCESSFUL IMPLEMENTATION OF SAP



KSB Pakistan Team with onsite consulting team at successful go live

KSB Pakistan went live on SAP on November 14, 2011 exactly as per plan. The Project has been completed within a short span of 9 months, with high data quality and within the budgeted resources. Prior to SAP roll out Project, all the basic data was worked out as per SAP P14 structure defined by KSB Group. Before the Go-live, the project had three successful simulation cycles for end to end business processes and data consistency. Local, legal and business requirements have been incorporated in the global KSB AG SAP template. The project was executed with highly experienced local cross functional team supported by the onsite and international consulting partners and KSB global SAP colleagues. Entire company is leveraging this state-of- the-art ERP System for productivity enhancement and business growth in the year 2012.

QUALITY, ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY

Assuring quality means careful documentation and following Standard Operating Procedures (SOPs) resulting in efficiency and excellence. KSB Pakistan takes great pride in having its products and plants certified for meeting international standards.



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

At KSB, we attach great importance to Quality, Environment, Occupational Health and Safety Policies. The European Foundation for Quality Management (EFQM) Model for the business excellence provides the framework of the KSB Policy for Quality, Environment, Occupational Health and Safety. The Total Quality Management concept has been upheld in all our operations to ensure a sustainable improvement in our products, processes, services and working conditions. The achievement of a favorable result, through its implementation, is demonstrated by the various national and international quality certifications that we have received over time.

SERVICES - *Fast & efficient*

A significant maintenance contract was won in petroleum sector by Services Department. A milestone has been achieved by Services south for repair & installation of RDLV pumps in Karachi Water & Sewerage Board.



HUMAN RESOURCE

Our employees are our most valuable assets. In the year 2011, focus was development of Human Resource Capital of KSB. Employees were nominated for international trainings organized by KSB Germany and numbers of in-house trainings were organized as well.



Core Media Training in Frankenthal, Germany



SAP Training in Frankenthal, Germany

ACHIEVEMENTS

ENVIRONMENTAL EXCELLENCE PERFORMANCE AWARD 2011

Initiated by National Forum for Environment & Health, Environment Excellence Award is designed to recognize and promote organizations which are making outstanding contributions to environment sustainability and development. The award criterions range from organizational directions and efforts from policy making, deployment and measurement of results towards achievement of better environment. Your Company has maintained its legacy of environment excellence in the year 2011 as well by winning the



Environment Excellence Award in the Engineering category. Your Company has yet again proven its commitment to facilitate, prompt and help create environmental, health care and educational awareness among masses with efforts to maximize possible resources for conserving natural environment and resources of the country and to offer pollution free and healthy environment.

Mbk Certificate

Under GMN (Global Manufacturing Network) of KSB Group, there is a special range of pumps which are being manufactured in designated countries only. In order to assure the global quality parameters of these pumps, such pumps are subjected to a license certification called "Made by KSB, Designed by KSB AG Germany" (Mbk), which is the assurance that the pump produced is as good as it had been manufactured at any other site (including Germany).

We have achieved MbK since year 2000 and latest revalidation was done in 2011 for the period up-to December 2014.

ENTERPRISE RISK MANAGEMENT

We define risk as:

"a potential damage-causing event"

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

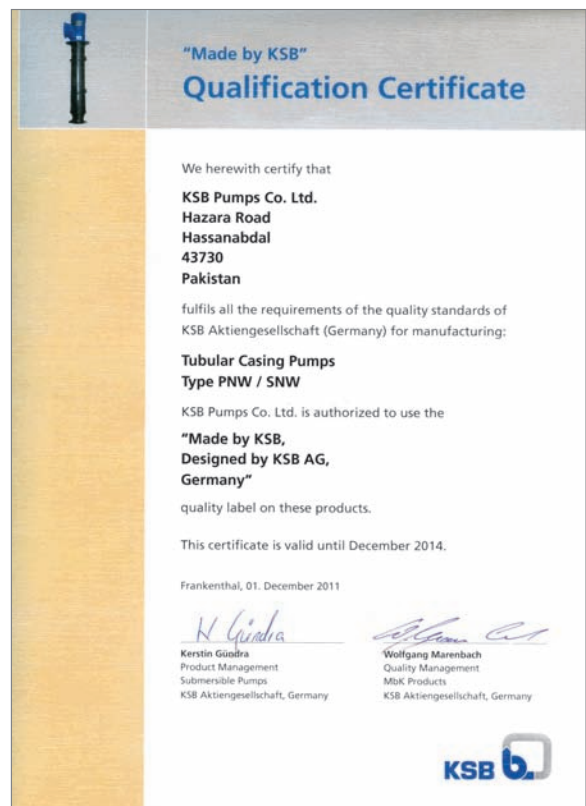
The Directors have delegated to Executive Management, the establishment and implementation of an internal control system. The controls reduce risks from unacceptable level, to a stage deemed acceptable by the Company. The system of internal controls provides reasonable but not absolute assurance that assets are safeguarded; transactions are authorized and recorded properly.

Financial Risk Factor

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

Liquidity Risk

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



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

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

Capital Risk Management

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

CORPORATE SOCIAL RESPONSIBILITY



Mr. Masud Akhtar distributing scholarships under KSB Care Programme

KSB Care

KSB is amongst the companies responsible for arranging CSR activities as part of their corporate strategy. KSB Pumps Company Limited is engaged in the area of CSR in number of ways under the umbrella of KSB Care Programme. Education plays a pivotal role towards the development of any society. The literacy rate of Pakistan is low, which is a big hindrance towards the prosperity of our nation. To overcome this hurdle KSB is contributing

by offering internship, apprenticeship, training opportunities, educational visits and study projects to students and supports educational institutions situated in the vicinity of its Works at Hassanabdal. During the year 2011 furniture consisting of desks, benches, chairs and tables were provided to four schools and one college.

KSB is also managing a scholarship program since 2008. During the year merit based scholarships were awarded to brilliant students ranging from primary to graduation level of different schools and colleges. Scholarships were awarded to 131 students at impressive functions held in the schools of the area.

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

FUTURE OUTLOOK

SALES

We are broadly positioned in our activities for the Industry and Water & Waste Water segments. Market outlook looks promising and we expect a considerable business growth in 2012, especially this being perceived to be an election year.

Oil & gas segment is expanding and we are well positioned to cater for the upcoming opportunities. We are actively working on increasing our access to end customers by appointing more Partners in the year 2012. We are also working on new ideas and approaches of communication and a significant step forward in this regard is the new KSB Pakistan website which will be launched in 2012.

PROJECTS



AquaRefine-Water Filtration Systems by KSB

The Company has set itself an ambitious target for order intake in 2012, based on the promising prospects under Karachi Water & Sewerage Board for Water Supply and Sewage Disposal turnkey job.

With the newly acquired technology of filtration plants, KSB stands a good chance with the upcoming projects in Punjab as well.

KSB also aims to extend its market base by venturing into turnkey project business in the industrial segment for which an active business plan is being formulated.

PRODUCTION & FOUNDRY



We create products that exactly meet our customers demands

Investments are planned in the year 2012 to bring the unit in line with the business demands. Foundry's own business looks promising with the increase in demand of automotive castings. Foundry master plan shall be completed for approval outlining the advancements that are foreseen to convert it into one of the best in Pakistan. In the Foundry, it is planned to have separate hand moulding areas for stainless steel (Duplex, Super duplex & other SS grades materials), allowing more space for CI and bronze casting production. In addition, a core making shop and enhanced space for pattern making and storing has been planned. In order to enhance the productivity of the plant one Horizontal Boring Mill and one Single Plane Balancing Machine will be inducted in the year 2012 as replacement of existing machines.

APPROPRIATION

RESULT FOR THE YEAR	Rupees '000'
Loss for the year before providing for taxation	(156,121)
Provision for taxation	50,000
Profit / (loss) after taxation	<u>(106,121)</u>
Un-appropriated profit brought forward	100
Un appropriated profit / (loss) carried forward	<u><u>(106,021)</u></u>

AUDITORS

The present auditors, A.F. Ferguson & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee the Board of Directors has recommended their reappointment as auditors of the Company for the year ending December 31, 2012.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

MATERIAL CHANGES

There have been no material changes since December 31, 2011 and the company has not entered into any commitment, which would affect its financial position at the balance sheet date.

HOLDING COMPANY

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

BOARD OF DIRECTORS

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

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

On completion of terms of the Directors, elections were held on 26th April, 2011 and accordingly Board was reconstituted.

During the year Mr. Wazir Ali Khoja resigned from the office of Director and was succeeded by Engr. M. Abdul Jabbar.

The Board wishes to place on record its deep appreciation for the valuable contribution and guidance provided by the outgoing Director during his association with the Company.



BOARD OF DIRECTORS MEETING

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

S. No.	Name of Director	No. of Meetings Attended
01.	Mr. M. Masud Akhtar	4
02.	Mr. Tonjes Cerovsky	4
03.	Mr. Sajid Mahmood Awan	4
04.	Engr. M. Abdul Jabbar	1
05.	Mr. R. D. Ahmad	3
06.	Mr. Hasan Aziz Bilgrami	1
07.	Mr. Aizaz Sarfraz	3
08.	Mr. Werner Spiegel	3

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

AUDIT COMMITTEE



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

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

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

CORPORATE AND FINANCE REPORTING FRAME WORK

- The financial statements together with the notes thereon have been drawn up by the Management in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the Best Practices of Corporate Governance, as detailed in the Listing Regulations.
- There has been no departure from the best practices of transfer pricing.
- The key operating and financial data for the last six years is annexed.
- The value of investments including accrued interest based on respective audited accounts of funds are as follows:
 1. Provident Fund 31.12.2010 : Rs. 113.99 million.
 2. Gratuity Fund 31.12.2010 : Rs. 57.00 million.
- No trading of shares of the Company by CEO, Directors, Company Secretary, CFO, their spouses and minor children has been carried out.

PATTERN OF SHAREHOLDING

The statement of pattern of the shareholding of the Company as at December 31, 2011 is annexed with the report.

PERFORMANCE REVIEW OF CHIEF EXECUTIVE OFFICER

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

Acknowledgement

The Board of Directors acknowledge the, trust of shareholders, professional support provided by KSB AG, Germany.

We appreciate the efforts of our dedicated employees in difficult economic situation.

