

Going Creative with Power



Annual Report 2011

**EXIDE**



## Theme

Every challenging situation gives us opportunities to think out-of-the box, to go creative and find solutions. Sometimes the solutions are always there and it is just the matter of looking at them in a different light.

We want to be ahead of others to provide effective solution to keep your vehicle in motion and make your life glowing with brightness.



# Vision

To remain leader in automotive battery industry by supplying quality product to the customers at affordable price and to satisfy their needs by providing reliable product as per international standard and best suited to local environment.

# Mission

1. Continuous improvement in workmanship, process, productivity and elimination of wastage by effective implementation of total quality control.
2. To be honest and fair with all partners namely, shareholders, employees, suppliers, financial institutions, government and the customers.
3. To train and motivate employees for building up dedicated and loyal team.
4. To be good citizen and contribute effectively in betterment and prosperity of our country.



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**EXIDE** PAKISTAN LIMITED

# Corporate Profile

## Board Of Directors

Arif Hashwani - Chairman  
Arshad Shehzada - Managing Director/ Chief Executive  
Altaf Hashwani  
Hussain Hashwani  
Ayub Hameed  
S. Haider Mehdi  
S. M. Faiq

## Chief Financial Officer & Company Secretary

S. Haider Mehdi

## Audit Committee

Altaf Hashwani - Chairman  
Hussain Hashwani  
S. M. Faiq  
Khurram Ali - Secretary

## Bankers

Allied Bank Ltd.  
Askari Bank Limited  
JS Bank Ltd.  
Barclays Bank PLC Pakistan  
BankIslami Pakistan Ltd.  
Bank of Punjab  
Bank of Tokyo Mitsubishi UFJ, Ltd.  
Citibank N.A.  
Habib Bank Ltd.  
MCB Bank Ltd.  
Oman International Bank S.A.O.G.  
NIB Bank Limited  
Standard Chartered Bank (Pakistan) Ltd.  
HSBC Middle East Bank Ltd.  
United Bank Ltd.  
Habib Metropolitan Bank Limited  
Meezan Bank Limited

## Auditors

A. F. Ferguson & Co.

## Solicitors

Orr, Dignam & Co.

## Registered Office

A-44, Hill Street, Off. Manghopir Road,  
S.I.T.E., Karachi-Pakistan.  
Website: [www.exide.com.pk](http://www.exide.com.pk)  
E-mail: [exidepk@exide.com.pk](mailto:exidepk@exide.com.pk)



# Notice of Annual General Meeting

Notice is hereby given that the Fifty-Eighth Annual General Meeting of the shareholders of EXIDE Pakistan Limited will be held on July 25, 2011 at 10.30 hours at Registered Office of the Company at A-44, Hill Street Manghopir Road, SITE, Karachi to transact the following business:

## **A. Ordinary Business:**

1. To read and confirm minutes of the Fifty-Seventh Annual General Meeting of the shareholders of the Company held on Friday, July 30, 2010.
2. To receive and adopt the Audited Statements of Accounts for the year ended March 31, 2011 together with the Directors' and Auditors' reports thereon.
3. To declare final dividend for the year ended March 31, 2011, as recommended by the Directors.
4. To appoint auditors for the year 2011-2012 and fix their remuneration.
5. To elect seven directors as fixed by the Board in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a three-year term commencing from June 18, 2011. The retiring directors are Messrs. Arif Hashwani, S. Arshad Shehzada, Altaf Hashwani, Hussain Hashwani, Ayub Hameed, S. Haider Mehdi and S. M. Faiq.

## **B. Special Business:**

6. Issue of Bonus Shares

To consider and approve the following resolutions:

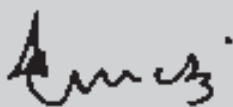
“RESOLVED that a sum of Rs.14,124.760 (Rupees fourteen million one hundred twenty four thousand seven hundred sixty only) out of Company's Reserve capitalised and applied for the issue of 1,412,476 fully paid ordinary shares of Rs.10/- each and allotted as bonus shares to the members of the Company whose names appear in the Register of Members as at the close of business on July 17, 2011 in the ratio of one share for every four shares held and that these shares shall be treated for all purposes as an increase in the paid-up capital of the Company and shall rank pari-passu as regards future dividends and in all other respects with the existing ordinary shares of the Company”.

“FURTHER RESOLVED that for aggregate sum of the fractional shares of Rs.10/- each arising on such allotment, the Directors be and are hereby authorised to consolidate and sell in the stock market such fractional entitlements and to pay the proceeds of sale when realised to the shareholders according to their entitlements in the form of Revenue Stamps”.

7. To approve remuneration of the Chief Executive and other Working Directors of the Company for the period from July 01, 2011 to June 30, 2014.

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the members with this notice.

By order of the Board



**S Haider Mehdi**  
Company Secretary

Karachi: June 15, 2011

**Notes:**

- a) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his/her behalf. Proxies in order to be valid must be deposited with the Company not less than 48 hours before the time appointed for the meeting.
- b) The Share Transfer Books of the Company will remain closed from July 18, 2011 to July 25, 2011, both days inclusive.
- c) Shareholders are requested to immediately notify the Company any change in their address and also forward a photocopy of the Computerised National Identity Card if not yet furnished at the Office of our Registrar M/s. THK Associates (Private) Limited, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530.
- d) CDC shareholders or their proxies are required to bring with them original Computerised National Identity Cards or Passports along with the participant's I.D. number and their account numbers at the time of attending the Annual General Meeting in order to authenticate their identity.

**Statement Under Section 160 Of The Companies Ordinance, 1984**

This statement is annexed to the notice of the Fifty-Eighth Annual General Meeting of the shareholders of EXIDE Pakistan Limited to be held on 25th July 2011 and sets out the material facts concerning the following Special Business to be transacted at the Meeting for approval of shareholders.

**1. Issue Of Bonus Shares**

It is proposed that a sum of Rs. 14,124.760 (Rupees fourteen million one hundred twenty four thousand seven hundred sixty only) out of the Company's Reserve be capitalised by issuing 1,412,476 fully paid bonus shares of Rs.10/- each. These shares shall be issued to those members whose names appear in the register of members as at the close of business on July 17, 2011. The bonus shares shall be issued in proportion of one share for every four shares held by a member. After the issue of these bonus shares, the paid-up capital of the Company would increase from Rs. 56,499,040.00 to Rs.70,623,800.00

**2. Remuneration of The Chief Executive and the other Working Directors of The Company**

A total amount of Rs.60.5 million will be proposed as the aggregate remuneration of the Chief Executive and the other Working Directors of the Company for the period from July 01, 2011 to June 30, 2014 in the form of following Resolution.

“RESOLVED that an aggregate sum of Rs.60.5 million (Rupees sixty million five hundred thousand only) be and is hereby approved as the Remuneration of the Managing Director/Chief Executive and the other Working Directors of the Company for the period from July 01, 2011 to June 30, 2014, covering their managerial remuneration, housing, utilities, bonus, provident fund and gratuity in addition to their entitlement to chauffeur driven company maintained cars, medical and hospitalisation expenses, official entertainment expenses, residential utilities, telephone and security expenses, leave fare assistance and other fringe benefits as per rules of the Company. The above amount includes the meeting fee to be paid to the nominee Director for attending the Board of Directors meeting.”

Messrs. Arif Hashwani, Arshad Shehzada, Altaf Hashwani, Hussain Hashwani, S. Haider Mehdi and S.M. Faiq are interested in this business to the extent of their respective remuneration.

# Chairman's Review

Gross profit increased to Rs.1.067 billion compared to Rs.775.2 million in corresponding period of the last year.

“As against 24.6% increase in net sales revenue, cost of sales increased by 22.7% and as such Gross profit for the current year is 13.8% of Net Sales Revenue as against 12.5% achieved in the last year”

## **IN THE NAME OF ALLAH THE MOST BENEFICENT AND MERCIFUL**

It is my pleasure to welcome you to the 58th Annual General Meeting of the Company and present to you the Audited Statements of Accounts for the year ended March 31, 2011 along with my review on the performance of your Company.

### **The Economy**

Pakistan economy continued its weakness during the year 2010-11 and expected to grow around 2.4 percent compared to the Budget target of 4.5 percent. The set back is due to the agriculture sector, which was severely affected by floods resulting in a meager growth of 1.2 percent against target of 3.8 percent. However, good performance of services sector which grew at 4.1 percent has kept the overall growth in a reasonable range. The current account balance turned to surplus of US \$ 748 million from deficit of US\$ 3,456 million in the comparable period of last year. Current account absorbed extraordinary commodity and oil price shocks without impacting exchange rate or reserve accretion. This is mainly because of higher inflow of workers' remittances and massive decline in trade and services deficit. Export proceeds are expected to exceed \$ 24 billion, while remittances are expected to cross \$ 11 billion mark by the year end. The CPI inflation has risen to 14% in July 2010 - May 2011 over the corresponding period of last year. Foreign exchange reserves amounted to \$ 17.1 billion by the end of May 2011.

### **The Industry**

Growth of automotive sector in the preceding few years is instrumental in better capacity utilization of the battery industry. The automotive industry continued to show sign of improvement in 2010-11. Sale of cars from July 2010 - April 2011 improved from 97,818 units to 109,976 units, up 12.4 percent, LCV from 13,056 to 15,168 units up 16.2 percent. The heavy vehicle segment however witnessed a sale decrease of 21.2 percent year on year.

Prices of basic input of raw material refined lead had upward trend in international market which had an unfavorable impact on local recycled lead. It is further accentuated by unfavorable cost push as a result of depreciation of the Rupee, continuous increase in energy cost and other inflationary factors.

I am pleased to inform you that your Company has been honored with Brand of the Year Award 2010.

## Sales

Net sales revenue of the company for the year 2010-11 was up by 24.6 percent to Rs: 7.71 billion from Rs: 6.19 billion compared to preceding year due to price and volume growth in automotive, motorcycle batteries.

## Production

Production activities were effectively planned and adjusted to cater to the market demand both in terms of quantity and quality. Stress on quality control at all stages of production processes was implemented with great vigor for further strengthening quality standards of the products of your Company.

Production was intermittently affected as a result of major re-layout and shifting of machineries in order to streamline and improve production facilities. In expansion and installation of new facilities, training of manpower and harnessing the technology had initial teething problem which impacted on wastage and claims. Management has been able to overcome the situation and able to improve the production and quality which is expected to have positive impact in ensuing period.

## Profitability

Gross profit increased to Rs.1.067 billion compared to Rs.775.2 million in corresponding period of the last year. As against 24.6% increase in net sales revenue, cost of sales increased by 22.7%. Gross profit for the current year is 13.8% of Net Sales Revenue as against 12.5% achieved in previous year.

Selling and distribution expenses increased to Rs: 399.8 million from Rs: 296.1 million as a result of increased volume and inflationary impact. Administration and general expenses increased to Rs: 62.4 million from Rs: 57.9 million. Operating profit increased by 46% to Rs: 558.2 million from Rs: 382.5 million recorded last year. Financial cost increased from Rs: 78.9 million to Rs: 128.5 million as a result of increase in working capital requirement coupled with upward mark-up rates.

Pre tax profit for the year 2010-11 increased from Rs: 303.6million to Rs: 429.7 million up by 42%. Earning per share increased to Rs: 48.92 as compared with Rs: 34.92 recorded in the previous year. Inventory turn over rate and average collection period improved to 4.15 times and 15 days respectively. The current ratio stood at 1.25:1 while the break up value of share was Rs: 203.28 as on March 31, 2011

## Future Prospects

It is anticipated that indigenous organized battery industry will perform satisfactorily, although the cost pressures will remain on account of Rupee devaluation, higher raw material prices, rising cost of utilities and other inflationary factors. Your management is determined to avail full benefits of the opportunities by continued focus on quality, productivity, cost control and after sales service to improve its competitiveness.

## Board Room Changes

Mr. Mohammad Asif, a Director of your Company who was representing minority shareholders resigned from the Board of Directors' of the Company on 21.7.2010. The Board placed on record the contribution made by Mr. Mohammad Asif.

The Board appointed Mr. Ayub Hameed as Director of the Company on casual vacancy occurred on Board due to resignation of Mr. Mohammad Asif.

## Acknowledgement

On my behalf and on behalf of the Board of Directors of your company, I take this opportunity of acknowledging the devoted and sincere services of employees of all cadres of the Company. I am also grateful to our Bankers, Shareholders, Suppliers, Main Dealers, Retailers and valued Customers including Fauji Fertilizer Bin Qasim Limited, the Original Equipment Manufacturers and Government Organizations.



**Arif Hashwani**  
Chairman

Karachi: June 15, 2011



# Directors' Report

Proper books of accounts have been maintained and financial statements have been drawn up in conformity with the requirements of the companies ordinance, 1984

The Directors of your Company have pleasure in submitting their report on audited statements of accounts for the year ended March 31, 2011.

## Financial Highlights

	(Rupees' 000)
Profit before taxation	429,726
Taxation	(153,336)
Profit after taxation	276,390
Un-appropriated profit brought forward	35,028
	311,418
Transferred from surplus on revaluation of property, plant and equipment - Current year - net of tax	5,498
Profit available for appropriation	316,916
Appropriations:	
Transfer to General Reserves	233,000
Bonus Shares @ 25%	14,125
Proposed Cash Dividend @ 60% (Rs.6.00 per share)	33,899
Un-appropriated profit carried forward	35,892
Earnings per share	48.92

### We confirm that:

- The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance, 1984 and present fairly state of its affairs, operating results, cash flow and changes in equity.
- Proper books of accounts have been maintained in the manner required under Companies Ordinance, 1984.
- Appropriate accounting policies have been applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements.
- The internal control system is being implemented and monitored.