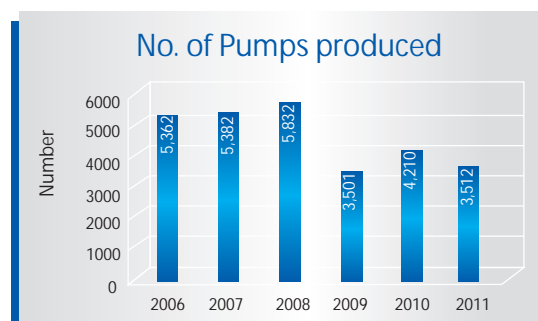
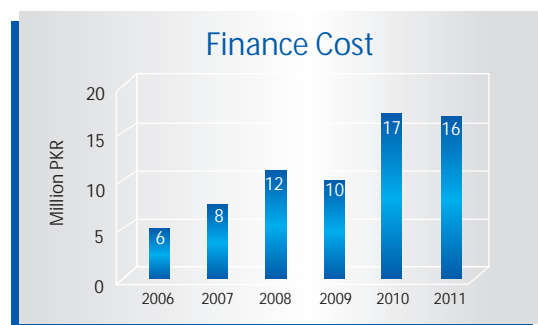
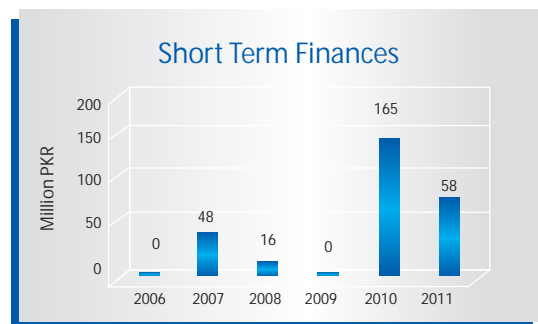
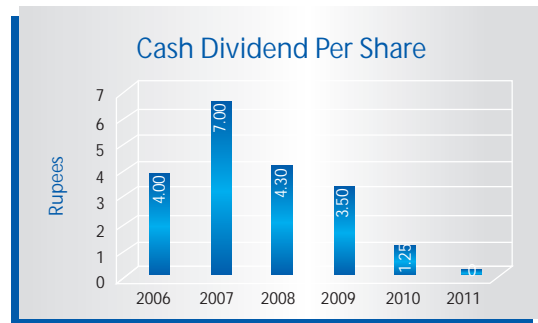
On behalf of the Board



Mohammad Masud Akhtar
Chief Executive

March 15, 2012
Lahore.

Highlights 6 Years



Vertical Analysis

	2011 Rs. in '000'	%age	2010 Rs. in '000'	%age
Balance Sheet				
Net worth / shareholders equity	703,979	35.24%	826,600	45.69%
Non current liabilities	35,446	1.77%	63,843	3.53%
Short term running finances/bank borrowings	57,791	2.89%	164,927	9.12%
Creditors, accrued and other liabilities	1,200,382	60.09%	753,738	41.66%
Total liabilities and equity	<u>1,997,598</u>	<u>100.00%</u>	<u>1,809,108</u>	<u>100.00%</u>
Fixed Assets	316,471	15.84%	313,502	17.33%
Long Term Loans and Deposits	12,946	0.65%	11,685	0.65%
Deferred Taxation	36,814	1.84%	-	0.00%
Current Assets	1,631,367	81.67%	1,483,920	82.02%
Total Assets	<u>1,997,598</u>	<u>100.00%</u>	<u>1,809,108</u>	<u>100.00%</u>
Profit and Loss Account				
Sales	1,944,764	100.00%	2,047,989	100.00%
Cost of sales	(1,615,960)	-83.09%	(1,564,429)	-76.39%
Gross Profit / (Loss)	328,804	16.91%	483,560	23.61%
Distribution and marketing costs	(181,490)	-9.33%	(214,023)	-10.45%
Administrative expenses	(129,812)	-6.67%	(128,520)	-6.28%
Other operating expenses	(199,706)	-10.27%	(13,387)	-0.65%
Other operating income	42,319	2.18%	42,867	2.09%
Operating Profit / (Loss)	<u>(139,886)</u>	<u>-7.19%</u>	<u>170,498</u>	<u>8.33%</u>
Finance Cost	(16,235)	-0.83%	(17,248)	-0.84%
Profit / (Loss) before tax	<u>(156,121)</u>	<u>-8.03%</u>	<u>153,251</u>	<u>7.48%</u>
Taxation	50,000	2.57%	(53,471)	-2.61%
Profit / (Loss) for the year	<u>(106,121)</u>	<u>-5.46%</u>	<u>99,779</u>	<u>4.87%</u>

2009 Rs. in '000'	%age	2008 Rs. in '000'	%age	2007 Rs. in '000'	%age	2006 Rs. in '000'	%age
773,021	48.49%	676,832	55.28%	590,143	54.54%	467,464	56.32%
52,273	3.28%	42,302	3.46%	32,602	3.01%	15,071	1.82%
171	0.01%	16,421	1.34%	47,795	4.42%	47	0.01%
768,645	48.22%	488,731	39.92%	411,413	38.03%	347,362	41.85%
<u>1,594,110</u>	<u>100.00%</u>	<u>1,224,286</u>	<u>100.00%</u>	<u>1,081,953</u>	<u>100.00%</u>	<u>829,944</u>	<u>100.00%</u>
251,639	15.79%	219,108	17.90%	152,303	14.08%	92,630	11.16%
6,196	0.39%	7,885	0.64%	8,336	0.77%	2,798	0.34%
-	0.00%	-	0.00%	-	0.00%	-	0.00%
1,336,275	83.83%	997,293	81.46%	921,314	85.15%	734,516	88.50%
<u>1,594,110</u>	<u>100.00%</u>	<u>1,224,286</u>	<u>100.00%</u>	<u>1,081,953</u>	<u>100.00%</u>	<u>829,944</u>	<u>100.00%</u>
2,024,248	100.00%	1,876,445	100.00%	1,664,543	100.00%	1,401,145	100.00%
(1,522,737)	-75.22%	(1,368,835)	-72.95%	(1,198,453)	-72.00%	(973,920)	-69.51%
501,511	24.78%	507,610	27.05%	466,090	28.00%	427,225	30.49%
(183,402)	-9.06%	(192,937)	-10.28%	(161,898)	-9.73%	(159,195)	-11.36%
(118,321)	-5.85%	(110,034)	-5.86%	(90,562)	-5.44%	(82,505)	-5.89%
(17,282)	-0.85%	(15,368)	-0.82%	(18,654)	-1.12%	(19,286)	-1.38%
41,704	2.06%	56,287	3.00%	41,429	2.49%	30,394	2.17%
224,210	11.08%	245,558	13.09%	236,405	14.20%	196,633	14.03%
(10,421)	-0.51%	(11,639)	-0.62%	(8,413)	-0.51%	(5,790)	-0.41%
213,789	10.56%	233,919	12.47%	227,992	13.70%	190,843	13.62%
(66,000)	-3.26%	(63,231)	-3.37%	(57,313)	-3.44%	(64,450)	-4.60%
<u>147,789</u>	<u>7.30%</u>	<u>170,688</u>	<u>9.10%</u>	<u>170,680</u>	<u>10.25%</u>	<u>126,393</u>	<u>9.02%</u>

Horizontal Analysis

	2011	2010	"Change	2010	2009	"Change	2009
	Rs. in '000	Rs. in '000	%	Rs. in '000	Rs. in '000	%	Rs. in '000
Balance Sheet							
Net worth / shareholders equity	703,979	826,600	-14.83%	826,600	773,021	6.93%	773,021
Non current liabilities	35,446	63,843	-44.48%	63,843	52,273	22.13%	52,273
Short term running finances/bank borrowings	57,791	164,927	-64.96%	164,927	171	96153.82%	171
Creditors, accrued and other liabilities	1,200,382	753,738	59.26%	753,738	768,645	-1.94%	768,645
Total liabilities and equity	1,997,598	1,809,108	10.42%	1,809,108	1,594,110	13.49%	1,594,110
Fixed Assets	316,471	313,502	0.95%	313,502	251,639	24.58%	251,639
Long Term Loans and Deposits	12,946	11,685	10.79%	11,685	6,196	88.59%	6,196
Deferred Taxation	36,814	-		-	-		-
Current Assets	1,631,367	1,483,920	9.94%	1,483,920	1,336,275	11.05%	1,336,275
Total Assets	1,997,598	1,809,108	10.42%	1,809,108	1,594,110	13.49%	1,594,110
Profit and Loss Account							
Sales	1,944,764	2,047,989	-5.04%	2,047,989	2,024,248	1.17%	2,024,248
Cost of sales	(1,615,960)	(1,564,429)	3.29%	(1,564,429)	(1,522,737)	2.74%	(1,522,737)
Gross Profit / (Loss)	328,804	483,560	-32.00%	483,560	501,511	-3.58%	501,511
Distribution and marketing costs	(181,490)	(214,023)	-15.20%	(214,023)	(183,402)	16.70%	(183,402)
Administrative expenses	(129,812)	(128,520)	1.01%	(128,520)	(118,321)	8.62%	(118,321)
Other operating expenses	(199,706)	(13,387)	1391.82%	(13,387)	(17,282)	-22.54%	(17,282)
Other operating income	42,319	42,867	-1.28%	42,867	41,704	2.79%	41,704
Operating Profit / (Loss)	(139,886)	170,498	-182.05%	170,498	224,210	-23.96%	224,210
Finance Cost	(16,235)	(17,248)	-5.87%	(17,248)	(10,421)	65.51%	(10,421)
Profit / (Loss) before tax	(156,121)	153,251	-201.87%	153,251	213,789	-28.32%	213,789
Taxation	50,000	(53,471)	-193.51%	(53,471)	(66,000)	-18.98%	(66,000)
Profit / (Loss) for the year	(106,121)	99,779	-206.36%	99,779	147,789	-32.49%	147,789

2008	"Change	2008	2007	"Change	2007	2006	"Change	2006	2005	"Change
Rs. in '000	%	Rs. in '000	Rs. in '000	%	Rs. in '000	Rs. in '000	%	Rs. in '000	Rs. in '000	%
676,832	14.21%	676,832	590,143	14.69%	590,143	467,464	26.24%	467,464	377,071	23.97%
42,302	23.57%	42,302	32,602	29.75%	32,602	15,071	116.32%	15,071	18,183	-17.11%
16,421	-98.96%	16,421	47,795	-65.64%	47,795	47	101591.49%	47	103,218	-99.95%
488,731	57.27%	488,731	411,413	18.79%	411,413	347,362	18.44%	347,362	347,242	0.03%
1,224,286	30.21%	1,224,286	1,081,953	13.16%	1,081,953	829,944	30.36%	829,944	845,714	-1.86%
219,108	14.85%	219,108	152,303	43.86%	152,303	92,630	64.42%	92,630	78,494	18.01%
7,885	-21.42%	7,885	8,336	-5.41%	8,336	2,798	197.93%	2,798	3,386	-17.37%
-		-	-		-	-		-	-	
997,293	33.99%	997,293	921,314	8.25%	921,314	734,516	25.43%	734,516	763,834	-3.84%
1,224,286	30.21%	1,224,286	1,081,953	13.16%	1,081,953	829,944	30.36%	829,944	845,714	-1.86%
1,876,445	7.88%	1,876,445	1,664,543	12.73%	1,664,543	1,401,145	18.80%	1,401,145	1,252,166	11.90%
(1,368,835)	11.24%	(1,368,835)	(1,198,453)	14.22%	(1,198,453)	(973,920)	23.05%	(973,920)	(914,070)	6.55%
507,610	-1.20%	507,610	466,090	8.91%	466,090	427,225	9.10%	427,225	338,096	26.36%
(192,937)	-4.94%	(192,937)	(161,898)	19.17%	(161,898)	(159,195)	1.70%	(159,195)	(115,954)	37.29%
(110,034)	7.53%	(110,034)	(90,562)	21.50%	(90,562)	(82,505)	9.77%	(82,505)	(79,775)	3.42%
(15,368)	12.45%	(15,368)	(18,654)	-17.62%	(18,654)	(19,286)	-3.28%	(19,286)	(14,293)	34.93%
56,287	-25.91%	56,287	41,429	35.86%	41,429	30,394	36.31%	30,394	27,622	10.04%
245,558	-8.69%	245,558	236,405	3.87%	236,405	196,633	20.23%	196,633	155,696	26.29%
(11,639)	-10.46%	(11,639)	(8,413)	38.35%	(8,413)	(5,790)	45.30%	(5,790)	(10,672)	-45.75%
233,919	-8.61%	233,919	227,992	2.60%	227,992	190,843	19.47%	190,843	145,024	31.59%
(63,231)	4.38%	(63,231)	(57,313)	10.33%	(57,313)	(64,450)	-11.07%	(64,450)	(55,115)	16.94%
170,688	-13.42%	170,688	170,680	0.00%	170,680	126,393	35.04%	126,393	89,909	40.58%