- f) There are no significant doubts about the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance as detailed by the listing regulations.
- h) The key operating and financial data of the past ten years is annexed to this report.
- i) Outstanding duties and taxes, if any, have been disclosed in the financial statements.
- j) The Chairman's Review dealing with the performance of the Company during the year ended March 31, 2011 future prospects and other matters of concern to the Company forms part of this report.
- k) Value of investments of provident and gratuity funds was Rs.94,106K and Rs.49,895K, respectively as on March 31, 2011.
- l) The number of board meetings held during the year 2010-11 was four. The attendance of the directors is as under:
- |  |   |
|--|---|
| 1. Mr. Arif Hashwani                                   | 4 |
| 2. Mr. S. Arshad Shehzada                              | 4 |
| 3. Mr. Altaf Hashwani                                  | 4 |
| 4. Mr. Hussain Hashwani                                | 4 |
| 5. Mr. Mohammed Asif                                   | 1 |
| (Resigned from the Board of Directors on 21.7.2010)    |   |
| 6. Mr. S. Haider Mehdi                                 | 4 |
| 7. Mr. S. M. Faiq                                      | 4 |
| 8. Mr. Ayub Hameed                                     | 0 |
| (Appointed as Director on 29.7.2010 on casual vacancy) |   |
- m) Pattern of shareholding as at March 31, 2011 is annexed to this report.
- n) We confirm that Directors and CFO and their spouse and minor children have made no transactions of the Company's shares during the year.
- o) Statement of Compliance with the Code of Corporate Governance is annexed to this report.
- p) The present Auditors M/s. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.



**Arif Hashwani**  
Chairman

Karachi: June 15, 2011



# Statement Under Section 237(1)(e) of the Companies Ordinance, 1984

The Audited Statements of Accounts for the year ended March 31, 2011 of Chloride Pakistan (Private) Limited, wholly owned subsidiary of the Company, along with the Auditors' and Directors' Reports thereon are annexed to these accounts. The Company subscribed 15,380 and 3,500 and again 3,500 shares at par of Chloride Pakistan (Private) Limited, a wholly owned subsidiary of the Company during the year ended March 31, 1995, 1996 and 1999 respectively with the approval of the Directors. Since the production activities in Chloride Pakistan (Private) Limited could not be started so far, the net aggregate amount of revenue profits/losses are not reported hereunder.

	<b>Chloride Pakistan (Pvt) Ltd.</b>
Extent of the interest of the holding company (Exide Pakistan Limited) in the equity of its subsidiaries as at March 31, 2011	100%
The net aggregate amount of profits less losses of the subsidiary companies so far as these concern members of the holding company and have not been dealt with in the accounts of the holding company:	-
- for the year ended March 31, 2011;	-
- for the previous years but subsequent to the acquisition of the subsidiaries controlling interest by the holding company.	-
The net aggregate amount of profits less losses of the subsidiary companies so far as these have been dealt with or provision made for losses in the accounts of the holding company:	-
- for the year ended March 31, 2011;	-
- for the previous years, but subsequent to the acquisition of the controlling interest by the holding Company.	-



**Arshad Shehzada**  
Chief Executive



**Arif Hashwani**  
Chairman

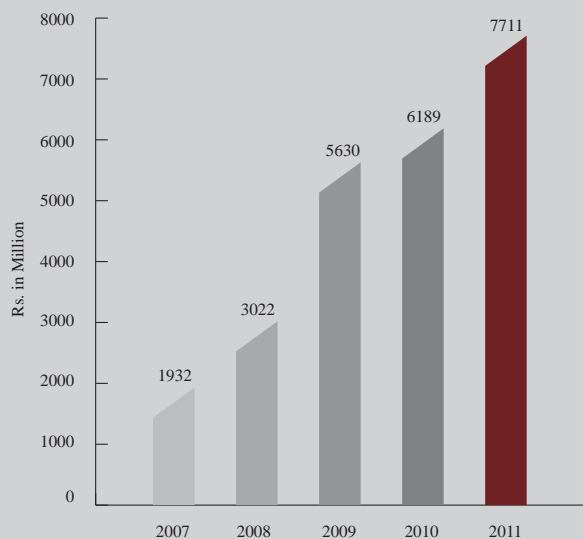
# Performance Highlights

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<b>RUPEES '000</b>									
NET SALES	705,521	760,977	9,948,821	288,628	1,529,772	1,931,459	3,022,276	5,630,385	6,189,135	7,711,452
OPERATING PROFIT	41,538	62,604	97,687	107,891	129,026	172,774	192,253	264,524	382,502	558,215
PROFIT/(LOSS) BEFORE TAX	22,794	46,099	90,538	87,551	97,334	139,859	143,154	182,003	303,554	429,726
PROFIT/(LOSS) AFTER TAX	9,999	28,576	57,123	53,935	57,305	91,642	94,358	118,206	197,287	276,390
CASH DIVIDEND	8,109*	10,811*	16,217*	5,406*	8,108*	13,514	13,514	27,028	33,899	33,899
CASH DIVIDEND %	15	20	30	10	15	25	25	50	60	60
STOCK DIVIDEND	-	-	-	-	-	-	-	-	-	14,125
STOCK DIVIDEND %	-	-	-	-	-	-	-	-	-	25
PAID UP SHARE CAPITAL	54,057	54,057	54,057	54,057	54,057	54,057	54,057	54,057	56,499	56,499
RESERVES & UNAPPROPRIATED PROFIT	189,755*	214,788*	255,988*	310,191	362,881	450,964	536,816	671,907	844,000	1,091,989
SHARE HOLDERS' EQUITY	243,812*	268,845*	310,045*	364,248	416,938	505,021	590,873	725,964	900,499	1,148,488
SURPLUS ON REVALUATION OF FIXED ASSETS	43,465	32,517	32,223	31,955	248,665	244,115	239,107	255,000	249,502	449,916
TANGIBLE FIXED ASSETS	146,167	145,973	304,466	298,662	506,150	502,357	599,749	671,711	776,542	1,027,910
NET CURRENT ASSETS	138,647	126,250	84,516	142,624	241,797	273,655	360,458	334,508	397,224	593,067
NET ASSETS EMPLOYED	320,377*	301,362	422,268*	460,203	745,603	809,136	929,980	1,000,964	1,150,001	1,598,404
	<b>RUPEES</b>									
EARNINGS PER SHARE BEFORE TAX	4	9	17	16	18	25.87	26.42	33.67	53.73	76.06
EARNINGS PER SHARE AFTER TAX	2	5	11	10	10.60	16.95	17.46	21.87	34.92	48.92
SHARE BREAK-UP VALUE	45	50	57	67	77	93	109.31	134.30	159.38	203.28
	<b>PERCENTAGE</b>									
RATIO OF :										
OPERATING PROFIT TO SALES	6%	8%	10%	8%	8%	9%	6%	5%	6%	7%
PROFIT/(LOSS) BEFORE TAX TO SALES	3%	6%	9%	7%	6%	7%	5%	3%	5%	6%
PROFIT/(LOSS) AFTER TAX TO SALES	1%	4%	6%	4%	4%	5%	3%	2%	3%	4%
RETURN/(LOSS) ON EQUITY	4%	11%	18%	15%	14%	18%	16%	16%	22%	24%
RETURN/(LOSS) ON NET ASSETS EMPLOYED	3%	9%	14%	12%	8%	11%	10%	12%	17%	17%

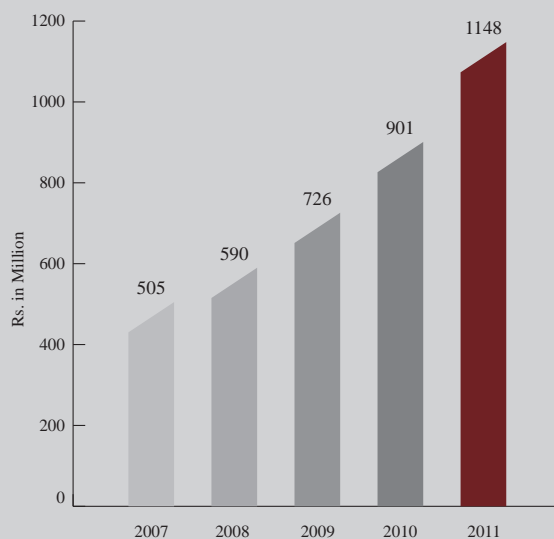
\* Effects of amendments made in the Fourth Schedule to the Companies Ordinance, 1984, have not been considered in performance highlights

# Performance Highlights

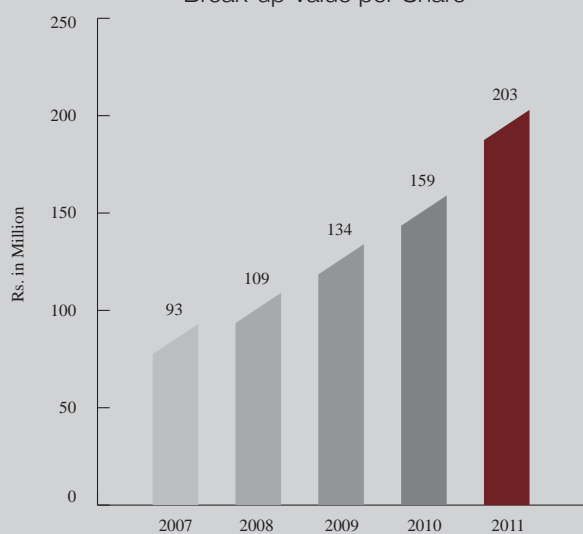
### Net Sales



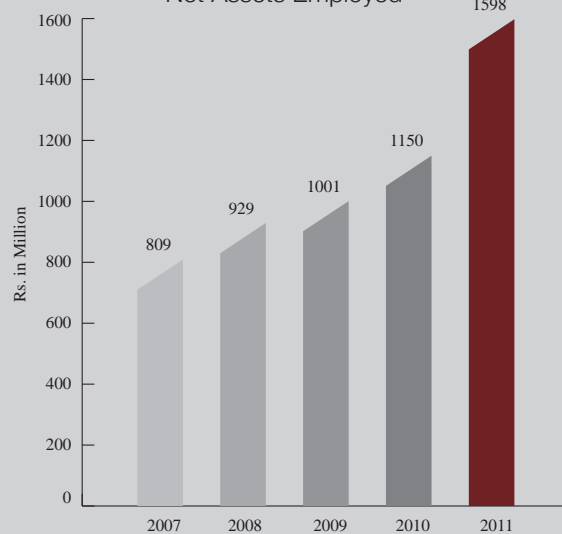
### Shareholders' Equity



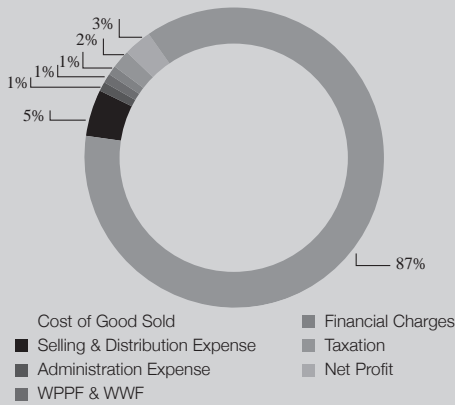
### Break-up Value per Share



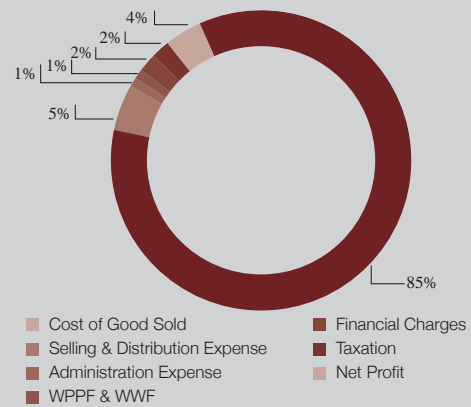
### Net Assets Employed



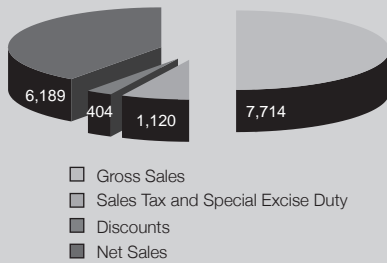
Cost & Expenses Analysis 2010



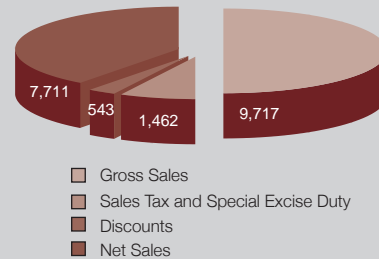
Cost & Expenses Analysis 2011



Sales and Taxes Comparison 2010  
Rupees in Millions



Sales and Taxes Comparison 2011  
Rupees in Millions



# Statement of Compliance

## With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate governance contained in Regulation No. 35 of listing regulation of The Karachi Stock Exchange (Guarantee) Ltd and Lahore Stock Exchange (Guarantee) Ltd 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 directors representing minority interests on its Board of Directors. At present the Board includes one independent non executive director who is also representing minority share holders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board which was filled up by the Directors within thirty days.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and senior management employees of the Company.
6. The Board has developed a vision/mission statement and formulated significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board 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.
9. The Directors have been provided with the copies of the listing regulations of the stock exchanges, the Companies Memorandum Articles of the Association and the Code of Corporate Governance. The Directors are well conversant with their duties and responsibilities.
10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has appointed a Head of Internal Audit who is suitably qualified and experienced and is conversant with the policies and procedures of the Company and he is involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



ARIF HASHWANI  
Chairman

June 15, 2011

# Review Report to the Members on the Statement of Compliance With the Best Practices of the 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 **Exide Pakistan Limited** to comply with the requirements of Chapter XI of the Listing Regulations of The Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited 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's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 Stock Exchange (Guarantee) Limited vide notice KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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 March 31, 2011.



**A.F. FERGUSON & CO.**  
Chartered Accountants  
Karachi: June 15, 2011

# Auditors' Report to the Members

We have audited the annexed balance sheet of Exide Pakistan Limited as at March 31, 2011 and the related profit and loss account, 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 accounts 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, 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 March 31, 2011 and of the profit, 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, was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



Chartered Accountants  
Engagement Partner: **Rashid A. Jafer**  
Dated: June 15, 2011  
Karachi



**EXIDE**

PAKISTAN LIMITED

Financial  
Statements

# Balance Sheet

As at 31 March 2011

	Note	2011 ------(Rupees '000)-----	2010 ------(Rupees '000)-----
<b>SHARE CAPITAL &amp; RESERVES</b>			
Authorised share capital 18,000,000 (2010: 18,000,000) ordinary shares of Rs 10 each		<u>180,000</u>	<u>180,000</u>
Issued, subscribed and paid-up share capital	3	56,499	56,499
Capital reserve		259	259
Revenue reserves		748,991	568,991
Reserve arising on amalgamation - net		25,823	25,823
Unappropriated profit		<u>316,916</u>	<u>248,927</u>
		<u>1,148,488</u>	<u>900,499</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax</b>			
	4	449,916	249,502
<b>NON - CURRENT LIABILITIES</b>			
Deferred tax liability - net	5	45,747	44,131
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	<u>1,079,227</u>	<u>608,544</u>
Accrued mark-up	7	47,851	15,070
Short-term borrowings	8	<u>1,239,272</u>	<u>1,086,866</u>
		<u>2,366,350</u>	<u>1,710,480</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9	<u>4,010,501</u>	<u>2,904,612</u>

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

	Note	2011 ------(Rupees '000)-----	2010 -----
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	10	1,027,910	776,542
Long-term investments	11	224	224
Long-term loans	12	2,824	1,874
Long-term deposits		20,126	18,268
		<b>1,051,084</b>	<b>796,908</b>
<b>CURRENT ASSETS</b>			
Spares	13	65,798	52,385
Stock-in-trade	14	1,856,140	1,457,671
Trade debts	15	317,367	203,098
Loans and advances	16	5,437	10,567
Trade deposits, short-term prepayments and other receivables	17	36,358	19,563
Taxation recoverable		110,891	78,214
Cash and bank balances	18	567,426	286,206
		<b>2,959,417</b>	<b>2,107,704</b>
		<b>4,010,501</b>	<b>2,904,612</b>

  
Arif Hashwani  
Chairman

  
Arshad Shehzada  
Chief Executive

# Profit and Loss Account

For the year ended March 31, 2011

	Note	2011 ------(Rupees '000)-----	2010 ------(Rupees '000)-----
Net sales	19	7,711,452	6,189,135
Cost of sales	20	(6,643,630)	(5,413,928)
Gross profit		1,067,822	775,207
Selling and distribution expenses	21	(399,834)	(296,100)
Administration and general expenses	22	(62,479)	(57,885)
		605,509	421,222
Other operating income	24	4,594	5,274
		610,103	426,496
Other operating charges	25	(51,888)	(43,994)
<b>Operating profit</b>		<b>558,215</b>	<b>382,502</b>
Finance cost	26	(128,489)	(78,948)
Profit before taxation		429,726	303,554
Taxation - net	27	(153,336)	(106,267)
Profit after taxation		276,390	197,287
Other comprehensive income		-	-
Total comprehensive income for the year		<u>276,390</u>	<u>197,287</u>
		------(Rupees)-----	
Earnings per share (EPS)	28	<u>48.92</u>	<u>34.92</u>

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

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



Arif Hashwani  
Chairman



Arshad Shehzada  
Chief Executive

# Cash Flow Statement

For the year ended March 31, 2011

	Note	2011 ------(Rupees '000)-----	2010 -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	32	566,364	(63,569)
Financial charges paid		(95,708)	(77,915)
Taxes paid		(186,903)	(129,173)
Increase in long-term deposits		(1,858)	(1,517)
Increase in long-term loans		(950)	(205)
Net cash generated from / (used in) operating activities		<u>280,945</u>	<u>(272,379)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital expenditure		(119,909)	(170,274)
Proceeds from sale of operating fixed assets		949	5,173
Net cash used in investing activities		<u>(118,960)</u>	<u>(165,101)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from a director		-	70,000
Long term finance - net		-	(40,000)
Import finance		(18,688)	18,688
Dividends paid		(33,171)	(33,125)
Net cash (used in) / generated from financing activities		<u>(51,859)</u>	<u>15,563</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>110,126</u>	<u>(421,917)</u>
Cash and cash equivalents at the beginning of the year		(681,972)	(260,055)
<b>Cash and cash equivalents at the end of the year</b>	33	<u><u>(571,846)</u></u>	<u><u>(681,972)</u></u>

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



Arif Hashwani  
Chairman



Arshad Shehzada  
Chief Executive

# Statement of Changes in Equity

## For the year ended March 31, 2011

	Issued, subscribed and paid- up share capital	Capital reserve	Revenue reserves	Shares to be issued	Reserve arising on amalgama- tion - net	Unappro- priated profit	Total
	(Rupees '000)						
<b>Balance at March 31, 2009</b>	54,057	259	488,991	2,442	25,823	154,392	725,964
Final dividend for the year ended March 31, 2009 declared subsequent to year end	-	-	-	-	-	(28,250)	(28,250)
Transfer to revenue reserves made subsequent to the year ended March 31, 2009	-	-	80,000	-	-	(80,000)	-
Issue of share capital	2,442	-	-	(2,442)	-	-	-
Profit after taxation for the year ended March 31, 2010	-	-	-	-	-	197,287	197,287
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	-	-	5,498	5,498
<b>Balance as at March 31, 2010</b>	<u>56,499</u>	<u>259</u>	<u>568,991</u>	<u>-</u>	<u>25,823</u>	<u>248,927</u>	<u>900,499</u>
Final dividend for the year ended March 31, 2010 declared subsequent to year end	-	-	-	-	-	(33,899)	(33,899)
Transfer to revenue reserves made subsequent to the year ended March 31, 2010	-	-	180,000	-	-	(180,000)	-
Profit after taxation for the year ended March 31, 2011	-	-	-	-	-	276,390	276,390
Transferred from surplus on revaluation of property, plant and equipment - net of tax	-	-	-	-	-	5,498	5,498
<b>Balance as at March 31, 2011</b>	<u><u>56,499</u></u>	<u><u>259</u></u>	<u><u>748,991</u></u>	<u><u>-</u></u>	<u><u>25,823</u></u>	<u><u>316,916</u></u>	<u><u>1,148,488</u></u>

Appropriations of dividend and transfer between reserves made subsequent to the year ended March 31, 2011 are disclosed in note 38 to these financial statements.

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



Arif Hashwani  
Chairman



Arshad Shehzada  
Chief Executive

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

## 1 THE COMPANY AND ITS OPERATIONS

Exide Pakistan Limited (the Company) is a limited liability company and is incorporated in Pakistan. The address of its registered office is A-44, Hill Street, Manghopir Road, S.I.T.E, Karachi, Pakistan. The Company is listed on the Karachi and Lahore Stock Exchanges. The company is engaged in the manufacture and sale of batteries, chemicals and acid.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

#### 2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Companies Ordinance, 1984, or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by SECP prevail.

#### 2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain properties are stated at revalued amounts and certain staff retirement benefits are carried at present value.

#### 2.1.3 New and amended standards and interpretations to published approved accounting standards that are effective in the current year

The following are the new and amended standards and interpretations to published approved accounting standards that have been published and are mandatory for the first time for the financial year beginning on or after January 01, 2010:

- IAS 18 (Amendment), 'Revenue'. The amendment provides additional guidance regarding the determination as to whether an entity is acting as a principal or an agent. The amendment does not have any impact on the Company's financial statements.
- IFRS 7 (Amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, but does not have an impact on the Company's financial position or performance.

# Notes to and Forming Part of the Financial Statements

## For the year ended March 31, 2011

- IFRS - 8 'Operating Segments' (Amendments). Under the amendment, it has been clarified that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker. Although the segment assets are not reported to the chief operating decision maker, the Company continues to disclose the segment assets and liabilities consistent with prior years.

There are other new and amended standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

### 2.1.4 New and amended standards and interpretations to published approved accounting standards that are not yet effective

The following new and amended standards, and interpretations to published approved accounting standards that have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2011:

- IAS 1, Presentation of financial statements (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is not likely to have any impact on the Company's financial statements as currently no items are being reported in other comprehensive income.
- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.
- IFRS 7 (Amendments), Financial Instruments : Disclosures (Transfer of Financial Assets effective from period beginning on or after July 01, 2011). The amendments result from proposals that were set out in the exposure draft derecognition (proposed amendments to IAS 39 and IFRS 7) published in March 2009. The amendments will help users of financial statements to evaluate the risk exposures relating to transfer of financial assets and the effect of those risk on the entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets. The management is in the process of assessing the impact on the Company's financial statements.

There are other new and amended standards and interpretations to published approval accounting standards that are mandatory for accounting periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

### 2.1.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 37 to these financial statements.

## 2.2 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and exemptions available, if any. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the current year.

### Deferred

Deferred taxation is recognised using the balance sheet liability method on all major temporary differences arising between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Company also recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard 12, 'Income Taxes'. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the balance sheet date.

## 2.3 Staff retirement benefits

### The Company operates:

- (a) approved funded gratuity plans covering all employees. Annual contributions are made to the plans based on actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method. Actuarial gains and losses in excess of 10% of the fair value of plan assets or 10% of the present value of defined benefit obligations, whichever is higher, are amortised over the average expected future service lives of employees;
- (b) approved contributory provident funds for all employees; and
- (c) an unfunded pension scheme for certain management staff who had opted to remain in the pension scheme at the time of winding up of the State Life pension scheme. Provision is made annually to cover the obligations under the scheme based on management estimate.

# Notes to and Forming Part of the Financial Statements

## For the year ended March 31, 2011

Staff retirement benefits are payable to staff on completion of the prescribed qualifying period of service under these funds / scheme.

### 2.4 Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

### 2.5 Provisions

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

### 2.6 Provision for battery warranty claims

The Company provides after sales warranty for its products for a specified period. Accrual is made in the financial statements for this warranty based on previous trends and is determined using the management's best estimate.

### 2.7 Trade and other payables

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

### 2.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Currently, the company does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

### 2.9 Property, plant and equipment

#### 2.9.1 Operating fixed assets

Leasehold land and buildings on leasehold land are stated at revalued amounts less accumulated depreciation/amortisation and accumulated impairment losses (if any). Plant and machinery, furniture and fixtures, office equipment and appliances and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on all property, plant and equipment is charged using the straight line method in accordance with the rates specified in note 10.1 to these financial statements and after taking into account residual values, (if any). The revalued amount of leasehold land is amortised equally over the lease period. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month in which the assets become available for use, while on disposals depreciation is charged up to the month of deletion.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on disposal of property, plant and equipment are charged to the profit and loss account currently, except that the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

## 2.9.2 Capital work-in-progress

Capital work-in-progress are stated at cost less accumulated impairment losses (if any). All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

## 2.10 Investment in subsidiary company

Investment in subsidiary company is stated at cost less impairment, if any, for any diminution in its value.

## 2.11 Financial Instruments

### 2.11.1 Financial assets

#### 2.11.1.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and reevaluates this classification on a regular basis. Currently, all financial assets of the Company are classified in the following category.

# Notes to and Forming Part of the Financial Statements

## For the year ended March 31, 2011

### 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 include trade debts, loans and advances, long-term deposits, trade deposits and other receivables and cash and bank balances.

#### 2.11.1.2 Initial recognition and measurement

Financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument.

#### 2.11.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets classified as loans and receivables are carried at amortised cost.

#### 2.11.1.4 Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of a financial asset below its amortised cost is also an objective evidence of impairment. Provision for impairment in the value of financial assets, if any, is taken to the profit and loss account.

#### 2.11.1.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

#### 2.11.1.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the profit and loss account.

#### 2.11.2 Financial liabilities

All financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognised at the time when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of a financial liability is taken to the profit and loss account.

## 2.12 Spares

These are valued at lower of cost determined using the weighted average method and the net realisable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision is made in the financial statements for obsolete and slow moving spares based on management's best estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

## 2.13 Stock-in-trade

Raw and packing material and components, work-in-process and finished goods are valued at lower of cost, determined using the weighted average method and the net realisable value. Cost in relation to components, work-in-process and finished goods, represents direct cost of materials, direct wages and an appropriate portion of production overheads and the related duties where applicable. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Provision is made in the financial statements for obsolete and slow moving stock based on management's best estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to be incurred to make the sale.

## 2.14 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful receivables which is determined based on management review of outstanding amounts and previous repayment pattern. Balances considered bad and irrecoverable are written off.

## 2.15 Operating leases

Leases in which 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 are charged to the profit and loss account on a straight-line basis over the period of the lease.

## 2.16 Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

# Notes to and Forming Part of the Financial Statements

## For the year ended March 31, 2011

### 2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash and cheques in hand, balances with banks in current and deposit accounts and short-term finances with original maturities of three months or less.

### 2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable on the following basis :

- Sales are recognised as revenue on dispatch of goods to customers.
- Income on deposits and other operating income are recognised as revenue on accrual basis.

### 2.19 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

### 2.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. As the operations of the Company are predominantly carried out in Pakistan, information relating to geographical segment is not considered relevant.

The Company accounts for segment reporting using the business segments as the primary reporting format based on the Company's practice of reporting to the management on the same basis.

Assets, liabilities, capital expenditures and other balances that are directly attributable to segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to segments on a reasonable basis. Those assets, liabilities, capital expenditures and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

### 2.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

## 2.22 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those at the balance sheet date. Exchange gains / losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the profit and loss account.