Statement of Value Addition

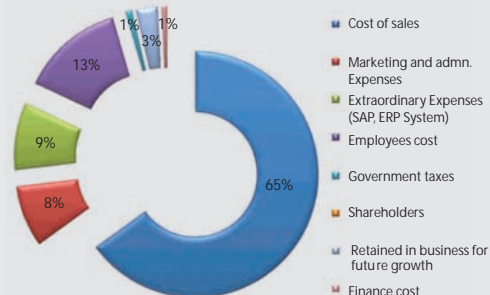
Value Addition

	2011	%age	2010	%age
	Rs. in '000'		Rs. in '000'	
Net sales	1,944,764	97.87	2,047,989	97.95
Other income	42,319	2.13	42,867	2.05
	<u>1,987,083</u>	<u>100.00</u>	<u>2,090,856</u>	<u>100.00</u>

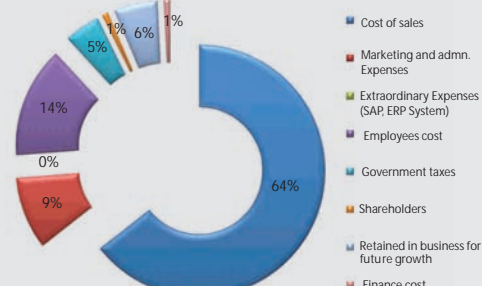
Value Distribution

Cost of sales (excluding employees' cost & Depreciation/Amortization)	1,396,052	70.26	1,347,423	64.44
Marketing, admin. & other expenses (excluding employees' cost, Depreciation, & Extraordinary Expenses)	174,654	8.79	194,951	9.32
Extraordinary Expenses (SAP, ERP System)	189,625	9.54	-	0.00
Employees cost				
- Salaries, wages, amenities and staff welfare	290,901	14.64	291,016	13.92
- Workers' profit participation fund	-	0.00	8,230	0.39
	290,901	14.64	299,246	14.31
Government				
- Taxes & Duties	(18,546)	-0.93	93,962	4.49
- Workers' welfare fund	-	0.00	3,128	0.15
	(18,546)	-0.93	97,090	4.64
Shareholders				
- Dividend	-	0.00	16,500	0.79
- Bonus shares	-	0.00	-	0.00
	-	0.00	16,500	0.79
Retained in business for future growth				
- Depreciation & Amortization	44,283	2.23	35,120	1.68
- Retained profit	(106,121)	-5.34	83,279	3.98
	(61,838)	-3.11	118,399	5.66
Finance cost	16,235	0.82	17,248	0.82
	<u>1,987,083</u>	<u>100.00</u>	<u>2,090,856</u>	<u>100.00</u>

Value Distribution 2011



Value Distribution 2010



Key Financial Data for 6 Years

	Rupees in '000'					
	2011	2010	2009	2008	2007	2006
Balance sheet						
Paid up capital	132,000	132,000	132,000	120,000	120,000	120,000
Reserves	571,979	694,600	641,021	556,832	470,143	347,464
Net worth / shareholders equity	703,979	826,600	773,021	676,832	590,143	467,464
Non current liabilities	35,446	63,843	52,273	42,302	32,602	15,072
Short term running finances/ bank borrowings	57,791	164,927	171	16,421	47,795	47
Creditors, accrued & other liabilities	1,200,381	753,738	768,645	488,731	411,413	347,361
Current liabilities	1,258,172	918,665	768,817	505,152	459,208	347,408
Total liabilities	1,293,618	982,508	821,090	547,454	491,810	362,480
Total Liabilities & Equity	1,997,597	1,809,108	1,594,110	1,224,286	1,081,953	829,944
Fixed assets	316,470	313,502	251,639	219,108	152,303	92,630
Long term loans and deposits	12,946	11,685	6,196	7,885	8,336	2,798
Deferred taxation	36,814	-	-	-	-	-
Current assets	1,631,367	1,483,920	1,336,274	997,293	921,314	734,516
Total assets	1,997,597	1,809,108	1,594,110	1,224,286	1,081,953	829,944
Inventory	436,319	504,449	414,139	394,488	288,347	308,171
Debtors	866,753	632,844	526,560	388,555	250,061	214,193
Trade and other payables	1,173,173	710,812	732,617	455,121	359,893	294,210
Material consumption	1,053,942	1,047,964	1,011,436	965,555	841,499	700,542
Profit and loss						
Sales	1,944,764	2,047,989	2,024,248	1,876,445	1,664,543	1,401,145
Cost of goods sold	(1,615,960)	(1,564,429)	(1,522,737)	(1,368,835)	(1,198,453)	(976,120)
Gross Profit/(Loss)	328,804	483,560	501,510	507,610	466,090	425,025
Distribution and marketing cost	(181,490)	(214,023)	(183,402)	(192,937)	(161,897)	(159,195)
Administrative expenses	(129,812)	(128,520)	(118,321)	(110,034)	(90,562)	(80,305)
Other operating expenses	(199,706)	(13,387)	(17,282)	(15,368)	(18,654)	(19,286)
Other operating income	42,319	42,867	41,704	56,287	41,429	30,394
Operating Profit/(Loss)	(139,885)	170,498	224,209	245,558	236,406	196,633
Finance Cost	(16,235)	(17,248)	(10,421)	(11,639)	(8,413)	(5,790)
Profit/(Loss) before tax	(156,120)	153,251	213,789	233,919	227,993	190,843
Taxation	50,000	(53,471)	(66,000)	(63,231)	(57,313)	(64,450)
Net Profit/(Loss)	(106,120)	99,779	147,789	170,688	170,680	126,393

Key Performance Indicators

		2011	2010	2009	2008	2007	2006
Gross Margin	%	16.91	23.61	24.41	27.05	28.00	30.33
Net profit to Sales	%	(5.46)	4.87	7.30	9.10	10.25	9.02
Return on equity	%	(15.07)	12.07	19.12	25.22	28.92	27.04
Return on capital employed	%	(18.92)	19.15	27.17	34.15	37.96	40.75
Return on assets	%	(4.50)	6.47	9.92	14.89	16.55	15.93
EBITDA	Rupees in '000	(184,167)	205,618	254,782	270,782	255,115	211,111
EBITDA margin	%	(9.47)	10.04	12.59	14.43	15.33	15.07
Inventroy turnover ratio	Times	2.42	2.08	2.45	2.45	2.92	2.27
Inventory turnover in number of days	Days	151	176	149	149	125	161
Debtor Turnover ratio	Times	2.24	3.24	3.84	4.83	6.66	6.54
Collection period (Days)	Days	163	113	95	76	55	56
Creditor turnover	Times	1.38	2.20	2.09	3.01	3.33	3.32
Credit turnover in number of days	Days	265	166	175	121	110	110
Opreating cycle	Days	49	123	69	103	70	106
Total assets trunover ratio	Times	0.97	1.13	1.27	1.53	1.54	1.69
Fixed assets turnover ratio	Times	6.15	6.53	8.04	8.56	10.93	15.13
Price earning ratio	Times	(3.02)	7.95	6.70	17.86	15.36	8.34
Cash dividend per share	Rupees	-	1.25	3.50	4.30	7.00	4.00
Bonus shares	%	-	-	-	10.00	-	-
Dividend yield ratio	Times	-	0.02	0.05	0.02	0.04	0.05
Dividend pay out ratio	Times	-	0.17	0.31	0.33	0.54	0.42
Dividend cover ratio	Times	-	6.05	3.20	3.01	1.85	2.39
Earnings Per Share	Rupees	(8.04)	7.56	11.20	12.93	12.93	9.58
Number of Shares	Number	13,200	13,200	13,200	12,000	12,000	12,000
Debt Equity Ratio		8.20 : 91.80	17 : 83	0.02 : 99.98	2 : 98	8 : 92	1 : 99
Interest Cover ratio	Times	(8.62)	9.89	21.52	21.10	28.10	33.96
Current Ratio	Times	1.30	1.62	1.74	1.97	2.01	2.11
Acid test ratio	Times	0.95	1.07	1.20	1.19	1.38	1.23
Break up value per share	Rupees	53.33	62.62	58.56	51.28	44.71	35.41
Market Value of shares - year end	Rupees	24.31	60.11	75.02	230.98	198.60	79.90
Market Value of shares - high	Rupees	62.11	60.11	230.98	230.98	294.95	97.00
Market Value of shares - low	Rupees	24.30	92.48	71.42	152.25	75.10	63.00
Summary of cash flow statement							
Operating activities	Rupees in '000	74,079	(92,165)	289,729	14,955	208,487	183,174
Investing activities	Rupees in '000	(43,347)	(95,326)	(65,321)	(91,583)	(77,500)	(27,728)
Financing Activities	Rupees in '000	(16,443)	(46,085)	(51,410)	(83,634)	(47,790)	(35,836)
Cash and cash equivelent-closing balance	Rupees in '000	12,663	(1,626)	231,951	58,953	219,215	136,019

Pattern of Shareholding as at December 31, 2011

Number of Shareholders		Shareholding		Total Shares Held
268	1	to	100	9,229
231	101	to	500	60,779
256	501	to	1000	151,258
142	1001	to	5000	299,156
25	5001	to	10000	173,758
8	10001	to	15000	99,863
1	15001	to	20000	19,849
2	20001	to	25000	45,731
2	25001	to	30000	57,600
1	30001	to	35000	31,703
1	55001	to	60000	56,000
1	65001	to	70000	65,379
1	95001	to	100000	99,500
1	110001	to	115000	111,017
1	120001	to	125000	123,946
1	140001	to	145000	143,863
1	245001	to	250000	250,000
1	270001	to	275000	272,373
1	330001	to	335000	331,178
1	335001	to	340000	336,575
1	1145001	to	1150000	1,147,586
1	1540001	to	1545000	1,540,682
1	7770001	to	7775000	7,772,975
<hr/>				<hr/>
949				13,200,000
<hr/>				<hr/>

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	926	1,691,074	12.81
Associated Companies	1	7,772,975	58.89
Financial Institutions	6	2,951,022	22.36
Joint Stock Companies	10	105,037	0.80
Modarabas & Mutual Funds	2	306,000	2.32
Insurance Companies	2	276,810	2.10
Others			
- Habib Bank Limited	1	31,703	0.24
A/c Mohammed Amin Wakf Estate			
- Trustees Nestle Pakistan Ltd	1	65,379	0.48
Employees Provident Fund			
<hr/>		<hr/>	<hr/>
949		13,200,000	100.00
<hr/>		<hr/>	<hr/>

Information as required under the Code of Corporate Governance

Shareholders' Category	Number of Shareholders	Number of Shares Held
Associated Companies, Undertakings and Related Parties		
KSB AG, Germany.	1	7,772,975
NIT and ICP		
Investment Corporation of Pakistan	Nil	Nil
National Bank of Pakistan, Trustee Department (NIT)	1	1,540,682
Directors	Nil	Nil
Directors' spouses and minor children	Nil	Nil
CEO's spouse and minor children	Nil	Nil
Executives	Nil	Nil
Public Sector Companies and Corporations		
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modaraba, Mutual Funds and Joint Stock Companies	19	2,098,187
General Public	926	1,691,074
Others	2	97,082
Total	<u>949</u>	<u>13,200,000</u>
Shareholders holding 10% or more voting interest		
	Number of Shareholders	Number of Shares Held
KSB AG, Germany	1	7,772,975
National Bank of Pakistan Trustee Deptt. (NIT)	1	1,540,682

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2011

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

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

1. The Company encourages representation of independent non executive Directors and minority representation on its Board. During the year 2011 Board included eight Directors. At present the CEO and CFO are the only Executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. To the best of our knowledge all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by the Directors and all employees of the Company.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. Casual vacancies occurred on the Board due to resignation of Directors during the year were filled in within the stipulated time.
7. All the meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated within the statutory period.
8. The Company provided information to foreign resident Directors of their duties and responsibilities. Other Directors being professionals and Directors of other local companies are already aware of their duties and responsibilities.
9. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
10. All quarterly, half yearly and annual financial statements presented to the Board for approval were duly signed by the CEO and the CFO before presenting to Board for its approval.

11. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
12. The Company has complied with all the corporate and financial reporting requirements of the Code.
13. The Board has formed an audit committee. It comprises of three members, who are non executive Directors including the chairman of the committee.
14. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
15. The Board has set out an effective internal audit function. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



Mohammad Masud Akhtar
Chief Executive Officer

March 15, 2012
Lahore.

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

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2011.



Chartered Accountants

Name of engagement partner: Amer Raza Mir

Lahore: March 15, 2012

Auditors' Report to the Members

We have audited the annexed balance sheet of KSB Pumps Company Limited as at December 31, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 2011 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



Chartered Accountants

Name of engagement partner: Amer Raza Mir

Lahore: March 15, 2012

Balance Sheet

As at December 31, 2011

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (2010: 15,000,000) ordinary shares of Rs 10 each		150,000,000	150,000,000
Issued, subscribed and paid up capital			
13,200,000 (2010: 13,200,000) ordinary shares of Rs 10 each	5	132,000,000	132,000,000
General reserve		678,000,000	594,000,000
Unappropriated profit		(106,020,640)	100,600,040
		703,979,360	826,600,040
NON CURRENT LIABILITIES			
Employees' retirement and other benefits	6	21,687,924	19,408,744
Deferred liabilities	7	13,758,172	44,434,079
		35,446,096	63,842,823
CURRENT LIABILITIES			
Short term finances - secured	8	57,790,579	164,927,074
Trade and other payables	9	1,173,173,448	710,811,758
Provision for other liabilities and charges	10	25,312,081	37,057,752
Accrued finance cost		1,895,994	5,868,324
		1,258,172,102	918,664,908
CONTINGENCIES AND COMMITMENTS			
	11		
		1,997,597,558	1,809,107,771

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	308,557,668	292,198,882
Investment property	13	1,652,421	1,865,638
Intangible Assets	14	2,150,179	5,626,343
Capital work in progress	15	4,110,437	13,811,617
Long term loans and deposits	16	12,945,736	11,685,105
Deferred Taxation	17	36,813,991	-
		366,230,432	325,187,585
CURRENT ASSETS			
Stores, spares and loose tools	18	37,133,567	41,848,835
Stock-in-trade	19	399,184,633	462,600,508
Trade debts	20	866,752,695	632,843,688
Advances, deposits, prepayments and other receivables	21	257,842,971	183,326,297
Cash and bank balances	22	70,453,260	163,300,858
		1,631,367,126	1,483,920,186
		1,997,597,558	1,809,107,771



Chief Executive

Profit and Loss Account

For the year ended December 31, 2011

	Note	2011 Rupees	2010 Rupees
Sales	23	1,944,764,151	2,047,989,065
Cost of sales	24	(1,615,960,122)	(1,564,428,771)
Gross profit		328,804,029	483,560,294
Distribution and marketing expenses	25	(181,490,476)	(214,022,878)
Administration expenses	26	(129,812,281)	(128,519,862)
Other operating expenses	27	(199,705,722)	(13,386,679)
Other operating income	28	42,318,855	42,867,378
Profit/(Loss) from operations		(139,885,595)	170,498,253
Finance cost	29	(16,235,120)	(17,247,570)
Profit/(Loss) before tax		(156,120,715)	153,250,683
Taxation	30	50,000,035	(53,471,300)
Profit/(Loss) for the year		(106,120,680)	99,779,383
Earnings/(Loss) per share - basic and diluted	37	(8.04)	7.56

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

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Chief Executive

Statement of Comprehensive Income / (Loss)

For the year ended December 31, 2011

	2011 Rupees	2010 Rupees
Profit / (loss) for the year	(106,120,680)	99,779,383
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	(106,120,680)	99,779,383

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Chief Executive

Cash Flow Statement

For the year ended December 31, 2011

	Note	2011 Rupees	2010 Rupees
Cash flows from operating activities			
Cash generated from operations	32	169,227,406	(1,916,333)
Finance cost paid		(20,207,450)	(12,727,566)
Taxes paid		(61,110,331)	(62,260,775)
Payments for accumulating compensated absences		(2,481,246)	(1,355,697)
Employees' retirement and other benefits paid		(10,088,957)	(8,415,829)
Net (increase)/decrease in long term loans and deposits		(1,260,631)	(5,488,885)
Net cash (used in)/from operating activities		74,078,791	(92,165,085)
Cash flows from investing activities			
Fixed capital expenditure		(60,399,026)	(104,604,980)
Proceeds from sale of property, plant and equipment		17,052,181	9,278,637
Net cash used in investing activities		(43,346,845)	(95,326,343)
Cash flows from financing activities			
Dividend paid		(16,443,049)	(46,085,416)
Net cash used in financing activities		(16,443,049)	(46,085,416)
Net (decrease) / increase in cash and cash equivalents		14,288,897	(233,576,844)
Cash and cash equivalents at the beginning of the year		(1,626,216)	231,950,628
Cash and cash equivalents at the end of the year	33	12,662,681	(1,626,216)

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Chief Executive

Statement of Changes In Equity

For the year ended December 31, 2011

	Share capital	General reserves	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at December 31, 2009	132,000,000	493,000,000	148,020,657	773,020,657
Final dividend for the year ended December 31, 2009 Rs 3.50 per share	-	-	(46,200,000)	(46,200,000)
Transfer to general reserve	-	101,000,000	(101,000,000)	-
Total comprehensive income for the year	-	-	99,779,383	99,779,383
Balance as at December 31, 2010	132,000,000	594,000,000	100,600,040	826,600,040
Final dividend for the year ended December 31, 2010 Rs 1.25 per share	-	-	(16,500,000)	(16,500,000)
Transfer to general reserve	-	84,000,000	(84,000,000)	-
Total comprehensive income / (loss) for the year	-	-	(106,120,680)	(106,120,680)
Balance as at December 31, 2011	<u>132,000,000</u>	<u>678,000,000</u>	<u>(106,020,640)</u>	<u>703,979,360</u>

The annexed notes 1 to 41 form an integral part of these financial statements.



Chairman



Chief Executive

Notes to the Financial Statements

For the year ended December 31, 2011

1. Legal status and nature of business

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

2. Basis of preparation

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

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

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

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

- IAS 1 (amendment), 'Presentation of financial statements', is effective for annual periods beginning on or after January 1, 2011. The amendment clarifies that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is not expected to have a material impact on the company's financial statements.
- IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the company's financial statements.
- IFRS 7 (amendment), 'Financial instruments: Disclosures', is effective for annual periods beginning on or after January 1, 2011. The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment is not expected to have a material impact on the company's financial statements.

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

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 32 (amendment), 'Financial Instruments' - Presentation-Classification of right issues.	February 1, 2010
IAS 27 (amendments), 'Consolidated and separate financial statements'	July 1, 2010
IFRS 3 (revised), 'Business combinations'	July 1, 2010
IFRIC 13, 'Customer loyalty programmes'	January 1, 2011
IFRIC 14, 'Limit on a defined benefits assets, minimum funding requirements' and their interaction	January 1, 2011
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	July 1, 2010

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

- IFRS 7- Financial Instruments - These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset.

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

Standards or Interpretation	Effective date (accounting periods beginning on or after)
- IAS 12 Income Tax	July 1, 2012
- IFRS 1 (Amendments) 'First-time adoption of International Financial Reporting Standards'	January 1, 2012
- IFRS 1 First time adoption on fixed dates and hyperinflation	January 1, 2012
- IFRS 9 Financial Instruments	January 1, 2013

3. Basis of measurement

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

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

a) Retirement benefits

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

b) Provision for taxation

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

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

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

d) Cost to complete the projects

As part of application of percentage of completion method on contract accounting, the Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods.

e) Stock-in-trade

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

4. Significant accounting policies

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

4.1 Taxation**Current**

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

Deferred

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

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

4.2 Employees' retirement and other benefits

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

4.2.1 Defined benefit plans

- (a) The supervisory and managerial staff with minimum five years of continuous service with the Company are entitled to participate in an approved funded gratuity scheme. The actual return on the plan assets was Rs 4.581 million (2010: Rs 5.439 million). The actual returns on plan assets represent the difference between the fair value of plan assets at beginning of the year and end of the year after adjustments for contributions made by the Company as reduced by benefits paid during the year.

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

Expected rate of increase in salary level	11.50% per annum
Expected rate of return	14.50% per annum
Discount rate	12.50% per annum

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

The Company is expected to contribute Rs 8.856 million to the gratuity fund.

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

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

Expected rate of increase in salary level	11.5% per annum
Discount rate	12.5% per annum

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

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

Expected rate of increase in salary level	11.5% per annum
Discount rate	12.5% per annum

The latest actuarial valuation of all defined benefit plans was carried out as at December 31, 2011

4.2.2 Defined contribution plans

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

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

4.3 Property, plant and equipment

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

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

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at December 31, 2011 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

4.4 Intangible Assets

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

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

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

4.5 Capital work in progress

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

4.6 Investment property

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

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

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

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

4.7 Operating Leases

4.7.1 The Company is the lessee:

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

4.7.2 The Company is the lessor:

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

4.8 Stores, spares and loose tools

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

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

4.9 Stock-in-trade

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

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

4.10 Trade debts

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

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term finances.

4.12 Borrowings

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

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Financial instruments

4.15.1 Financial assets

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

d) Held to maturity

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

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

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

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

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

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

4.15.2 Financial liabilities

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

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

4.16 Offsetting of financial assets and financial liabilities

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

4.17 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

4.18 Revenue recognition

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

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

4.19 Construction contracts

Contract costs are recognized when incurred.

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

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

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

The aggregate amount of costs incurred and recognized profits (less recognized losses) for contracts in progress at the balance sheet date was Rs 1590.237 million (2010: Rs 1,224.462 million).

4.20 Dividend

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

5. Issued subscribed and paid up capital

2011 (Number of shares)	2010		2011 Rupees	2010 Rupees
973,100	973,100	Ordinary shares of Rs 10 each fully paid in cash	9,731,000	9,731,000
8,000	8,000	Ordinary shares of Rs 10 each issued as fully paid against property	80,000	80,000
12,218,900	12,218,900	Ordinary shares of Rs 10 each issued as fully paid bonus shares	122,189,000	122,189,000
<u>13,200,000</u>	<u>13,200,000</u>		<u>132,000,000</u>	<u>132,000,000</u>

As at December 31, 2011, the holding company KSB AG, Germany held 7,772,975 (2010: 7,772,975) shares of the Company.