## 2.23 Basic and diluted earnings per share

The company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

## 3 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2011 ------(Number of shares)-----	2010		2011 ------(Rupees '000)-----	2010
359,248	359,248	Ordinary shares of Rs 10 each issued as fully paid in cash	3,592	3,592
20,894	20,894	Ordinary shares of Rs 10 each issued for consideration other than cash	209	209
5,025,595	5,025,595	Ordinary shares of Rs 10 each issued as fully paid bonus shares	50,256	50,256
244,167	244,167	Ordinary shares of Rs 10 each issued to minority shareholders of Automotive Battery Company Limited	2,442	2,442
5,649,904	5,649,904		56,499	56,499

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	-----Number of shares-----	
<b>3.1 Shares held by the related parties of the Company</b>		
<b>Name of the shareholders</b>		
Mr. Arif Hashwani	2,263,181	2,263,181
Mr. Hussain Hashwani	909,528	909,528
Mr. Altaf Hashwani	1,027,598	1,027,598
Mr. S. Haider Mehdi	464	464
Mr. Syed Muhammad Faiq	500	500
Ms. Sana Hashwani	159	159
Mr. Arshad Shahzada	10	10
National Bank of Pakistan (trustee)	-	789,686
<b>4 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- net of tax</b>		
This represents surplus arising on revaluation of leasehold land and buildings, net of deferred tax thereon.		
	Note	2011
		2010
		----- (Rupees '000) -----
Surplus on revaluation of operating fixed assets as at April 1		255,669
Surplus arising on revaluation during the year		208,418
Transferred to unappropriated profits:		
- Surplus relating to incremental depreciation charged during the year - net of deferred tax		(5,498)
Related deferred tax liability		(307)
Surplus on revaluation of operating fixed assets as at March 31		458,282
Less: related deferred tax liability on:		
- revaluation as at April 1		6,167
- Surplus arising on revaluation during the year		2,506
- incremental depreciation charged during the year transferred to the profit and loss account		(307)
		8,366
		6,167
		449,916
		249,502
<b>5 DEFERRED TAX LIABILITY - NET</b>		
<b>Deferred tax liability arising on taxable temporary differences:</b>		
Due to accelerated tax depreciation		64,326
Arising on surplus on revaluation of property, plant and equipment	4	8,366
<b>Deferred tax assets arising on deductible temporary differences:</b>		
In respect of certain provisions		(26,945)
		45,747
		44,131

	Note	2011	2010
------(Rupees '000)-----			
<b>6 TRADE AND OTHER PAYABLES</b>			
Creditors		352,271	80,164
Bills payable		457,581	338,691
Accrued liabilities	6.1	72,927	52,795
Advances from customers		31,072	55,240
Workers' Profits Participation Fund	6.2	1,178	1,170
Workers' Welfare Fund		24,695	15,733
Payable to gratuity funds	6.3	5,258	4,328
Provision for battery warranty claims	6.4	45,490	29,128
Unclaimed dividends		1,776	1,048
Payable to provident fund		850	635
Royalty payable		8,703	16,458
Sales tax payable		54,603	1,872
Others		22,823	11,282
		<u>1,079,227</u>	<u>608,544</u>

6.1 This includes an amount of Rs 2.559 million (2010: Rs 2.586 million) in respect of employees compensated absences.

	Note	2011	2010
------(Rupees '000)-----			
<b>6.2 Workers' Profits Participation Fund</b>			
Balance at April 1		1,170	10,287
Allocation for the year	25	23,089	16,303
		<u>24,259</u>	<u>26,590</u>
Interest on funds utilised in the company's business	26	1,175	463
		<u>25,434</u>	<u>27,053</u>
Less: Amounts paid during the year		24,256	25,883
Balance at March 31		<u>1,178</u>	<u>1,170</u>

**6.3 Payable to gratuity fund**

	-----2011-----			-----2010-----		
	EXIDE	ABCL	Total	EXIDE	ABCL	Total
------(Rupees '000)-----						
Balance at April 1	2,759	1,569	4,328	1,765	479	2,244
Charge for the year	1,901	1,055	2,956	994	1,090	2,084
Contributions paid	(1,650)	(376)	(2,026)	-	-	-
Balance at March 31	<u>3,010</u>	<u>2,248</u>	<u>5,258</u>	<u>2,759</u>	<u>1,569</u>	<u>4,328</u>

6.3.1 Automotive Battery Company Limited (ABCL) merged with Exide Pakistan Limited (Exide) in accordance with the scheme of amalgamation approved by the Honorable High Court of Sindh on March 11, 2009. The said amalgamation was effective from March 31, 2008. However, the resulting amalgamation did not affect the staff retirement funds operated by both the companies as a result of which separate funds are operating for the employees of both companies.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	Note	2011 ------(Rupees '000)-----	2010 -----
<b>6.4 Provision for battery warranty claims</b>			
Balance at April 1		29,128	20,298
Charge for the year	21	177,327	109,321
Claims paid		(160,965)	(100,491)
Balance at March 31		<u>45,490</u>	<u>29,128</u>
<b>7 ACCRUED MARK-UP</b>			
Mark-up accrued on:			
- Short term running finance		14,999	12,315
- Short term finance		18,807	-
- Import finance		-	1,210
- Loan from a director - related party		14,045	1,545
		<u>47,851</u>	<u>15,070</u>
<b>8 SHORT-TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Short-term running finance	8.1	607,150	968,178
Short term finance		532,122	-
Import finance		-	18,688
<b>From related party - unsecured</b>			
Loan from a director	8.2	<u>100,000</u>	<u>100,000</u>
		<u>1,239,272</u>	<u>1,086,866</u>

**8.1** The facilities for short-term running finance and short term finance available from various banks amounted to Rs 1,603 million (2010: Rs 1,065 million). The facilities carry mark-up at rates ranging from 12.93% to 15.34% (2010: 12.30% to 15.27%) and are repayable latest by March 2012. The arrangements are secured by a joint hypothecation charge over the company's stock-in-trade and trade debts.

**8.2** The loan from the director was obtained to meet short-term working capital requirements. The loan carries mark-up at 12.5% per annum (2010: 5% per annum).

## 9 CONTINGENCIES AND COMMITMENTS

### Contingencies

**9.1** Automotive Battery Company Limited (which has been merged with Exide Pakistan Limited) had claimed carry over of tax holiday losses beyond the tax holiday period for set off against the profits of taxable period. The tax benefit claimed by the company amounted to approximately Rs 24 million. This was adjudicated by the Income Tax Appellate Tribunal in the Company's favour and on a reference application for assessment years 1988-89, 1989-90 and 1990-91 by the Income Tax Department, the Tribunal referred the question of law to the Honorable Sindh High Court, which upheld the order of the Tribunal vide its judgment dated 27 January 2006. The Tax Department has filed a further appeal before the Supreme Court of Pakistan against the judgment of the Sindh High Court which is currently pending. Based on the legal advice from

the Company lawyers and in view of the initial success upto the High Court level, the Company expects the final outcome to be in its favour and accordingly provision has not been made in these financial statements in respect of this amount.

- 9.2 The Company has received notice from the Directorate of Intelligence and Investigation – Federal Board of Revenue (FBR), Lahore on April 15, 2011. In the said notice it has been alleged that the Company has purchased goods from certain dummy / fake suppliers who got themselves registered with Regional Tax Officers at Lahore, Faisalabad and Karachi and have issued fake sales tax invoices to the Company and accordingly the Company has claimed illegal / inadmissible input tax adjustment amounting to Rs 157.297 million for the period from July 2005 to February 2011. As a result the name of the Company has been included as an accused person in the First Information Report (FIR) No. 04/2011 dated March 26, 2011 registered by the Additional Director, Intelligence and Investigation – FBR, Lahore.

The management of the Company is of the view that the Company always purchases taxable goods from active taxpayers only as per the guidelines of the FBR in order to claim valid input tax under section 7 of the Sales Tax Act, 1990 (Act). The management is also of the view that on the 15th calendar day of the following month the Company electronically files its Sales Tax Returns and the web portal of FBR accepts input tax claim for only active tax payers. The Dummy/fake suppliers as alleged in the FIR were active at the time of purchase of goods and were filing their sales tax returns which was accepted by the web portal of FBR. This made the Company believe that it was safe and legitimate to conclude that the alleged suppliers at the time of supplying taxable goods to the Company were making their output tax payments. The Company had no other means of confirmation. The Company further explained that the payments to these alleged dummy suppliers were made through crossed cheques after physical receipt of goods in order to comply with the requirement of Section 73 of the Act. Income-tax was deducted at source under section 53 of the Income Tax Ordinance, 2001.

The Company has, therefore, filed a Constitutional Petition in the Honorable Sindh High Court (the Court) and prayed to quash the FIR against the Company and declare the notice illegal. The Court has restrained the tax authorities from proceeding with the matter and the notices issued by the tax authorities have been stayed. This stay order of the Court has been challenged by the taxation authorities in the Supreme Court of Pakistan. The management of the Company is confident that in view of the explanations given in the above paragraph the matter will be decided in favour of the Company and, accordingly, the Company will not be exposed to any loss on account of this action. Therefore, no provision has been made in these financial statements in respect of any liability / penalty which may arise as a consequence of the said notice.

<b>Commitments</b>	Note	2011	2010
		------(Rupees '000)-----	
9.3	Commitments in respect of :		
	Capital expenditure contracted for but not incurred	4,020	882
	Letters of credit	243,392	147,666
	Letter of guarantee	42,636	31,980

## 10 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	10.1	956,273	739,094
Capital work-in-progress	10.5	71,637	37,448
		<u>1,027,910</u>	<u>776,542</u>

# Notes to and Forming Part of the Financial Statements For the year ended March 31, 2011

## 10.1 The following is a statement of operating fixed assets:

	2011						Total
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment and appliances	Vehicles	
----- Rupees '000 -----							
<b>At April 1, 2010</b>							
Cost / revalued amount	342,200	56,644	709,489	7,079	12,127	55,872	1,183,411
Accumulated depreciation/amortisation	(26,909)	(12,559)	(365,162)	(4,318)	(8,105)	(27,264)	(444,317)
<b>Net book value</b>	<b>315,291</b>	<b>44,085</b>	<b>344,327</b>	<b>2,761</b>	<b>4,022</b>	<b>28,608</b>	<b>739,094</b>
Additions	-	2,320	70,485	932	785	11,198	85,720
Adjustments due to revaluation in*:							
Cost or revaluation	(33,457)	(15,552)	-	-	-	-	(49,009)
Accumulated depreciation	33,457	15,552	-	-	-	-	49,009
Surplus/(deficit)	201,257	7,161	-	-	-	-	208,418
Disposals:							
Cost	-	-	-	-	-	(1,487)	(1,487)
Depreciation	-	-	-	-	-	1,266	1,266
Depreciation/amortisation charge for the year	(6,869)	(3,366)	(53,013)	(671)	(1,431)	(11,388)	(76,738)
Closing net book value	<b>509,679</b>	<b>50,200</b>	<b>361,799</b>	<b>3,022</b>	<b>3,376</b>	<b>28,197</b>	<b>956,273</b>
<b>At March 31, 2011</b>							
Cost / revalued amount	510,000	50,573	779,974	8,011	12,912	65,583	1,427,053
Accumulated depreciation/amortisation	(321)	(373)	(418,175)	(4,989)	(9,536)	(37,386)	(470,780)
<b>Net book value</b>	<b>509,679</b>	<b>50,200</b>	<b>361,799</b>	<b>3,022</b>	<b>3,376</b>	<b>28,197</b>	<b>956,273</b>
Depreciation/amortisation rate % per annum	1 - 2	5 - 10	10 - 20	10 - 20	10 - 20	10 - 20	

\* This represents adjustment of cost or revaluation and accumulated depreciation / amortisation consequent to the revaluation of operating fixed assets carried out during the year.

	2010						Total
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fixtures	Office equipment and appliances	Vehicles	
----- Rupees '000 -----							
<b>At April 1, 2009</b>							
Cost / revalued amount	342,200	55,349	556,530	5,274	10,386	47,630	1,017,369
Accumulated depreciation/amortisation	(20,065)	(9,379)	(322,679)	(3,890)	(6,870)	(23,915)	(386,798)
<b>Net book value</b>	<b>322,135</b>	<b>45,970</b>	<b>233,851</b>	<b>1,384</b>	<b>3,516</b>	<b>23,715</b>	<b>630,571</b>
Additions	-	1,295	152,959	1,805	1,741	16,166	173,966
Adjustments due to revaluation:							
Cost or revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Surplus/(deficit)	-	-	-	-	-	-	-
Disposals:							
Cost	-	-	-	-	-	(7,924)	(7,924)
Depreciation	-	-	-	-	-	5,258	5,258
Depreciation/amortisation charge for the year	(6,844)	(3,180)	(42,483)	(428)	(1,235)	(8,607)	(62,777)
Closing net book value	<b>315,291</b>	<b>44,085</b>	<b>344,327</b>	<b>2,761</b>	<b>4,022</b>	<b>28,608</b>	<b>739,094</b>
<b>At March 31, 2010</b>							
Cost / revalued amount	342,200	56,644	709,489	7,079	12,127	55,872	1,183,411
Accumulated depreciation/amortisation	(26,909)	(12,559)	(365,162)	(4,318)	(8,105)	(27,264)	(444,317)
<b>Net book value</b>	<b>315,291</b>	<b>44,085</b>	<b>344,327</b>	<b>2,761</b>	<b>4,022</b>	<b>28,608</b>	<b>739,094</b>
Depreciation/amortisation rate % per annum	1 - 2	5 - 10	10 - 20	10 - 20	10 - 20	10 - 20	

10.2 Leasehold land and buildings on leasehold land of the Company were revalued during the year by M/s Shahani & Co., independent valuation consultants, on the basis of present market values. The revaluation resulted in a net surplus of Rs 208.418 million over the written down values of Rs 350.982 million which had been incorporated in the books of the Company on March 31, 2011. Out of the revaluation surplus resulting from all the revaluations carried out to date, an amount of Rs 458.282 million (2010: 255.669 million) remains undepreciated as at March 31, 2011.

Had there been no revaluation, the book value of leasehold land and buildings on leasehold land would have been as follows:

	Note	2011	2010
		----- (Rupees '000) -----	
Leasehold land		79,248	81,161
Buildings on leasehold land		22,349	22,546

10.3 Particulars of operating fixed assets disposed of, having net book value exceeding Rs 50,000, or to related parties during the year are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposals / settlement	Particulars of buyers	Location
	----- (Rupees '000) -----						
Vehicles							
Suzuki Alto	521	356	165	325	Insurance Claim	New Jubilee Insurance	Faisalabad
Honda CD 70	63	7	56	63	Insurance Claim	New Jubilee Insurance	Karachi
2011	<u>584</u>	<u>363</u>	<u>221</u>	<u>388</u>			
2010	<u>4,674</u>	<u>2,133</u>	<u>2,541</u>	<u>2,693</u>			

10.4 The Company allocates depreciation/amortisation charge to cost of sales, selling and distribution expense and administration and general expenses at the rate 95%, 2% and 3% respectively. The amount allocated during the year as follows:

	Note	2011	2010
		----- (Rupees '000) -----	
Cost of sales	20	72,902	59,638
Selling and distribution expenses	21	1,534	1,256
Administration and general expenses	22	2,302	1,883
		<u>76,738</u>	<u>62,777</u>

10.5 Capital work-in-progress

Building	13,021	5,921
Plant and machinery	51,924	25,247
Advances to suppliers / contractors	6,692	6,280
	<u>71,637</u>	<u>37,448</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	Percentage	2011	2010
	holding	-----	-----
		(Rupees '000)	(Rupees '000)
<b>11 LONG-TERM INVESTMENTS</b>			
Investments in related party - at cost			
<b>Subsidiary company - Unquoted</b>			
22,380 (2010: 22,380) ordinary shares of Rs 10 each held in Chloride Pakistan (Private) Limited, a private limited company incorporated in Pakistan (Net assets value as at March 31, 2011 Rs (0.322) million; 2010: Rs (0.278) million)	100%	<u>224</u>	<u>224</u>
<b>11.1</b> Chloride Pakistan (Private) Limited (CPL) has not yet commenced its production. The summarised financial information of CPL, based on the financial statements for the year ended March 31, 2011 is as follows:			
	Note	2011	2010
		-----	-----
		(Rupees '000)	(Rupees '000)
Total assets	11.1.1	<u>39</u>	<u>38</u>
Total liabilities		<u>363</u>	<u>316</u>
Revenue		<u>-</u>	<u>-</u>
Loss after tax		<u>46</u>	<u>39</u>
11.1.1 The above amount includes Rs 0.03 million (2010: Rs 0.036 million) that is receivable from Exide Pakistan Limited.			
	Note	2011	2010
		-----	-----
		(Rupees '000)	(Rupees '000)
<b>12 LONG-TERM LOANS</b>			
(b considered good - unsecured)			
Due from employees	12.1	4,003	3,358
Less: receivable within one year	16	(1,179)	(1,484)
		<u>2,824</u>	<u>1,874</u>
<b>12.1</b> These represent interest free loans given to employees for purchase of motorcycles and for other general purposes in accordance with the Company's policies. These loans are recovered through deduction from salaries over varying periods upto a maximum period of five years.			
		2011	2010
		-----	-----
		(Rupees '000)	(Rupees '000)
<b>13 SPARES</b>			
Spares (including in transit of Rs 3.374 million (2010: Rs 4.222 million))		68,135	54,086
Less: provision for slow moving and obsolete spares		(2,337)	(1,701)
		<u>65,798</u>	<u>52,385</u>

	2011	2010
	------(Rupees '000)-----	
<b>14 STOCK-IN-TRADE</b>		
Raw and packing materials and components including goods-in-transit of Rs 569.367 million (2010: Rs 452.999 million)	1,139,285	1,127,838
Work-in-process	248,874	228,442
Finished goods	474,276	105,546
	<u>1,862,435</u>	<u>1,461,826</u>
Less: Provision for slow moving and obsolete stock-in-trade	(6,295)	(4,155)
	<u>1,856,140</u>	<u>1,457,671</u>

**14.1** Raw materials and components amounting to Rs 16.719 million (2010: Rs 14.497 million) were held by Pak Polymer (Private) Limited and Precision Polymers (Pvt) Limited, who under an arrangement with the Company, manufacture plastic containers, lids and vent plugs for the Company.

	Note	2011	2010
		------(Rupees '000)-----	
<b>15 TRADE DEBTS - unsecured</b>			
Considered			
- good		317,367	203,098
- doubtful		15,046	24,532
		<u>332,413</u>	<u>227,630</u>
Less: Provision for impairment in trade debts	15.1	(15,046)	(24,532)
		<u>317,367</u>	<u>203,098</u>

**15.1 Provision for impairment**

Balance at April 1	24,532	25,969
Provision made during the year	4,397	296
	<u>28,929</u>	<u>26,265</u>
Less: amount reversed during the year	(2,873)	(1,733)
Less: amount written off during the year	(11,010)	-
Balance at March 31	<u>15,046</u>	<u>24,532</u>

**15.2** As at March 31, 2011, Rs 56.497 million (2010: Rs 82.38 million) of the gross trade debts are over due but not impaired. These balances relate to various customers for whom there is no recent history of default. The aging analysis of these trade debts is as follows:

	2011	2010
	------(Rupees '000)-----	
Upto 1 month	21,620	33,208
1 to 6 months	20,844	30,575
Over 6 months	14,033	18,597
	<u>56,497</u>	<u>82,380</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	Note	2011	2010
		------(Rupees '000)-----	
<b>16</b>	<b>LOANS AND ADVANCES - Considered good</b>		
Loans due from - employees			
- current portion of long term loans to employees	12	1,179	1,484
Advances to			
- employees	16.1	332	259
- suppliers		3,926	8,824
		<u>5,437</u>	<u>10,567</u>
<b>16.1</b>	Advances to employees are given to meet business expenses and are settled as and when expenses are incurred.		
		2011	2010
		------(Rupees '000)-----	
<b>17</b>	<b>TRADE DEPOSITS, SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advance to clearing agent		447	126
Margin deposits		1,933	1,933
Earnest money		2,498	2,498
Short-term prepayments		2,241	6,053
Container deposits		2,428	4,400
Insurance claims		26,124	3,872
Others		687	681
		<u>36,358</u>	<u>19,563</u>
<b>18</b>	<b>CASH AND BANK BALANCES</b>		
With banks - current accounts		499,105	252,499
Cheques in hand		68,203	33,626
Cash in hand		118	81
		<u>567,426</u>	<u>286,206</u>

## 19 OPERATING RESULTS

	Note	Batteries		Chemicals		Company	
		2011	2010	2011	2010	2011	2010
------(Rupees '000)-----							
Sales		9,279,998	7,431,327	437,306	282,538	9,717,304	7,713,865
Sales tax		1,316,460	1,015,834	62,140	38,638	1,378,600	1,054,472
Excise Duty		80,075	63,490	3,973	2,415	84,048	65,905
Commission to distributor		6,293	5,925	-	-	6,293	5,925
Discounts to distributors and customers		536,911	398,428	-	-	536,911	398,428
		1,939,739	1,483,677	66,113	41,053	2,005,852	1,524,730
Net sales		7,340,259	5,947,650	371,193	241,485	7,711,452	6,189,135
Cost of sales	20	6,352,068	5,235,024	291,562	178,904	6,643,630	5,413,928
Gross profit		988,191	712,626	79,631	62,581	1,067,822	775,207
Selling and distribution expenses	21	394,097	290,750	5,737	5,350	399,834	296,100
Administration and general expenses	22	59,477	55,586	3,002	2,299	62,479	57,885
Other operating income		636	638	-	-	636	638
Unallocated other operating income	19.7					3,958	4,636
	24					4,594	5,274
Unallocated other operating charges	19.7 and 25					51,888	43,994
Operating profit		535,253	366,928	70,892	54,932	558,215	382,502
19.1 Segment assets		3,144,554	2,411,354	159,019	97,905	3,303,573	2,509,259
19.2 Unallocated assets	19.7					706,928	395,353
						4,010,501	2,904,612
19.3 Segment liabilities		519,324	424,147	23,522	15,370	542,846	439,517
19.4 Unallocated liabilities	19.7					1,869,251	1,315,094
						2,412,097	1,754,611
19.5 Capital expenditure		114,137	163,630	5,772	6,644	119,909	170,274
19.6 Depreciation expense		73,044	60,328	3,694	2,449	76,738	62,777
19.7	Certain liabilities, assets, other operating income and other operating charges of the Company cannot be allocated to a specific segment. Accordingly, these amounts have been classified as unallocated.						

# Notes to and Forming Part of the Financial Statements For the year ended March 31, 2011

## 20 COST OF SALES

	Batteries		Chemicals		Company	
	2011	2010	2011	2010	2011	2010
------(Rupees '000)-----						
Raw and packing materials consumed						
Opening stock	1,111,581	573,783	16,257	21,512	1,127,838	595,295
Purchases	6,082,019	5,294,247	230,901	107,422	6,312,920	5,401,669
	<u>7,193,600</u>	<u>5,868,030</u>	<u>247,158</u>	<u>128,934</u>	<u>7,440,758</u>	<u>5,996,964</u>
Closing stock	(1,105,815)	(1,111,581)	(33,470)	(16,257)	(1,139,285)	(1,127,838)
	<u>6,087,785</u>	<u>4,756,449</u>	<u>213,688</u>	<u>112,677</u>	<u>6,301,473</u>	<u>4,869,126</u>
Salaries, wages and benefits	165,960	144,701	14,332	13,909	180,292	158,610
Spares consumed	44,942	40,910	3,045	4,182	47,987	45,092
Rent, rates and taxes	38,297	33,898	158	117	38,455	34,015
Fuel, power and water	182,878	153,004	21,370	17,933	204,248	170,937
Insurance	13,376	8,588	1,399	1,115	14,775	9,703
Repairs and maintenance	88,921	78,470	4,261	4,265	93,182	82,735
Depreciation/amortisation - note 10.4	69,257	56,060	3,645	3,578	72,902	59,638
General expenses	40,248	32,628	6,395	4,868	46,643	37,496
Opening stock of work-in-process	227,660	150,825	782	854	228,442	151,679
Closing stock of work-in-process	(246,347)	(227,660)	(2,528)	(782)	(248,875)	(228,442)
Cost of goods manufactured	<u>6,712,977</u>	<u>5,227,873</u>	<u>266,547</u>	<u>162,716</u>	<u>6,979,524</u>	<u>5,390,589</u>
Opening stock of finished goods	100,266	107,417	5,280	7,814	105,546	115,231
Finished goods purchased	-	-	32,835	13,654	32,835	13,654
	<u>6,813,243</u>	<u>5,335,290</u>	<u>304,662</u>	<u>184,184</u>	<u>7,117,905</u>	<u>5,519,474</u>
Closing stock of finished goods	(461,175)	(100,266)	(13,100)	(5,280)	(474,275)	(105,546)
	<u>6,352,068</u>	<u>5,235,024</u>	<u>291,562</u>	<u>178,904</u>	<u>6,643,630</u>	<u>5,413,928</u>

20.1 Salaries, wages and benefits include Rs 4.424 million (2010:Rs 3.861 million) in respect of staff retirement benefits.

## 21 SELLING AND DISTRIBUTION EXPENSES

	Batteries		Chemicals		Company	
	2011	2010	2011	2010	2011	2010
------(Rupees '000)-----						
Salaries, wages and benefits	23,120	20,477	465	283	23,585	20,760
Repairs and maintenance	694	1,821	-	-	694	1,821
Royalty	8,703	9,221	-	-	8,703	9,221
Advertising and sales promotion	48,283	42,696	-	-	48,283	42,696
Rent, rates and taxes	4,286	3,871	-	-	4,286	3,871
Insurance	346	452	-	5	346	457
Printing and stationery	727	743	14	40	741	783
Carriage and forwarding	118,270	92,155	4,959	4,827	123,229	96,982
Battery warranty claims - note 6.4	177,327	109,321	-	-	177,327	109,321
Travelling, conveyance and entertainment	6,069	5,506	-	-	6,069	5,506
Depreciation/amortisation - note 10.4	1,465	1,181	69	75	1,534	1,256
Postage, telegram, telephone and telex	1,835	1,961	148	42	1,983	2,003
General expenses	2,972	1,345	82	78	3,054	1,423
	<u>394,097</u>	<u>290,750</u>	<u>5,737</u>	<u>5,350</u>	<u>399,834</u>	<u>296,100</u>

21.1 Salaries, wages and benefits include Rs 0.920 million (2010: Rs0.838 million) in respect of staff retirement benefits.

## 22 ADMINISTRATION AND GENERAL EXPENSES

	Batteries		Chemicals		Company	
	2011	2010	2011	2010	2011	2010
	------(Rupees '000)-----					
Salaries, wages and benefits	36,763	33,561	1,860	1,363	38,623	34,924
Repairs and maintenance	2,672	4,753	135	193	2,807	4,946
Legal and professional charges	2,925	1,394	148	57	3,073	1,451
Rent, rates and taxes	220	533	11	22	231	555
Insurance	1,186	1,500	60	61	1,246	1,561
Depreciation/amortisation - note 10.4	2,198	1,770	104	113	2,302	1,883
Printing and stationery	763	641	39	26	802	667
Travelling, conveyance and entertainment	6,575	6,969	333	283	6,908	7,252
Communication and postage	2,531	1,500	128	61	2,659	1,561
General expenses	3,644	2,965	184	120	3,828	3,085
	<u>59,477</u>	<u>55,586</u>	<u>3,002</u>	<u>2,299</u>	<u>62,479</u>	<u>57,885</u>

22.1 Salaries, wages and benefits include Rs 1.268 million (2010: Rs0.858 million) in respect of staff retirement benefits.