The movement of ordinary shares is as follows:

	2011 (Number of shares)	2010
Opening balance	13,200,000	13,200,000
Add: Bonus shares issued during the year	-	-
Closing balance	<u>13,200,000</u>	<u>13,200,000</u>

6. Employees' retirement and other benefits

These are composed of:

Gratuity fund	- note 6.1	793,587	663,100
Ex-gratia scheme	- note 6.2	20,894,337	18,745,644
		<u>21,687,924</u>	<u>19,408,744</u>

6.1 Gratuity fund

Present value of defined benefit obligation		72,840,831	75,300,886
Fair value of plan assets		(70,475,522)	(67,574,522)
Unrecognized actuarial losses		(1,571,722)	(7,063,264)
Liability as at December 31		<u>793,587</u>	<u>663,100</u>

Liability as at January 1		663,100	623,781
Charged to profit and loss account		9,483,202	7,978,101
Contribution by the company		(9,352,715)	(7,938,782)
Liability as at December 31		<u>793,587</u>	<u>663,100</u>

The movement in the present value of defined benefit obligation is as follows:

Present value as at January 1		75,300,886	64,278,263
Current service cost		8,362,880	7,194,709
Interest cost		10,918,628	8,488,629
Contribution by the employees		37,323	-
Benefits paid		(11,070,442)	(4,602,509)
Experience gain		(10,708,444)	(58,206)
Present value as at December 31		<u>72,840,831</u>	<u>75,300,886</u>

The movement in fair value of plan assets is as follows:

Fair value as at January 1		67,574,522	57,893,500
Expected return on plan assets		9,798,306	7,705,237
Company's contributions		9,352,715	7,938,782
Contribution by the employees		37,323	
Benefits paid		(11,070,442)	(4,602,509)
Experience loss		(5,216,902)	(1,360,488)
Fair value as at December 31		<u>70,475,522</u>	<u>67,574,522</u>

Plan assets are comprised of as follows:

Debt (Investments)		55,210,103	63,135,045
Cash		15,265,419	4,439,477
		<u>70,475,522</u>	<u>67,574,522</u>

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

	Rupees				
	2011	2010	2009	2008	2007
As at December 31					
Present value of defined benefit obligation	72,840,831	75,300,886	64,278,263	57,344,278	54,798,733
Fair value of plan assets	70,475,522	67,574,522	57,893,500	51,584,648	48,142,815
Surplus / (deficit)	(2,365,309)	(7,726,364)	(6,384,763)	(5,759,630)	(6,655,918)
Experience adjustment on obligation	14%	(0)%	(4)%	10%	12%
Experience adjustment on plan assets	(7)%	(3)%	(5)%	(2)%	5%

	2011 Rupees	2010 Rupees
6.2 Ex-gratia		
Present value of defined benefit obligation	17,039,704	16,481,217
Unrecognized actuarial gains	3,854,633	2,264,427
Liability as at December 31	20,894,337	18,745,644
Liability as at January 1	18,745,644	16,615,851
Charged to profit and loss account	2,884,935	2,606,840
Payments made by the company	(736,242)	(477,047)
Liability as at December 31	20,894,337	18,745,644
7. Deferred liabilities		
Deferred taxation	- note 7.1	-
Accumulating compensated absences	- note 7.2	31,732,300
	13,758,172	12,701,779
	13,758,172	44,434,079
7.1 Deferred taxation		
This comprises temporary differences relating to:		
Employees' retirement and other benefits	-	(9,932,000)
Accelerated tax depreciation allowances	-	41,664,300
	-	31,732,300

7.2 Accumulating compensated absences

	2011 Rupees	2010 Rupees
Liability as at January 1	12,701,779	11,033,677
Charged to profit and loss account	3,537,639	3,023,799
Payments made by the company	(2,481,246)	(1,355,697)
Liability as at December 31	<u>13,758,172</u>	<u>12,701,779</u>

8. Short term finances - secured

Finances available from commercial banks under mark up arrangements amount to Rs 932 million (2010: Rs 1.210 billion). The rates of mark up range from Re 0.3542 to Re 0.4153 per Rs 1,000 per diem or part thereof on the balance outstanding.

Of aggregate facility of letters of credit of Rs 625 million (2010: Rs 798 million) and guarantees of Rs 1.296 billion (2010: Rs 1.465 billion), the amounts utilized as at December 31, 2011 was Rs 36.670 million (2010: Rs 51.499 million) and Rs 275.124 million (2010: Rs 611.127 million) respectively.

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

9. Trade and other payables

		2011 Rupees	2010 Rupees
Trade creditors	- note 9.1	371,238,862	182,805,781
Accrued liabilities	- note 9.2	194,299,522	124,937,330
Advances from customers		540,204,567	324,416,523
Due against construction work in progress		27,157,000	45,775,000
Sales Tax Payable		239,082	-
Workers' profit participation fund	- note 9.3	-	1,159,579
Workers' welfare fund		677,437	3,127,565
Rent received in advance		9,425,197	3,362,807
Unclaimed dividends		1,753,749	1,696,798
Other liabilities		28,178,032	23,530,375
		<u>1,173,173,448</u>	<u>710,811,758</u>

9.1 Trade creditors include amount due to holding company of Rs 65.486 million (2010: Rs 27.513 million) and associated undertakings of Rs 3.329 million (2010: Rs 11.052 million).

9.2 Accrued liabilities include amount due to holding company of Rs 3.002 million (2010: Rs 2.496 million) and associated undertakings of Rs 13.657 million (2010: Rs 25.939 million). Due to associated undertaking includes amount due to provident fund of Rs 1.701 million (2010: Rs 1.681 million).

		2011 Rupees	2010 Rupees
9.3 Workers' profit participation fund			
Balance at beginning of the year		1,159,579	2,637,360
Allocation for the year	- note 26	-	8,230,434
Interest payable on funds utilized by the company	- note 28	74,713	62,000
		1,234,292	10,929,794
Less: Payments made during the year		1,234,292	9,770,215
Balance at the end of the year		-	1,159,579
10. Provisions for other liabilities and charges			
Bonus to employees	- note 10.1	15,324,358	23,475,448
Sales incentive scheme	- note 10.2	9,987,723	13,582,304
		25,312,081	37,057,752

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

	Rupees		
	Bonus to employees	Sales incentive scheme	Total
Balance as at January 1, 2011	23,475,448	13,582,304	37,057,752
Additional provisions made during the year	12,940,371	10,962,196	23,902,567
Provisions used during the year	21,091,461	14,556,777	35,648,238
Balance as at December 31, 2011	15,324,358	9,987,723	25,312,081

10.1 Bonus to employees

This provision represents bonus equal to five months' basic salary and two months' basic salary payable to unionized and management staff respectively.

10.2 Sales incentive scheme

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

All provisions as at December 31, 2011 are expected to be utilized in the next financial year.

11. Contingencies and commitments

11.1 Contingencies

- (i) The company has issued guarantees of Rs 275.124 million (2010: Rs 611.127 million) against the performance of various contracts.

11.2 Commitments in respect of

Letters of credit other than for capital expenditure approximately Rs 35.670 million (2010: Rs 51.499 million).

12. Property, plant and equipment

	Freehold land	Buildings on freehold land	Plant and machinery	Tools, jigs and attachments	Patterns	Other equipment	Furniture and fixtures	Office machines and appliances	Vehicles	Total
Rupees										
Net carrying value basis										
Year ended December 31, 2011										
Opening net book value (NBV)	1,372,520	16,861,806	122,292,380	11,852,988	13,003,895	45,409,636	9,783,740	16,249,241	55,372,676	292,198,882
Additions (at cost)	-	21,534,188	12,278,652	288,258	4,061,651	8,840,080	2,458,984	2,632,087	18,006,306	70,100,206
Disposals (at NBV)	-	-	-	-	-	-	(45,706)	(14,004)	(13,088,207)	(13,147,917)
Depreciation charge	-	(1,045,634)	(11,787,423)	(1,889,573)	(2,968,816)	(8,429,780)	(829,791)	(5,084,742)	(8,557,744)	(40,593,503)
Closing net book value (NBV)	1,372,520	37,350,360	122,783,609	10,251,673	14,096,730	45,819,936	11,367,227	13,782,582	51,733,031	308,557,668
Gross carrying value basis										
As at December 31, 2011										
Cost	1,372,520	65,020,958	252,455,271	46,509,530	66,706,537	73,618,526	18,280,641	61,303,885	72,590,275	657,858,143
Accumulated depreciation	-	(27,670,598)	(129,671,662)	(36,257,857)	(52,609,807)	(27,798,590)	(6,913,414)	(47,521,303)	(20,857,244)	(349,300,475)
Net book value (NBV)	1,372,520	37,350,360	122,783,609	10,251,673	14,096,730	45,819,936	11,367,227	13,782,582	51,733,031	308,557,668
Depreciation rate % per annum	-	3.33	6.66 - 10.00	10.00	16.67	12.50	6.67	20.00	20.00	
Net carrying value basis										
Year ended December 31, 2010										
Opening net book value (NBV)	1,372,520	6,814,648	127,180,308	11,584,131	7,021,732	22,874,066	6,424,526	13,682,976	46,045,583	243,000,490
Additions (at cost)	-	11,166,204	6,368,680	2,149,241	7,441,715	28,294,966	3,797,488	5,616,497	23,875,439	88,710,230
Disposals (at NBV)	-	-	-	(13,694)	-	-	(103,001)	(56,926)	(7,447,855)	(7,621,476)
Depreciation charge	-	(1,119,046)	(11,256,608)	(1,866,690)	(1,459,552)	(5,759,396)	(335,273)	(2,993,306)	(7,100,491)	(31,890,362)
Closing net book value (NBV)	1,372,520	16,861,806	122,292,380	11,852,988	13,003,895	45,409,636	9,783,740	16,249,241	55,372,676	292,198,882
Gross carrying value basis										
As at December 31, 2010										
Cost	1,372,520	43,486,771	240,176,619	46,221,271	62,644,887	64,778,447	15,993,458	60,088,993	81,687,111	616,450,077
Accumulated depreciation	-	(26,624,965)	(117,884,239)	(34,368,283)	(49,640,992)	(19,368,811)	(6,209,718)	(43,839,752)	(26,314,435)	(324,251,195)
Net book value (NBV)	1,372,520	16,861,806	122,292,380	11,852,988	13,003,895	45,409,636	9,783,740	16,249,241	55,372,676	292,198,882
Depreciation rate % per annum	-	3.33	6.66 - 10.00	10.00	16.67	12.50	6.67	20.00	20.00	

The cost of fully depreciated property, plant and equipment which are still in use as at December 31, 2011 is Rs 218.839 million (2010: Rs 234.969 million).