## 23 DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS

### 23.1 Defined benefit plan - Staff retirement gratuity plan

As mentioned in note 2.3 (a), the Company operates an approved funded gratuity plan covering all employees. The latest actuarial valuation of the plan has been carried out as at March 31, 2011 and expense has been recorded based on this latest actuarial valuation report. Presently, separate funds are operating for the employees of Exide Pakistan Limited (Exide) and Automobile Battery Company Limited (ABCL) respectively.

The following significant assumptions have been used for valuation of this scheme.

	2011		2010	
	EXIDE	ABCL	EXIDE	ABCL
a. Discount rate	14%	14%	14%	14%
b. Expected rate of increase in salary	14%	14%	14%	14%
c. Expected rate of return on plan assets	12.5%	14%	12.5%	13%
d. Assumptions regarding future mortality experience are based on actuarial recommendations and published statistics.				

# Notes to and Forming Part of the Financial Statements For the year ended March 31, 2011

## 23.1.1 Amount recognised in the balance sheet (note 6.3)

Note	2011			2010		
	Exide	ABCL	Total	Exide	ABCL	Total
	------(Rupees '000)-----					
Present value of defined benefit obligations	32,687	12,140	44,827	31,073	10,967	42,040
Less: fair value of plan assets	(37,369)	(10,450)	(47,819)	(32,825)	(9,081)	(41,906)
Unrecognised actuarial gains / (losses)	7,692	558	8,250	4,511	(317)	4,194
	<u>3,010</u>	<u>2,248</u>	<u>5,258</u>	<u>2,759</u>	<u>1,569</u>	<u>4,328</u>

## 23.1.2 Movement in the defined benefit obligation

Present value of obligation at April 1	31,073	10,967	42,040	30,713	10,394	41,107
Current service cost	1,889	700	2,589	1,799	743	2,542
Interest cost	4,078	1,535	5,613	4,106	1,455	5,561
Benefits paid	(3,883)	-	(3,883)	(2,765)	(777)	(3,542)
Actuarial gain on obligation	(470)	(1,062)	(1,532)	(2,780)	(848)	(3,628)
Present value of obligation at March 31	<u>32,687</u>	<u>12,140</u>	<u>44,827</u>	<u>31,073</u>	<u>10,967</u>	<u>42,040</u>

## 23.1.3 Movement in the fair value of plan assets

Total plan assets as at April 1	32,825	9,081	41,906	34,111	8,317	42,428
Expected return on plan assets	3,964	1,180	5,144	4,775	1,165	5,940
Contributions made	1,650	376	2,026	-	-	-
Benefits paid	(3,883)	-	(3,883)	(2,765)	(777)	(3,542)
Actuarial gains / (losses) on plan assets	2,813	(187)	2,626	(3,296)	376	(2,920)
	<u>37,369</u>	<u>10,450</u>	<u>47,819</u>	<u>32,825</u>	<u>9,081</u>	<u>41,906</u>

## 23.1.4 Amount recognised in the profit and loss account

Current service cost	1,889	700	2,589	1,799	743	2,542
Interest cost	4,078	1,535	5,613	4,106	1,455	5,561
Expected return on plan assets	(3,964)	(1,180)	(5,144)	(4,775)	(1,165)	(5,940)
Net actuarial (gain) / loss recognised	(102)	-	(102)	(136)	57	(79)
Cost for the year	<u>1,901</u>	<u>1,055</u>	<u>2,956</u>	<u>994</u>	<u>1,090</u>	<u>2,084</u>

## 23.1.5 Plan assets comprise of the following:

	-----2011-----		-----2010-----	
	(Rupees '000)	Percentage composition	(Rupees '000)	Percentage composition
	-----EXIDE-----		-----ABCL-----	
Defence Savings Certificates (DSC's)	-	0.00%	9,640	92.25%
Term Finance Certificates	28,729	76.88%	94	0.90%
Investment in shares - OGDC	394	1.05%	319	3.05%
Investment in mutual funds	4,836	12.94%	-	0.00%
Cash at bank	3,410	9.13%	397	3.80%
	<u>37,369</u>	<u>100%</u>	<u>10,450</u>	<u>100.00%</u>
	-----EXIDE-----		-----ABCL-----	
Defence Savings Certificates (DSC's)	-	0.00%	8,117	89.38%
Term Finance Certificates	13,544	41.26%	97	1.07%
Investment in shares - OGDC	345	1.05%	306	3.37%
Investment in mutual funds	11,414	34.77%	-	0.00%
Cash at bank	7,522	22.92%	561	6.18%
	<u>32,825</u>	<u>100%</u>	<u>9,081</u>	<u>100.00%</u>

23.1.6 Five years data on the (surplus) / deficit on the plan assets is as follows :

	EXIDE				
	2011	2010	2009	2008	2007
	------(Rupees '000)-----				
Present value of defined benefit obligation	32,687	31,073	30,713	31,678	30,039
Fair value of plan assets	(37,369)	(32,825)	(34,111)	(33,892)	(32,493)
Surplus	<u>(4,682)</u>	<u>(1,752)</u>	<u>(3,398)</u>	<u>(2,214)</u>	<u>(2,454)</u>

	ABCL				
	2011	2010	2009	2008	2007
	------(Rupees '000)-----				
Present value of defined benefit obligation	12,140	10,967	10,394	9,203	8,265
Fair value of plan assets	(10,450)	(9,081)	(8,317)	(10,728)	(10,122)
Deficit / (Surplus)	<u>1,690</u>	<u>1,886</u>	<u>2,077</u>	<u>(1,525)</u>	<u>(1,857)</u>

23.1.7 Five years data on experience adjustments is as follows :

	EXIDE				
	2011	2010	2009	2008	2007
	------(Rupees '000)-----				
Experience adjustments on plan liabilities	(470)	(2,780)	(3,543)	(1,087)	-
Experience adjustments on plan assets	2,813	(3,296)	(2,210)	(1,090)	-

	ABCL				
	2011	2010	2009	2008	2007
	------(Rupees '000)-----				
Experience adjustments on plan liabilities	(1,062)	(848)	(41)	(56)	(293)
Experience adjustments on plan assets	(187)	376	(3,465)	153	(320)

23.1.8 Expected return on plan assets during the year was Rs 5.144 million (2010: Rs 5.940 million)

23.1.9 The Company intends to charge an amount of approximately Rs 2.558 million in the financial statements for the year ending March 31, 2012 in respect of defined benefit scheme.

23.2 Defined contribution plan - provident fund

An amount of Rs 3.656 million (2010: Rs 3.473 million) has been charged during the year in respect of contributory provident fund maintained by the Company.

	2011	2010
	------(Rupees '000)-----	
<b>24 OTHER OPERATING INCOME</b>		
Mark up on margin deposits	117	193
Gain on sale of operating fixed assets	728	2,507
Reversal of provision for doubtful debts	2,873	1,437
Reversal of provision held against slow moving and obsolete spares	240	499
Scrap sales	636	638
	<u>4,594</u>	<u>5,274</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	Note	2011	2010
		------(Rupees '000)-----	
<b>25 OTHER OPERATING CHARGES</b>			
Auditors' remuneration	25.1	1,810	1,800
Workers' Profits Participation Fund	6.2	23,089	16,303
Workers' Welfare Fund		8,962	6,195
Donations	25.2	334	275
Provision for doubtful debts - net		4,397	-
Provision against slow moving and obsolete spares		876	-
Provision against slow moving and obsolete stock-in-trade		2,140	1,807
Bank charges		6,221	6,713
Others		4,059	10,901
		<u>51,888</u>	<u>43,994</u>
<b>25.1 Auditors' remuneration</b>			
Audit fee		870	750
Tax advisory services		400	500
Fee for the review of half yearly financial statements		140	200
Special reports and certifications, audit of provident and gratuity funds		250	250
Out of pocket expenses		150	100
		<u>1,810</u>	<u>1,800</u>
<b>25.2</b> Donations were not made to any donee in which the Company or a director or his spouse had any interest.			
	Note	2011	2010
		------(Rupees '000)-----	
<b>26 FINANCE COST</b>			
Interest on Workers' Profit Participation Fund	6.2	1,175	463
Mark-up on			
- Short term running finance		84,135	73,889
- Short term finance		26,898	-
- Import finance		3,781	2,647
- Long-term financing		-	104
- Loan from a director - related party		12,500	1,845
		<u>128,489</u>	<u>78,948</u>
<b>27 TAXATION</b>			
Current - for the year		154,659	88,646
- for prior years		(433)	(2,611)
Deferred - net		(890)	20,232
		<u>153,336</u>	<u>106,267</u>

	2011	2010
	------(Rupees '000)-----	
<b>27.1 Relationship between tax expenses and accounting profit</b>		
Accounting profit before tax	<u>429,726</u>	<u>303,554</u>
Tax rate	35%	35%
Tax on accounting profit	150,404	106,244
Tax effect of differences relating to :		
- tax for prior years	(433)	(2,611)
- depreciation charged in the financial statements on leasehold land	2,404	2,395
- others	961	239
Tax expense for the current year	<u>153,336</u>	<u>106,267</u>

## 28 EARNINGS PER SHARE (EPS) - BASIC AND DILUTED

Earnings per share has been computed by dividing profit after taxation for the year by the weighted average number of shares outstanding during the year as follows:

	2011	2010
	------(Rupees '000)-----	
Profit after taxation attributable to ordinary shareholders	<u>276,390</u>	<u>197,287</u>
	-----Number of shares-----	
Weighted average number of ordinary shares outstanding during the year	<u>5,649,904</u>	<u>5,649,844</u>
	------(Rupees)-----	
Earnings per share (EPS)	<u>48.92</u>	<u>34.92</u>

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

# Notes to and Forming Part of the Financial Statements

## For the year ended March 31, 2011

### 29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
------(Rupees '000)-----								
<b>Short - term employee benefits</b>								
Managerial remuneration	1,079	1,052	4,805	3,757	2,837	2,769	8,721	7,578
Bonus	-	-	719	487	240	230	959	717
Leave pay	68	68	78	74	117	109	263	251
Housing, utilities and reimbursable expenses	773	716	2,939	2,239	2,583	2,448	6,295	5,403
Medical expenses	108	105	181	167	226	216	515	488
<b>Retirement benefits</b>								
Defined benefit plan	-	-	368	284	46	44	414	328
Defined contribution plan	-	-	441	340	55	52	496	392
	<u>2,028</u>	<u>1,941</u>	<u>9,531</u>	<u>7,348</u>	<u>6,104</u>	<u>5,868</u>	<u>17,663</u>	<u>15,157</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>9</u>	<u>9</u>

29.1 The chief executive and four directors are provided with free use of Company maintained cars, residential telephones and certain items of household appliances in accordance with their entitlement. Two of the executives are also provided with Company maintained cars.

#### 29.2 Remuneration to other Directors

Aggregate amount charged in the financial statements for fee to a director was Rs 0.005 million (2010: Rs 0.01 million).

### 30 TRANSACTIONS WITH RELATED PARTIES

	Subsidiary companies		Key management personnel		Other related parties	
	2011	2010	2011	2010	2011	2010
------(Rupees '000)-----						
Expenses charged to	6	5	-	-	-	-
Interest on loan from a director	-	-	12,500	1,845	-	-
Transactions with key management personnel:						
- Salaries	-	-	16,753	14,437	-	-
- Defined benefit plan - post employment benefits	-	-	414	328	-	-
- Defined contribution plan	-	-	496	392	-	-
Rent expense	-	-	-	-	37,485	33,355
Expenses charged in respect of staff contribution plan	-	-	-	-	3,160	3,081
Expenses charged in respect of staff defined benefit plan	-	-	-	-	2,542	1,756
Pension pertaining to a retired employee	-	-	-	-	33	45

The Company has related party relationships with its associates, subsidiary company namely Chloride Pakistan (Private) Limited, employee benefit plans and key management personnel. Transactions with related parties essentially entail rent expense and transaction with key management personnel.

Consideration for services is determined with mutual agreement considering the level of services provided. Expenses charged by / to the Company are determined on actual cost basis. Particulars of remuneration to key management personnel are disclosed in note 29 to these financial statements.

Balances outstanding with related parties as at the year end have been disclosed in the relevant balance sheet notes.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be key management personnel.

The outstanding balances receivable from / payable to related parties are disclosed in notes 6.1, 7, 8 and 11 to the financial statements. Particulars of transactions with workers' profit participation fund and staff retirement benefit plans are disclosed in notes 6.2, 6.3 and 23 to these financial statements.

### 31 PRODUCTION CAPACITY

The actual production capacity of the battery plant cannot be determined as it depends on the proportion of different types of batteries produced which varies in relation to the consumer demand. The actual production during the year was according to market demand. The installed capacity of the chemical plants is 33,000 MT (2010: 33,000 MT) per annum whereas actual production during the year was 32,849 MT (2010: 32,576 MT).