		2011 Rupees	2010 Rupees
12.1	The depreciation charge for the year has been allocated as follows:		
	Cost of sales	- note 24	31,506,806
	Distribution and marketing expenses	- note 25	26,328,521
	Administration expenses	- note 26	3,312,942
			2,248,899
			<u>40,593,503</u>
			<u>31,890,362</u>

12.2 Disposal of property, plant and equipment

2011		Rupees				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles						
	Employees					
Honda City	Saad Bin Adil	845,000	507,000	338,000	577,000	Company Policy
Toyota Corolla	Abdul Hameed	1,328,000	415,738	912,262	1,050,000	Company Policy
Suzuki Baleno	Rehan Iqbal Kazmi	774,000	464,400	309,600	462,000	Company Policy
Honda Civic	Sajjid Mahmood Awan	1,252,500	751,500	501,000	375,750	Company Policy
Honda Civic	Nadeem Hamid Butt	1,286,500	1,029,200	257,300	385,950	Company Policy
Toyota Corolla	Asghar Khan	969,000	372,591	596,409	672,118	Company Policy
Honda City	Kaiser Ali	872,000	356,727	515,273	551,930	Company Policy
Honda City	Khurram Sajjad Khawaja	840,500	490,491	350,008	527,339	Company Policy
Toyota Corolla	Saad Khan	1,414,955	235,826	1,179,129	1,368,985	Company Policy
Mitsubishi Lancer	Khurram Ali Mirza	1,049,000	423,034	625,966	795,480	Company Policy
Suzuki Cultus	Noor Hassan	600,000	257,500	342,500	300,000	Company Policy
Suzuki Swift	Asfanad Yar Afandi	1,058,000	96,983	961,017	1,051,434	Company Policy
Suzuki Cultus	Asim Nawab	595,000	271,196	323,804	297,474	Company Policy
Toyota Corolla	Sohaib Anwer Rathor	1,299,855	324,963	974,892	1,257,985	Company Policy
Honda City	Muhammad Yahya	933,160	559,896	373,264	639,000	Company Policy
Toyota Corolla	Muhammad Tariq Shafi	1,458,210	303,085	1,155,125	1,278,532	Company Policy
Mercedes Benz	Masud Akhtar	4,660,000	3,728,000	932,000	932,000	Company Policy
Honda City	Muhammad Farooq Hassan	945,970	567,582	378,388	750,000	Company Policy
Suzuki Khyber	Sheikh Waseem Raza	334,719	200,831	133,888	285,000	Company Policy
Mitsubishi Lancer	Shehzad Umer	999,000	422,584	576,416	697,506	Company Policy
Toyota Corolla	Faisal Aman	1,029,000	418,031	610,969	501,792	Company Policy
	Outsiders					
Toyota Hillux	Majid Khan	430,769	430,769	-	240,000	Tender
Suzuki	Rana Saleem	469,948	103,390	366,558	503,229	Tender
Suzuki	Rana Saleem	480,053	105,612	374,441	523,878	Tender
Hyundai Shehzor	Ameer Ahmad	589,000	589,000	-	400,000	Tender
Hyundai Shehzor	Arslan Nadeem	589,000	589,000	-	425,200	Tender
Other assets with book value less than Rs 50,000		1,588,993	1,529,286	59,707	202,599	
		<u>28,692,132</u>	<u>15,544,215</u>	<u>13,147,917</u>	<u>17,052,181</u>	
2010		Rupees				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
Vehicles						
	Employees					
Honda Civic	Kamran Mangol	1,217,500	687,076	530,424	365,250	Company Policy
Toyota Corolla	Ali Ahmad	1,020,000	191,250	828,750	994,198	Company Policy
Toyota Corolla	Tawassal Hassan	1,014,000	237,357	776,643	822,909	Company Policy
Honda Civic	Farrukh Nadeem	997,500	454,025	543,475	694,038	Company Policy
Toyota Corolla	Syed Imran Ali	915,000	286,655	628,345	822,618	Company Policy
Suzuki Cultus	Umer Siddiqui	894,458	52,177	842,281	857,500	Company Policy
Honda City	Qaiser Dar	840,500	365,217	475,283	495,476	Company Policy
Honda City	Mukhtar Ahmad	840,500	354,586	485,914	516,813	Company Policy
Honda City	Syed Afzal Ali	840,500	436,318	404,182	521,752	Company Policy
Suzuki Liana	Mansoor Ahmad	745,773	190,830	554,943	647,583	Company Policy
Suzuki Cultus	Ejaz Akhtar	595,000	274,962	320,038	328,252	Company Policy
	Outsiders					
Suzuki Swift	M/s EFU General Insurance	1,084,694	27,117	1,057,577	1,058,000	Insurance Claim
Other assets with book value less than Rs 50,000		2,650,165	2,476,544	173,621	1,154,248	Tender
		<u>13,655,590</u>	<u>6,034,114</u>	<u>7,621,476</u>	<u>9,278,637</u>	

Rupees

13. Investment property**Net carrying value basis****Year ended December 31, 2011**

Opening net book value (NBV)	1,865,638
Additions (at cost)	-
Disposals (at NBV)	-
Amortisation charge	(213,217)
Closing net book value (NBV)	1,652,421

Gross carrying value basis**As at December 31, 2011**

Cost	4,400,000
Accumulated amortisation	(2,747,579)
Net book value (NBV)	1,652,421

Depreciation rate % per annum

3.33%

Net carrying value basis**Year ended December 31, 2010**

Opening net book value (NBV)	2,077,392
Additions (at cost)	-
Disposals (at NBV)	-
Amortisation charge	(211,754)
Closing net book value (NBV)	1,865,638

Gross carrying value basis**As at December 31, 2010**

Cost	4,400,000
Accumulated amortisation	(2,534,362)
Net book value (NBV)	1,865,638

Depreciation rate % per annum

3.33%

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

13.2 Fair value of the investment property, based on the valuation carried out by an independent valuer, as at December 31, 2011 is Rs 66.596 million (2010: Rs 68.943 million).

	Rupees
14. Intangible assets	
Net carrying value basis	
Year ended December 31, 2011	
Opening net book value (NBV)	5,626,343
Additions (at cost)	-
Disposals (at NBV)	-
Amortisation charge	(3,476,164)
Closing net book value (NBV)	2,150,179
Gross carrying value basis	
As at December 31, 2011	
Cost	10,427,052
Accumulated amortisation	(8,276,873)
Net book value (NBV)	2,150,179
Amortisation rate % per annum	33.33
Net carrying value basis	
Year ended December 31, 2010	
Opening net book value (NBV)	5,349,470
Additions (at cost)	3,294,663
Disposals (at NBV)	-
Amortisation charge	(3,017,790)
Closing net book value (NBV)	5,626,343
Gross carrying value basis	
As at December 31, 2010	
Cost	10,427,052
Accumulated amortisation	(4,800,709)
Net book value (NBV)	5,626,343
Amortisation rate % per annum	33.33

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

	2011 Rupees	2010 Rupees
15. Capital work in progress		
Advance for land	229,800	229,800
Advance for vehicles	2,856,000	5,924,500
Building	-	5,947,190
Plant and machinery	-	1,710,127
Others	1,024,637	-
	<u>4,110,437</u>	<u>13,811,617</u>
16. Long term loans and deposits		
Loans to employees - considered good		
- Directors	1,812,500	3,902,500
- Executives	3,319,595	1,649,090
- Others	6,093,320	4,147,562
	11,225,415	9,699,152
Less: Receivable within one year	- note 21 4,368,867	4,570,787
	6,856,548	5,128,365
Security deposits	6,089,188	6,556,740
	<u>12,945,736</u>	<u>11,685,105</u>

Reconciliation of the carrying amount of loans to:

	Director		Executives	
	2011	2010	2011	2010
Balance as at January 1	3,902,500	2,740,000	1,649,090	903,812
Disbursements during the year	-	3,000,000	2,450,000	1,200,000
Repayments during the year	(2,090,000)	(1,837,500)	(779,495)	(454,722)
Balance as at December 31	<u>1,812,500</u>	<u>3,902,500</u>	<u>3,319,595</u>	<u>1,649,090</u>

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

The maximum aggregate amount due from directors and executives at any time during the year was Rs 3.902 million (2010: Rs 5.440 million) and Rs 4.099 million (2010: Rs 1.039 million) respectively.

	2011 Rupees	2010 Rupees
17. Deferred taxation		
Debit/ (credit) balance arising from:		
Accelerated tax depreciation	(43,929,000)	-
Employees' retirement and other benefits	10,967,100	-
Minimum tax paid	17,697,665	-
Unassessed tax loss carried forward	52,078,226	-
Deferred tax asset	<u>36,813,991</u>	<u>-</u>

	2011 Rupees	2010 Rupees
18. Stores, spares and loose tools		
Stores, Spares and Loose Tools	37,133,567	41,848,835
	<u>37,133,567</u>	<u>41,848,835</u>
18.1 Stores and spares, having cost of Rs Nil (2010: Rs 8.800 million) are being carried at net realizable value and an amount of Rs Nil (2010: 1.026 million) has been charged to cost of sales, being the cost of inventory written down during the year.		
19. Stock in trade	2011 Rupees	2010 Rupees
Raw materials [including in transit Rs Nil (2010: Rs 3.326 million)]	220,927,094	230,640,994
Work in process	149,565,494	139,419,250
Finished goods	52,509,714	92,540,264
	<u>423,002,302</u>	<u>462,600,508</u>
Provision for obsolescence	23,817,669	-
	<u>399,184,633</u>	<u>462,600,508</u>
19.1 Stock-in-trade, having cost of Rs Nil (2010: Rs 27.800 million) are being carried at net realizable value and an amount of Rs 8.5 million (2010: 2.872 million) has been charged to cost of sales, being the cost of inventory written down during the year.		
19.2 Included in work-in-process are certain items of Rs Nil (2010: Rs 2.429 million) held by third party contractors for machining on behalf of the company.		
20. Trade debts - unsecured	2011 Rupees	2010 Rupees
Considered good		
- Related parties - note 20.1	40,030,528	68,062,566
- Others	679,413,167	526,253,122
- Due against construction work in progress	147,309,000	38,528,000
	<u>866,752,695</u>	<u>632,843,688</u>
Considered doubtful	59,364,283	49,604,979
	<u>926,116,978</u>	<u>682,448,667</u>
Less: Provision for doubtful debts - note 20.2	(59,364,283)	(49,604,979)
	<u>866,752,695</u>	<u>632,843,688</u>

	2011 Rupees	2010 Rupees
20.1 Related parties		
Holding Company		
- KSB Aktiengesellschaft, Germany	13,519,062	24,942,163
Associated undertakings		
- Pt KSB Indonesia	1,333,885	1,946,643
- KSB Middle East	-	4,501,875
- KSB Pumps Company Limited Thailand	9,513,947	18,822,408
- KSB South Africa	11,869,334	2,131,560
- KSB Pompy Armatura, Poland	-	1,068,295
- KSB Singapore (Asia Pacific)	650,453	2,379,822
- KSB Australia Pty Limited	-	6,542,725
- KSB-Shanghai Pump	41,968	-
- KSB-Pompy i Armatura Sp z o. o	741,734	-
- KSB ITUR Spain S.A.	179,640	179,640
- KSB Pumps India	2,180,505	-
- Fauji Fertilizer Company Limited	-	5,547,435
	<u>40,030,528</u>	<u>68,062,566</u>
These relate to normal course of business and are interest free.		
20.2 Provision for doubtful debts		
Opening balance	49,604,979	39,176,567
Provision for the year	18,501,993	17,469,456
	<u>68,106,972</u>	<u>56,646,023</u>
Less: Bad debts written off against provision	8,742,689	7,041,044
Closing balance	<u>59,364,283</u>	<u>49,604,979</u>

		2011 Rupees	2010 Rupees
21. Advances, deposits, prepayments and other receivables			
Current portion of long term loans to employees	- note 16	4,368,867	4,570,787
Short term advances to employees- considered good	- note 21.1	6,815,051	9,850,047
Advances to suppliers and contractors			
- Considered good		86,439,729	47,306,622
- Considered doubtful		873,129	172,500
		87,312,858	47,479,122
Due from related parties	- note 21.2	5,685,600	6,140,443
Trade deposits and prepayments			
- Considered good		59,566,572	60,650,465
- Considered doubtful		6,347,736	5,131,111
		65,914,308	65,781,576
Letters of credit, deposits and opening charges		4,476,719	2,881,252
Claims Recoverable from Government			
- Sales Tax		-	18,116,541
- Income Tax		74,314,210	31,750,134
		74,314,210	49,866,675
Other receivables			
- Considered good		16,176,223	2,060,006
- Considered doubtful		275,000	446,581
		16,451,223	2,506,587
Less: Provision for doubtful amounts	- note 21.3	265,338,836 (7,495,865)	189,076,489 (5,750,192)
		257,842,971	183,326,297

21.1 Included in short term advances to employees is amount due from executives of Rs 1.697 million (2010: 4.125 million).