	Note	2011	2010
		------(Rupees '000)-----	
<b>32 CASH GENERATED FROM / (USED IN) OPERATIONS</b>			
Profit before taxation		429,726	303,554
Adjustments for non cash charges and other items:			
Depreciation		76,738	62,777
Gain on sale of operating fixed assets		(728)	(2,507)
Mark-up expenses		128,489	78,948
Provision for impairment in trade debts - net		1,524	(1,437)
Provision for slow moving and obsolete spares - net		636	(499)
Provision for slow moving and obsolete stock-in-trade		2,140	1,807
Working capital changes	32.1	(72,161)	(506,212)
		<u>566,364</u>	<u>(63,569)</u>

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

	2011	2010
	------(Rupees '000)-----	
<b>32.1 Working capital changes</b>		
<i>(Increase) / Decrease in current assets:</i>		
Spares	(14,049)	(19,336)
Stock-in-trade	(400,609)	(599,621)
Trade debts	(115,793)	(38,993)
Loans and advances	5,130	(8,399)
Trade deposits, short-term prepayments and other receivables	(16,795)	(329)
	<u>(542,116)</u>	<u>(666,678)</u>
<i>Increase in trade and other payables</i>	469,955	160,466
	<u>(72,161)</u>	<u>(506,212)</u>

## 33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	Note	2011	2010
		------(Rupees '000)-----	
Cash and bank balances	18	567,426	286,206
Short-term running finance	8	(607,150)	-
Short term finance	8	(532,122)	(968,178)
		<u>(571,846)</u>	<u>(681,972)</u>

## 34 FINANCIAL INSTRUMENTS BY CATEGORY

### 34.1 Financial assets and financial liabilities

#### Financial assets

##### Loans and receivables

Loans and advances	8,261	12,441
Long-term deposits	20,126	18,268
Trade debts	317,367	203,098
Trade deposits and other receivables	34,117	13,510
Cash and bank balances	567,426	286,206
	<u>947,297</u>	<u>533,523</u>

#### Financial liabilities

##### Financial liabilities at amortised cost

Short-term borrowings	1,239,272	1,086,866
Trade and other payables	961,571	606,672
Accrued mark-up	47,851	15,070
	<u>2,248,694</u>	<u>1,708,608</u>

## 35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities are exposed to a variety of financial risks namely credit risk and concentration of credit risk, liquidity risk and market risk. The Company is not exposed to any price risk as it does not hold any significant investments exposed to price risk. The Company finances its operations through equity, borrowings and management of working capital with a view to monitor an appropriate mix between various sources of finance to minimise risk. The Company has established adequate procedures to manage each of these risks as explained below.

### 35.1 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

Credit risk arises from cash and cash equivalents and credit exposures to customers, including trade debts. Out of the total financial assets of Rs 947.297 million (2010: Rs 533.523 million), the financial assets that are subject to credit risk amounted to Rs 947.179 million (2010: Rs 533.442 million).

Out of the total bank balance of Rs 567.308 million (2010: 286.125 million) placed with banks maintained in current accounts, amounts aggregating Rs 566.696 million (2010: 285.648 million) have been placed with banks having short-term credit rating of A1+. Whereas remaining amounts are placed with banks having minimum short term credit rating of A1. Management, after giving due consideration to their strong financial standing, does not expect non-performance by these counter parties on their obligations to the company.

The most significant financial asset exposed to credit risk is the trade debts of the company. For trade debts, individual credit limits are assigned to customers based on the recommendations from respective business unit heads keeping in view their payment history, financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. The concentration of credit risk lies in the top 13 (2010: 10) customers which constitute 44.09% (2010: 49.70%) of the company's trade debts.

The breakup of amount due from customers other than related parties as disclosed in note 15 to these financial statements is presented below:

	2011	2010
	------(Rupees '000)-----	
<b>Due from customers other than related parties</b>		
Direct customers	137,600	146,203
Distributors	194,813	81,427
	<u>332,413</u>	<u>227,630</u>

# Notes to and Forming Part of the Financial Statements

## For the year ended March 31, 2011

Out of Rs 332.413 million (2010: Rs 227.630 million), the company has provided Rs 15.046 million (2010: Rs 24.532 million) as the amounts being doubtful to be recovered from customers. The aging profile of trade debts overdue but not impaired has been disclosed in note 15.2 to these financial statements.

### 35.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The company aims to maintain flexibility in funding by keeping committed credit lines open.

The maturity profile of the company's liabilities based on contractual maturities is disclosed in note 35.3.2 of these financial statements.

### 35.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk and interest rate risk.

#### 35.3.1 Foreign currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD), Euro, Japanese Yen, UAE Dirham and Pound (GBP). The details of balances are as follows:

	2011	2010
	----- (Amount '000) -----	
<b>Bills payable</b>		
US Dollar	5,146	3,478
Euro	-	58
Yen	17,144	1,418
Dirham	-	1,648
GBP	9	-

As at March 31, 2011, if the Pakistani Rupee had weakened/strengthened by 1% against US Dollars, Euro, Japanese Yen, UAE Dirham and Pound Sterling (GBP) with all other receivables held constant, profit before taxation for the year would have been higher/lower by Rs 4.576 million.

### 35.3.2 Interest rate risk

Interest rate risk is 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 is exposed to interest / mark-up rate risk in respect of the following:

2011							
Effective interest rate (in percentage)	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
------(Rupees '000)-----							
<b>Financial assets</b>							
Loans and advances	-	-	-	5,437	2,824	8,261	8,261
Long-term deposits	-	-	-	-	20,126	20,126	20,126
Trade debts	-	-	-	317,367	-	317,367	317,367
Trade deposits and other receivables	-	-	-	34,117	-	34,117	34,117
Cash and bank balances	-	-	-	567,426	-	567,426	567,426
	-	-	-	924,347	22,950	947,297	947,297
<b>Financial liabilities</b>							
Short-term borrowings							
- from banking companies	12.93-15.34	1,139,272	-	1,139,272	-	-	1,139,272
- loan from director	12.5	100,000	-	100,000	-	-	100,000
Trade and other payables		-	-	-	961,571	961,571	961,571
Accrued mark-up		-	-	-	47,851	47,851	47,851
		1,239,272	-	1,239,272	1,009,422	1,009,422	2,248,694
		(1,239,272)	-	(1,239,272)	(85,075)	22,950	(62,125)
							(1,301,397)

2010							
Effective interest rate (in percentage)	Interest / mark-up bearing			Non interest / mark-up bearing			Total
	Maturity up to one year	Maturity after one year	Sub total	Maturity up to one year	Maturity after one year	Sub total	
------(Rupees '000)-----							
<b>Financial Assets</b>							
Loans and advances		-	-	-	10,567	1,874	12,441
Long-term deposits		-	-	-	-	18,268	18,268
Trade debts		-	-	-	203,098	-	203,098
Trade deposits and other receivables		-	-	-	13,510	-	13,510
Cash and bank balances		-	-	-	286,206	-	286,206
		-	-	-	513,381	20,142	533,523
<b>Financial Liabilities</b>							
Short term borrowings							
- from banking companies	12.30 - 15.27	986,866	-	986,866	-	-	986,866
- loan from director	5	100,000	-	100,000	-	-	100,000
Trade and other payables		-	-	-	606,672	606,672	606,672
Accrued mark-up		-	-	-	15,070	15,070	15,070
		1,086,866	-	1,086,866	621,742	621,742	1,708,608
		(1,086,866)	-	(1,086,866)	(108,361)	20,142	(88,219)
							(1,175,085)

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

## 35.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

According to Amendments to International Financial Reporting Standard 7, Financial Instruments : Disclosure -Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2) ; and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Currently there are no financial assets or financial liabilities which fall in the fair value hierarchy.

## 36 CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate 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, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	2011	2010
	------(Rupees '000)-----	
Total Borrowings	1,239,272	1,086,866
Less: Cash and bank balances	567,426	286,206
Net Debt	<u>671,846</u>	<u>800,660</u>
Total Equity	1,148,488	900,499
Total Capital	<u>1,820,334</u>	<u>1,701,159</u>
Gearing Ratio	36.91%	47.07%

### 37 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Estimation for impairment in respect of trade debts (note 2.14 and note 15);
- ii) Provision for battery warranty claims (note 2.6 and note 6.4);
- iii) Impairment of assets (note 2.16 and note 2.11.1.4);
- iv) Provision for obsolete inventory (note 2.12, note 2.13, note 13 and note 14);
- v) Estimates of liability in respect of staff retirement gratuity (note 2.3 and note 23);
- vi) Provision for taxation (note 2.2 and note 27); and
- vii) Estimates of useful life and depreciation rates of operating fixed assets (note 2.9 and 10.1).

### 38 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on June 15, 2011 have proposed stock dividend @ 25% and a final cash dividend for the year ended March 31, 2011 of Rs 6.00 (2010: final cash dividend of Rs 6.00 per share). In addition, the Board of Directors have also announced appropriation of Rs 233 million (2010: Rs 180 million) to revenue reserves. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended March 31, 2011 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

# Notes to and Forming Part of the Financial Statements

For the year ended March 31, 2011

## 39 GENERAL AND CORRESPONDING FIGURES

Amounts have been rounded to the nearest thousand unless otherwise stated. Corresponding figures have been rearranged and reclassified, where ever necessary, for the purpose of comparison. There have been no significant reclassifications made in these financial statements.

## 40 DATE OF AUTHORISATION

These financial statements were authorised for issue on June 15, 2011 by the Board of Directors of the Company.



Arif Hashwani  
Chairman



Arshad Shehzada  
Chief Executive

# Pattern of Shareholding

As on 31st March 2011

HAVING SHARES				
No. of Shareholders	From	To	Shares Held	Percentage
938	1	100	23233	0.4112
356	101	500	89490	1.5839
69	501	1000	51537	0.9122
39	1001	5000	67538	1.1954
3	5001	10000	19334	0.3422
3	10001	15000	34282	0.6068
1	25001	30000	27608	0.4886
2	35001	40000	72729	1.2873
1	75001	80000	80000	1.4160
1	80001	85000	83333	1.4749
1	95001	100000	97230	1.7209
1	100001	105000	103393	1.8300
1	310001	315000	310909	5.5029
1	385001	390000	388992	6.8849
1	905001	910000	909528	16.0981
1	1025001	1030000	1027587	18.1877
1	2260001	2265000	2263181	40.0570
1420	Company Total		5649904	100.0000

# Categories of Shareholders

As on 31st March 2011

Particulars	No of Folio	Balance Share	Percentage
Directors, CEO & Children	8	4201440	74.3630
NIT & ICP	4	399171	7.0651
Banks, DFI & NBF	3	214259	3.7923
Insurance Companies	1	310909	5.5029
Modarabas & Mutual Funds	3	63796	1.1292
General Public (Local)	1381	257916	4.5650
General Public (Foreign)	4	1275	0.0226
Others	6	104908	1.8568
Joint Stock Companies	6	12094	0.2141
Foreign Companies	3	83364	1.4755
Charitable Trust	1	772	0.0137
<b>Company Total</b>	<b>1420</b>	<b>5649904</b>	<b>100.0000</b>

Folio No	Name	Code	Balance Held	Percentage
000000000916	Mrs Sana Hashwani	001	159	0.0028
000000001026	Syed Haider Mehdi	001	464	0.0082
000000001190	Mr Altaf Hashwani	001	11	0.0002
003277005882	Arif Hashwani	001	2263181	40.0570
003277007548	Hussain Hashwani	001	909528	16.0981
003277007974	Altaf Hashwani	001	1027587	18.1877
003277012059	Arshad Shahzada	001	10	0.0002
003277070721	Syed Mohammad Faiq	001	500	0.0088
000000000360	Investment Corpn of Pakistan	003	18	0.0003
000000001349	M/S Investment Corporation of Pakistan	003	144	0.0025
002154000027	National Bank of Pakistan-trustee Department NI(U)T Fund	003	388992	6.8849
011353000022	National Investment Trust Limited	003	10017	0.1773
002295000039	Faysal Bank Limited	004	97230	1.7209
003889000028	National Bank of Pakistan	004	37029	0.6554
007088000039	The Bank of Punjab, Treasury Division.	004	80000	1.4160
002683000023	State Life Insurance Corp. of Pakistan	005	310909	5.5029
000000001289	M/S First UDL Modaraba	006	488	0.0086
005520000028	Golden Arrow Selected Stocks Fund Limited	006	27608	0.4886

Folio No	Name	Code	Balance Held	Percentage
011320000025	B.R.R. Guardian Modaraba	006	35700	0.6319
000000000417	Khadam Ali Shah Bukhari & Co	010	50	0.0009
000000001301	M/S Habib Brothers (Pvt) Ltd.	010	222	0.0039
000000001544	M/S Mutual Trdg. Co. (Pvt) Ltd.	010	433	0.0077
000414000035	Moosa, Noor Mohammad, Shahzada & Co. Pvt. Ltd	010	800	0.0142
006445000028	Darson Securities (Pvt) Limited	010	10	0.0002
010629000029	AKD Securities Limited	010	103393	1.8300
000000000342	Hashoo Holdings (Private) Ltd	011	11712	0.2073
000000000348	Hoshang Dinshaw (Pvt) Ltd	011	18	0.0003
000000000811	Perin Dinshaw (Pvt) Ltd	011	13	0.0002
000000000812	Perin Dinshaw Pvt Ltd-mquresh	011	26	0.0005
003277044333	Fateh Textile Mills Ltd.	011	262	0.0046
003525057191	Sarfraz Mahmood (Private) Ltd	011	63	0.0011
000000000795	Nomura Bank (Luxembourg) Sa	012	4	0.0001
000000001053	Templeton Global Strategy Sicav	012	27	0.0005
000000001292	M/S Furukawa Battery Co Ltd	012	83333	1.4749
003277045148	Trustees Mrs. Khorshed H.Dinshaw & Mr. Hoshang N. E. Dinshaw C. Tr	013	772	0.0137

**EXIDE**  
PAKISTAN LTD.



**Pakistan Moves On EXIDE**

## FORM OF PROXY

**Exide Pakistan Limited**  
A-44, Hill Street, Manghopir Road,  
S.I.T.E., Karachi.

I/We \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
being a member of **Exide Pakistan Limited** and a holder of \_\_\_\_\_  
(No. of Shares)