		2011 Rupees	2010 Rupees
21.2 Due from related parties			
Holding company			
- KSB Aktiengesellschaft, Germany		1,598,384	1,965,194
Associated undertakings			
- PT KSB Indonesia		14,647	514,887
- KSB S.A. Cedex, France		647,657	494,990
- KSB Pompa AMATUER		41,500	-
- KSB Shinghai		754,695	754,695
- KSB Pumps S.A (PTY) Ltd		117,713	-
- KSB Singapore (Asia Pacific)		2,511,004	2,410,677
		5,685,600	6,140,443

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

	2011 Rupees	2010 Rupees
21.3 Provision for doubtful amounts		
Opening balance	5,750,192	4,403,174
Provision made/(reversed) during the year	2,263,606	1,347,018
	8,013,798	5,750,192
Less: Amount written off against provision	517,933	-
Closing balance	7,495,865	5,750,192
22. Cash and bank balances		
At banks		
- on saving accounts	50,544,875	91,612,047
- on current accounts	18,638,282	18,698,605
	69,183,157	110,310,652
Cash in hand [including cheques in hand of Rs Nil (2010: Rs 51.865 million)]	1,270,103	52,990,206
	70,453,260	163,300,858

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

		2011 Rupees	2010 Rupees
23. Sales			
Local sales	- note 23.1	1,981,359,338	1,862,062,923
Export sales		176,004,564	244,104,360
		2,157,363,902	2,106,167,283
Less: Sales tax		(212,599,751)	(58,178,218)
		1,944,764,151	2,047,989,065

23.1 Sales are inclusive of revenue from rendering of contract and services of Rs 365.775 million (2010: Rs 228.202 million) and Rs. 52.587 million (2010: Rs. 44.855 million) respectively.

		2011 Rupees	2010 Rupees
24. Cost of sales			
Raw material consumed		942,356,310	1,060,180,583
Salaries, wages, amenities and staff welfare	- note 24.1	153,804,422	146,722,325
Staff training		764,399	446,927
Electricity and power		56,734,286	59,908,768
Stores and spares consumed		81,701,260	81,082,591
Insurance		3,321,518	2,568,890
Traveling and conveyance		26,215,079	24,899,274
Postage and telephone		3,865,865	4,174,510
Printing and Stationery		158,440	-
Rent, rates and taxes		2,169,731	5,376,740
Repairs and maintenance		5,062,190	10,112,869
Legal & Professional charges		3,895,096	7,486,288
Packing expenses		14,476,973	19,163,568
Outside services		219,711,940	190,669,115
Depreciation on property, plant and equipment	- note 12.1	31,506,806	26,328,521
Amortization of intangible assets	- note 14.1	2,377,943	3,017,790
Provision for obsolete stores & stocks		32,317,669	-
Royalty		1,992,000	2,946,000
Other expenses		3,643,889	2,018,741
		1,586,075,816	1,647,103,500
Opening work-in-process		139,419,250	77,182,748
Less: Closing work-in-process		149,565,494	139,419,250
		(10,146,244)	(62,236,502)
Cost of goods manufactured		1,575,929,572	1,584,866,998
Opening stock of finished goods		92,540,264	74,136,523
Less: Closing stock of finished goods		52,509,714	92,540,264
		40,030,550	(18,403,741)
		1,615,960,122	1,566,463,257
Less: Cost of capital assets manufactured		-	(2,034,486)
		1,615,960,122	1,564,428,771
Cost of sales include the following in respect of:			
Contract cost		330,207,000	190,732,000
Raw material written off		8,500,000	2,730,878
Work-in-process written off		-	54,017
Finished goods written off		-	87,563
Stores, spares and loose tools written off		-	1,026,014

24.1 Salaries, wages, amenities and staff welfare

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

Gratuity fund

	2011 Rupees	2010 Rupees
Current service cost	3,490,362	2,862,754
Interest cost	4,557,039	3,377,601
Expected return on plan assets	(4,089,457)	(3,065,891)
	3,957,944	3,174,464

Ex-gratia

Current service cost	830,421	771,357
Interest cost	2,054,514	1,835,483
	2,884,935	2,606,840

In addition to above, salaries, wages, amenities and staff welfare include Rs 5.273 million (2010: Rs 4.892 million) and Rs 1.344 million (2010: Rs 1.210 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

25. Distribution and marketing expenses

		2011 Rupees	2010 Rupees
Salaries, wages, amenities and staff welfare	- note 25.1	68,081,359	69,485,025
Staff training		488,850	436,719
Insurance		352,150	300,913
Traveling, conveyance and representations		19,016,600	17,889,670
Rent, rates and taxes		3,754,881	4,008,645
Publicity charges		9,229,623	8,788,852
Electricity, gas and water		2,890,448	3,792,463
Postage and telephone		2,854,867	3,395,181
Printing and stationery		680,871	939,585
Legal and Professional charges		1,590,474	6,431,797
Contract services		3,316,764	3,299,623
Repairs and maintenance		4,487,534	1,261,757
Forwarding expenses		20,694,882	21,121,470
Commission expenses		9,978,085	36,718,835
Provision for doubtful debts and receivables		20,765,598	19,416,474
Depreciation on property, plant and equipment	- note 12.1	3,807,102	3,312,942
Warranty charges		8,318,795	11,829,000
Other expenses		1,181,593	1,593,927
		181,490,476	214,022,878

25.1 Salaries, wages, amenities and staff welfare

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

	2011 Rupees	2010 Rupees
Gratuity fund		
Current service cost	2,283,384	2,419,840
Interest cost	2,981,200	2,855,032
Expected return on plan assets	(2,675,309)	(2,591,549)
	2,589,275	2,683,323

In addition to above, salaries, wages, amenities and staff welfare include Rs 2.476 million (2010: Rs 2.166 million) and Rs 1.112 million (2010: Rs 0.951 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

26. Administration expenses

		2011 Rupees	2010 Rupees
Salaries, wages, amenities and staff welfare	- note 26.1	67,300,968	73,432,063
Staff training		460,660	493,488
Insurance		217,679	193,308
Traveling, conveyance and representations		14,270,848	15,045,205
Rent, rates and taxes		3,984,331	2,808,727
Electricity, gas and water		8,187,674	5,803,937
Postage and telephone		7,914,907	7,352,043
Printing and stationery		1,617,325	2,049,650
Repairs and maintenance		2,119,700	2,362,756
Professional services	- note 26.2	8,768,891	7,845,757
Contract Services		4,898,262	4,451,988
Depreciation on:			
- Property, plant and equipment	- note 12.1	5,279,595	2,248,899
- Amortization on intangible assets		1,098,221	-
- Investment property	- note 13.1	213,217	211,754
Other expenses		3,480,003	4,220,287
		129,812,281	128,519,862

26.1 Salaries, wages, amenities and staff welfare

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

	2011 Rupees	2010 Rupees
Gratuity fund		
Current service cost	2,589,134	1,912,115
Interest cost	3,380,390	2,255,996
Expected return on plan assets	(3,033,540)	(2,047,797)
	2,935,984	2,120,314

In addition to above, salaries, wages, amenities and staff welfare include Rs 3.079 million (2010: Rs 2.920 million) and Rs 0.929 million (2010: Rs 0.858 million) in respect of provident fund contribution by the Company and accumulating compensated absences respectively.

26.2 Professional services

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

	2011 Rupees	2010 Rupees
Statutory audit	500,000	500,000
Review of half yearly financial statements	150,000	150,000
Audit of funds, consolidation forms and sundry services	359,150	292,000
Taxation services	3,806,195	2,282,018
Out of pocket expenses	103,055	92,803
	4,918,400	3,316,821

27. Other operating expenses

Workers' profit participation fund	- note 9.3	-	8,230,434
Workers' welfare fund		-	3,127,565
Donations	- note 27.1	200,000	1,647,115
CRM cost		9,880,941	-
SAP Implementation		189,624,781	-
Exchange loss		-	381,565
		199,705,722	13,386,679

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

	2011 Rupees	2010 Rupees
28. Other operating income		
Income from financial assets		
Profit on bank accounts	4,138,435	7,616,058
Income from non-financial assets		
Commission Income	9,621,726	15,419,056
Rental income on investment property	5,729,826	5,279,392
Scrap sales	5,020,752	6,506,876
Profit on sale of property, plant and equipment	3,904,264	1,657,161
Provisions no longer considered necessary and unclaimed balances written back	7,162,189	4,479,613
Exchange gain	119,982	-
Sundry income	6,621,681	1,909,222
	38,180,420	35,251,320
	42,318,855	42,867,378
29. Finance cost		
Mark-up on short term finances - secured	11,772,552	12,753,288
Interest on workers' profit participation fund	74,713	62,000
Bank and other charges	4,387,855	4,432,282
	16,235,120	17,247,570
30. Taxation		
For the year		
- Current	19,197,820	45,500,000
- Deferred	(68,546,291)	7,318,100
	(49,348,471)	52,818,100
Prior year		
- Current	(651,564)	239,000
- Deferred	-	414,200
	(651,564)	653,200
	(50,000,035)	53,471,300

- note 9.3

30.1 Tax charge reconciliation

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

	2011 %	2010 %
Applicable tax rate	(35.00)	35.00
Tax effect of amounts that are:		
Tax effect under presumptive tax regime and others	3.35	0.52
Effect of change in prior year's tax	(0.38)	(1.20)
Average effective tax rate charged to profit and loss account	<u>(32.03)</u>	<u>34.32</u>

31. Rates of exchange

Foreign currency liabilities have been translated into Pak Rupees at US \$ 1.1136 (2010: US \$ 1.1641), EURO 0.8604 (2010: EURO 0.8757), GBP 0.722 (2010: GBP 0.7539), DHR 4.090 (2010: DHR 4.2753), SFR 1.0481 (2010: SFR 1.092), YEN 86.333 (2010: YEN 94.8767), and HK\$ 8.651 (2010: HK\$ 9.0498) equal to Rs 100. Foreign currency assets have been translated at US \$ 1.1189 (2010: US \$ 1.1695) equal to Rs 100.