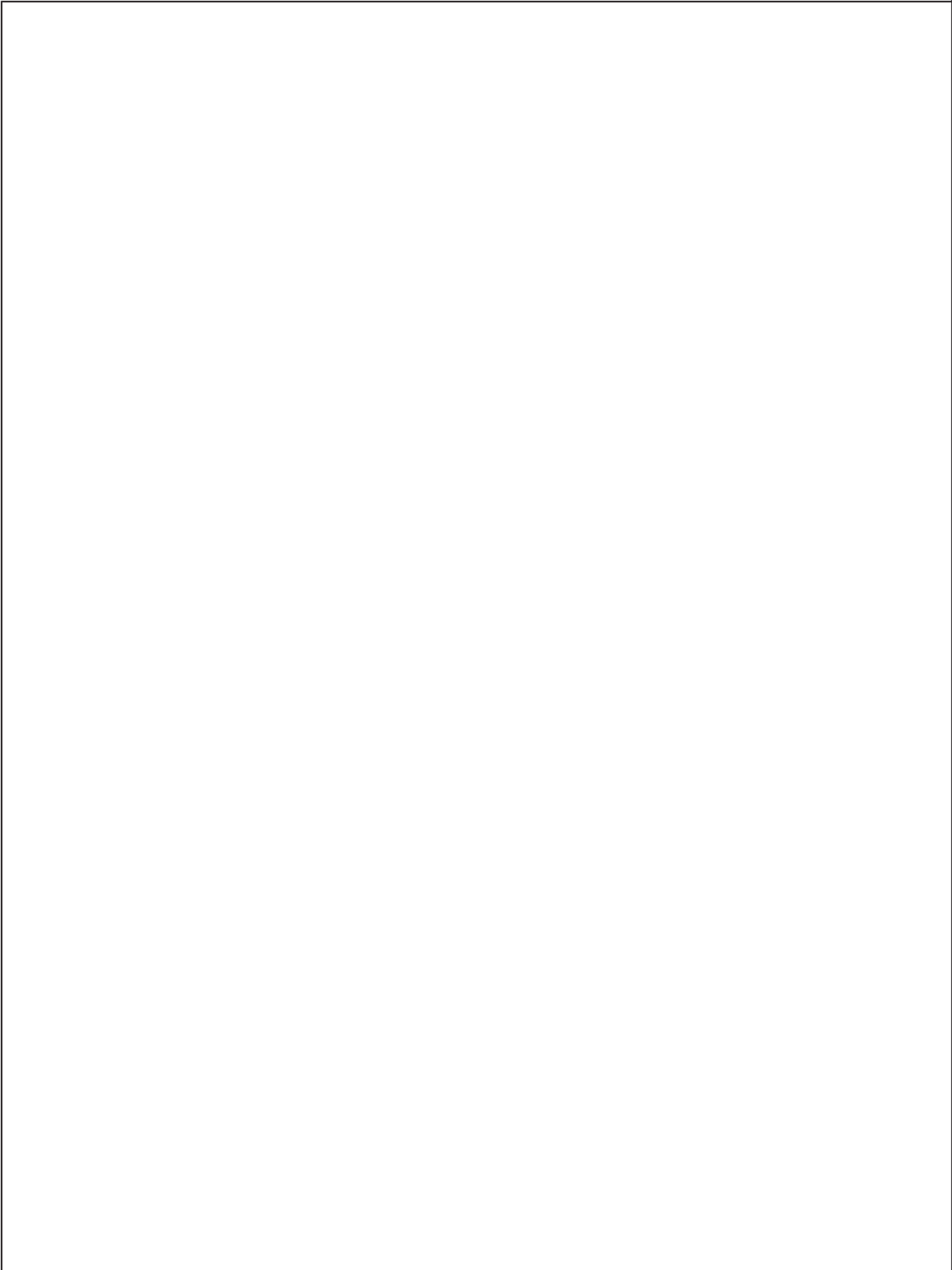
Ordinary Shares as per Share Register Folio Number \_\_\_\_\_  
hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_ as my/our proxy to vote for me/us on  
my/our behalf at the Fifty-Eighth Annual General Meeting of the Company to be held  
on July 25, 2011 and at any adjournment thereof.

Signature this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Signature on  
Revenue  
Stamp

\_\_\_\_\_  
Signature of Proxy

Signature should agree with  
the specimen signature  
registered with the Company



# EXIDE

WORLD LEADER IN QUALITY







# Financial Statements

# Corporate Profile

## **Board Of Directors**

Arif Hashwani - Chairman

Altaf Hashwani - Chief Executive

S. Haider Mehdi

## **Company Secretary**

S. Haider Mehdi

## **Banker**

Habib Bank Limited

## **Auditors**

KPMG Taseer Hadi & Co.

## **Solicitors**

Orr, Dignam & Co.

## **Registered Office**

A-44, Hill Street, Off. Manghopir Road,  
S.I.T.E., Karachi - 75700.

# Directors' Report

The Directors have pleasure in presenting their Report for the year ended March 31, 2011.

## **Accounts:**

The Audited Accounts of the Company for the year ended March 31, 2011 are annexed, together with the Auditors' Report thereon.

## **Results:**

Production activities could not be started due to the withdrawal of various incentives by the Government from the Industrial Estate of Hattar and as such, loss appearing in the Profit and Loss Account attributes to amortization of preliminary expense incurred in the previous years and professional charges and audit fees.

## **Appointment of Auditors:**

The present auditors, Messrs: KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

## **Holding Company:**

The Company is wholly owned subsidiary of Exide Pakistan Limited.

On behalf of the Board



**Altaf Hashwani**  
Chief Executive

Karachi: 15 June, 2011

# Auditors' Report to the Members

We have audited the annexed balance sheet of **Chloride Pakistan (Private) Limited** ("the Company") as at 31 March 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.

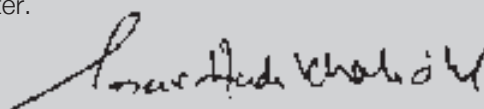
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the 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 31 March 2011 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

We draw attention to note 2.2 to the financial statements, which states that these financial statements have not been prepared on a going concern basis and consequently all the assets appearing in these financial statements have been measured at their realizable values and the liabilities are reported at amounts not less than those at which these are expected to be settled. Our opinion is not qualified in respect of this matter.

Date: June 15, 2011

Karachi



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Muhammad Taufiq

# Balance Sheet

As at 31 March 2011

	Note	2011	2010
		------(Rupees)-----	
		-----	-----
<b>Current assets</b>			
Cash and bank balances	3	9,220	2,152
Receivable from Exide Pakistan Limited	4	30,010	36,010
<b>Current liability</b>			
Accrued expenses	5	(43,178)	(36,000)
		<u>(3,948)</u>	<u>2,162</u>
<b>Financed by:</b>			
Share capital	7	223,800	223,800
Accumulated loss		<u>(547,748)</u>	<u>(501,638)</u>
		<u>(323,948)</u>	<u>(277,838)</u>
Loan from a director - Subordinated	8	320,000	280,000
Contingencies and commitments	9	-	-
		<u>(3,948)</u>	<u>2,162</u>

The annexed notes 1 to 14 form an integral part of these financial statements.



Chief Executive



Director

# Profit and Loss Account

## For the year ended 31 March 2011

	Note	2011	2010
		------(Rupees)-----	
		<hr/>	
<b>Expenses</b>			
Legal and professional charges		6,000	-
Bank charges		2,110	1,124
Auditors' remuneration			
- Audit fees		32,000	31,826
- Out of pocket expenses		6,000	6,000
		38,000	37,826
Loss before tax		<hr/> (46,110)	<hr/> (38,950)
Tax	2.6	-	-
Loss for the year		<hr/> <hr/> (46,110)	<hr/> <hr/> (38,950)
Loss per share - basic and diluted		<hr/> <hr/> (2.06)	<hr/> <hr/> (1.74)

The annexed notes 1 to 14 form an integral part of these financial statements.



Chief Executive



Director

# Statement of Comprehensive Income

For the year ended 31 March 2011

	2011	2010
	----- (Rupees) -----	
	-----	-----
Loss after taxation for the year	(46,110)	(38,950)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(46,110)</u>	<u>(38,950)</u>

The annexed notes 1 to 14 form an integral part of these financial statements.



Chief Executive



Director

# Cash Flow Statement

For the year ended 31 March 2011

	Note	2011	2010
		------(Rupees)-----	
		-----	
<b>Cash flow from operating activities</b>			
Loss for the year		(46,110)	(38,950)
Decrease in receivable from Exide Pakistan Limited		6,000	30,926
Increase in accrued expenses		7,178	6,900
Net cash flow from operating activities		<u>(32,932)</u>	<u>(1,124)</u>
<b>Cash flow from financing activities</b>			
Subordinated loan from a director		40,000	-
Net cash flow from financing activities		<u>7,068</u>	<u>(1,124)</u>
Cash at beginning of the year		2,152	3,276
Cash at the end of the year	3	<u><u>9,220</u></u>	<u><u>2,152</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.



Chief Executive



Director

# Statement of Changes in Equity

For the year ended 31 March 2011

	Share capital	Accumulated loss	Total
	----- (Rupees) -----		
Balance as at 1 April 2009	223,800	(462,688)	(238,888)
<b>Total Comprehensive Income for the year ended 31 March 2010</b>			
Loss for the year	-	(38,950)	(38,950)
Other comprehensive income	-	-	-
Transactions with owners directly recorded in equity	-	-	-
Balance as at 31 March 2010	<u>223,800</u>	<u>(501,638)</u>	<u>(277,838)</u>
<b>Total Comprehensive Income for the year ended 31 March 2011</b>			
Loss for the year	-	(46,110)	(46,110)
Other comprehensive income	-	-	-
Transactions with owners directly recorded in equity	-	-	-
Balance as at 31 March 2011	<u><u>223,800</u></u>	<u><u>(547,748)</u></u>	<u><u>(323,948)</u></u>

The annexed notes 1 to 14 form an integral part of these financial statements.



Chief Executive



Director

# Notes to the Financial Statements

For the year ended 31 March 2011

## 1. STATUS AND NATURE OF BUSINESS

The Company was incorporated on 20 March 1994 as a Private Limited Company to take the benefit of tax exemption in Hattar. However, the exemption was taken off after its incorporation and therefore the Company did not commence its operations. The principal activity of the Company will be to manufacture and market automotive batteries and industrial cells. The registered office of the Company is situated at A-44, Hill Street, Mangopir Road, S.I.T.E Karachi.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

These financial statements have not been prepared on a going concern basis as the Company has not been able to commence its operations. Consequently all the assets appearing in these financial statements have been measured at their realizable values and the liabilities are reported at amounts not less than those at which these are expected to be settled.

### 2.3 Functional and presentation currency

These financial statements have been prepared in Pak Rupees, which is the Company's functional currency.

### 2.4 Use of estimates and judgments

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

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

Judgments made by management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.6.

## 2.5 New accounting standards and IFRIC interpretations that are not yet effective

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

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.
- Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 01 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (effective for annual periods beginning on or after 01 July 2011). The amendments replace the fixed dates in the derecognition exception and the exemption related to the initial fair value measurement of financial instruments; and add a deemed cost exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This amendments has no impact on Company's financial statements.
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 (effective for annual periods beginning on or after 01 January 2012). The amendment introduces an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This amendment has no impact on Company's financial statements.

## 2.6 Taxation

### Current

The charge for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account tax credit and tax rebates realizable, if any. No charge for current tax has been recognized as the Company has incurred loss in the current year.

### Deferred

Deferred tax is recognised using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

# Notes to the Financial Statements

For the year ended 31 March 2011

No deferred tax asset was recognized as the financial statements are not prepared on a going concern basis.

## 2.7 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. The financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be.

	2011	2010
	----- (Rupees) -----	
<b>3. CASH AND BANK BALANCES</b>		
Cash in hand	300	300
Cash at bank - Current account	8,920	1,852
	<u>9,220</u>	<u>2,152</u>
<b>4. RECEIVABLE / (PAYABLE) - EXIDE PAKISTAN LIMITED - holding company</b>		
Balance as at 1 April 2010	36,010	66,936
Legal and professional charges	(6,000)	-
Audit fee and out of pocket expenses	-	(30,926)
	<u>(6,000)</u>	<u>(30,926)</u>
Balance as at 31 March 2011	<u>30,010</u>	<u>36,010</u>
<b>5. ACCRUED EXPENSES</b>		
This includes accrual relating to audit fees.		
<b>6. TRANSACTION WITH RELATED PARTIES</b>		
The related parties comprise holding company (Exide Pakistan Limited) and the director of the Company. Detail of transactions with related parties have been disclosed in note 4 and 8.		
<b>7. SHARE CAPITAL</b>		
Authorised share capital 10,000,000 ordinary shares of Rs. 10 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid up share capital 22,380 (2010: 22,380) ordinary shares of Rs. 10 each fully paid in cash	<u>223,800</u>	<u>223,800</u>

7.1 At 31 March 2011 Exide Pakistan Limited (holding company) held 22,350 (2010: 22,350) ordinary shares of Rs. 10 each of the Company.

**8. LOAN FROM DIRECTOR - subordinated, unsecured**

This represents interest free loan received from Mr. Arif Hashwani (a director of the Company). The loan has no fixed repayment terms and is subordinated to all the liabilities of the Company.

**9. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 31 March 2011.

**10. STAFF STRENGTH**

The Company has no employee and is run by its Directors without any remuneration.

**11. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of the Company's financial assets and liabilities are estimated to approximate their carrying value as at 31 March 2011.

**12. INTEREST RATE RISK EXPOSURE**

All the assets and liabilities of the Company are current and are not exposed to any interest rate risk.

**13. CAPITAL RISK MANAGEMENT**

The management of the Company manages the capital by injecting funds in the form of subordinated loan from director of the Company. The management of the Company is committed to inject further funds in the Company, (if required) in future periods. Subsequent to the year end, the director of the Company has provided a further subordinated loan of Rs. 50,000/=.

**14. DATE OF AUTHORISATION**

14.1 Figures have been rounded off to the nearest rupee.

14.2 These financial statements were authorised for issue in the Board of Directors meeting held on June 15, 2011.



Chief Executive



Director