32. Cash generated from operations

	2011 Rupees	2010 Rupees
Profit before taxation	(156,120,715)	153,250,683
Adjustment for:		
Depreciation on:		
- Property, plant and equipment	40,593,503	31,890,362
- Investment property	213,217	211,754
- Intangible Assets	3,476,164	3,017,790
Profit on sale of property, plant and equipment	(3,904,264)	(1,657,161)
Accumulating compensated absences	353,7639	3,023,799
Employees' retirement and other benefits	123,681,37	10,584,941
Provision for doubtful debts and receivables	20,765,598	19,416,474
Stores, spares and loose tools written off	-	1,026,014
Provision for obsolete stocks	23,817,669	-
Stock-in-trade written off	8,500,000	2,872,458
Advances written off	517,933	-
Provisions no longer considered necessary and unclaimed balances written back	(7,162,189)	(44,796,13)
Finance cost	16,235,120	17,247,570
Exchange loss/(gain)	(119,982)	381,565
Working capital changes	206,509,576	(238,702,969)
	<u>169,227,406</u>	<u>(1,916,333)</u>

- note 32.1

	2011 Rupees	2010 Rupees
32.1 Working capital changes		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	4,715,268	1,074,627
Stock-in-trade	31,098,206	(95,283,542)
Trade debts	(252,411,000)	(123,752,656)
Advances, deposits, prepayments and other receivables	(34,734,137)	(9,598,440)
	(251,331,663)	(227,560,011)
Increase/(decrease) in current liabilities:		
Trade and other payables	469,586,910	(13,522,068)
Provision for other liabilities and charges	(11,745,671)	2,379,110
	206,509,576	(238,702,969)
33. Cash and cash equivalents		
Cash and cash equivalents comprise the following items:		
Cash and bank balances	70,453,260	163,300,858
Short term finances - secured	(57,790,579)	(164,927,074)
	12,662,681	(1,626,216)

34. Remuneration of Chief Executive, Directors and Executives

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

	Rupees					
	Chief Executive		Director		Executives	
	2011	2010	2011	2010	2011	2010
Short term employee benefits						
Managerial remuneration	9,586,500	8,715,000	2,507,887	2,263,814	45,534,080	40,410,955
Bonus	3,905,900	4,656,700	375,000	482,099	11,653,770	10,551,772
Ex-gratia	-	-	-	-	-	-
House rent	-	-	1,060,991	965,880	20,509,661	17,155,286
Utilities	688,055	278,633	235,775	214,640	4,553,423	3,812,309
Medical and other expenses	262,878	266,765	240,000	240,000	6,594,198	5,763,419
	14,443,333	13,917,098	4,419,653	4,166,433	88,845,132	77,693,741
Post employment benefits						
Contribution to gratuity and provident fund	1,796,502	1,597,750	463,487	393,706	8,057,485	5,909,582
Other long term benefits						
Accumulating compensated absences	-	-	606,697	409,371	8,589,859	7,870,799
	16,239,835	15,514,848	5,489,837	4,969,510	105,492,476	91,474,122
Number of persons	1	1	1	1	51	41

- 34.2** The Company also provides its chief executive, director and some of its executives with company maintained cars, free residential telephones and mobile phones. In addition, chief executive and 2 executives have also been provided with rent free furnished accommodation.
- 34.3** Bonus paid to the chief executive officer during the year ended December 31, 2011 pertains to the year ended December 31, 2010.
- 34.4** Aggregate amount charged in the financial statements for the year for fee to 8 directors (2010: 8 directors) was Rs. 30,000 (2010: Rs 37,500).

35. Related party transactions

The related parties comprise holding company, associated undertakings, other related group companies, key management personnel and post employment benefit plan. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in note 34 . Other significant transactions with related parties are as follows:

	2011 Rupees	2010 Rupees
Holding company		
Sales	62,722,893	112,870,875
Purchases	128,827,740	91,159,834
Commission income	9,469,058	12,573,382
Royalty	1,992,000	2,946,000
Associated undertakings		
Sales	68,500,847	108,326,295
Purchases	75,974,859	54,987,364
Commission income	152,668	2,845,677
Commission expense	-	24,258,402
Key management personnel		
Sale of property, plant and equipment	1,693,700	887,002
Post employment benefit plan		
Expense charged in respect of:		
- Gratuity fund	9,483,202	7,978,101
- Ex-gratia scheme	2,884,935	2,606,840
- Provident fund	10,827,900	9,977,321
- Accumulating compensated absences	3,537,639	3,023,799

36. Plant capacity and production

	Number	Capacity		Actual production	
		2011	2010	2011	2010
Power driven pumps		6,000	6,000	3,648	4,210

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

37. Earnings per share

37.1 Basic earnings per share

		2011	2010
Profit for the year	Rupees	(106,120,680)	99,779,383
Weighted average number of ordinary shares	Numbers	13,200,000	13,200,000
Earnings per share	Rupees	(8.04)	7.56

37.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2011 and December 31, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

38. Financial risk management

38.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

	2011	2010
Advances deposits and other receivables - USD	56,097	44,448
Trade debts - USD	631,331	813,200
Trade and other payables - USD	697,247	316,171
Net exposure - USD	(9,819)	541,477
Advances deposits and other receivables - EURO	6,942	5,275
Trade debts - EURO	1,500	
Trade and other payables - EURO	510,144	61,547
Net exposure - EURO	(501,702)	(56,272)
Trade and other payables - GBP	12,925	2,210
Net exposure - GBP	(12,925)	2,210

The following significant exchange rates were applied during the year:

	2011	2010
Rupees per USD		
Average rate	87.60	85.19
Reporting date rate	89.80	85.90

If the functional currency, at reporting date, had fluctuated by 5% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs 0.044 million (2010: Rs 2.326 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

	2011	2010
Rupees per EURO		
Average rate	121.09	112.69
Reporting date rate	116.22	114.19

If the functional currency, at reporting date, had fluctuated by 5% against the Euro with all other variables held constant, the impact on profit before taxation for the year would have been Rs 2.915 million (2010: Rs 0.321 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

	2011	2010
Rupees per GBP		
Average rate	139.01	131.69
Reporting date rate	138.40	132.65

If the functional currency, at reporting date, had fluctuated by 5% against the GBP with all other variables held constant, the impact on profit before taxation for the year would have been Rs 0.089 million (2009: 0.015 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

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

(iii) Interest rate risk

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

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

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

	2011 Rupees	2010 Rupees
Fixed rate instruments		
Financial assets		
Bank balances - savings	50,544,875	91,612,047
Net exposure	50,544,875	91,612,047
Floating rate instruments		
Financial liabilities		
Short term finances - secured	57,790,579	164,927,074

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

If interest rates on short term running finance, at the year end date, fluctuate by 1% higher/lower with all other variables held constant, profit before taxation for the year would have been Rs 0.578 million (2010: Rs 1.649 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

(i) **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2011 Rupees	2010 Rupees
Long term loans and deposits	12,945,736	11,685,105
Trade debts	926,116,978	682,448,667
Loans, advances, deposits, prepayments and other receivables	99,398,698	87,794,757
Balances with banks	69,183,157	110,310,652
	<u>1,107,644,569</u>	<u>892,239,181</u>

The age of trade receivables and related impairment loss at balance sheet date is as follows:

The age of trade receivables

- Not past due		-
- Past due 0 - 180 days	447,952,132	381,604,936
- Past due 181 - 365 days	60,431,876	144,472,288
- Over 365 days	417,732,970	156,371,443
	<u>926,116,978</u>	<u>682,448,667</u>

The age of impairment loss against trade receivables

- Not past due	-	-
- Past due 0 - 180 days	-	-
- Past due 181 - 365 days	-	-
- Over 365 days	59,364,283	49,604,979
	<u>59,364,283</u>	<u>49,604,979</u>

(ii) Credit quality of major financial assets

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

	Rating		Rating Agency	2011	2010
	Short term	Long term		(Rupees)	(Rupees)
National Bank of Pakistan	A-1+	AAA	JCR-VIS	15,200,190	7,348,898
MCB Bank Limited	A1+	AA+	PACRA	35,686,455	84,380,278
United Bank Limited	A-1+	AA+	JCR-VIS	192,525	183,297
Deutsche Bank A.G.	A-1	A+	S&P	17,112,111	1,582,259
HSBC Bank Middle East Limited	P-1	A1	Moody's	-	10,720
NIB Bank Limited	A1+	AA-	PACRA	991,876	16,805,200
				<u>69,183,157</u>	<u>110,310,652</u>

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

(c) Liquidity risk

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

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

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

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

The following are the contractual maturities of financial liabilities as at December 31, 2011:

	Carrying amount	Less than one year	One to five years	More than five years
	(Rupees)			
Trade and other payables	577,413,951	577,413,951	-	-
Accrued finance cost	1,895,994	1,895,994	-	-
	<u>579,309,945</u>	<u>579,309,945</u>	<u>-</u>	<u>-</u>

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

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

38.2 Fair values of financial assets and liabilities

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

38.3 Financial instruments by categories

	Loans and receivables	
	2011 Rupees	2010 Rupees
Assets as per balance sheet		
Long term loans and deposits	12,945,736	11,685,105
Trade debts	926,116,978	682,448,667
Loans, advances, deposits, prepayments and other receivables	99,398,698	87,794,757
Cash and bank balances	69,183,157	110,310,652
	<u>1,107,644,569</u>	<u>892,239,181</u>

	Financial liabilities at amortised cost	
	2011 Rupees	2010 Rupees
Liabilities as per balance sheet		
Trade and other payables	577,413,951	312,789,885
Accrued finance cost	1,895,994	5,868,324
	<u>579,309,945</u>	<u>318,658,209</u>

38.4 Capital risk management

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

39. Date of authorisation for issue

These financial statements were authorized for issue on March 15, 2012 by the board of directors of the company.

40. Events after the balance sheet date

The Board of Directors have proposed a final dividend for the year ended December 31, 2011 of Rs. Nil (2010: Rs. 1.25) per share, amounting to Rs. Nil (2010: Rs 16.5 million) at their meeting held on March 15, 2012 for approval of members at the Annual General Meeting to be held on April 25, 2012. The board has also proposed transfer of Rs. Nil (2010: Rs 84 million) to general reserve from unappropriated profit. These financial statements do not reflect this dividend payable and other appropriations.

41. Corresponding figures

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

	Note	From	Note	To	2010 Rupees
Loans to employees	16	Loans to employees -others	16	Loans to employees -executives	720,820
Advances, deposits, prepayments and other receivables	20	Other receivable	20	Due from related parties	1,852,879
Cost of sales	23	Raw material consumed	23	Outside services	12,659,057
Distribution and marketing expenses	24	Printing and stationery	24	Other expenses	639,495
		Other expenses		Legal and professional charges	6,431,797
		Other expenses		Contract Services	3,299,623
Administration expenses	25	Printing and stationery	25	Other expenses	989,115
		Other expenses		Insurance	193,308
		Other expenses		Contract Services	4,451,988



Chairman



Chief Executive

Form of Proxy

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

I/We _____

of _____

in the district of _____ being member(s) of KSB

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

_____ and/or CDC participant I.D. _____ and sub account No.

_____ hereby appoint _____

of _____ as my/our proxy

to attend and vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on Wednesday, April 25, 2012 and at any adjournment thereof.

Signed this _____ day _____ of 2012.

Witness

Signature _____

Name _____

Address _____

NIC No. _____

Signature on
Rs. 5.00
Revenue
Stamp

Note:

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

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

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



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