

Annual Report 2007

Industry Energy Healthcare

Pakistan

Answers.

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SIEMENS

Contents

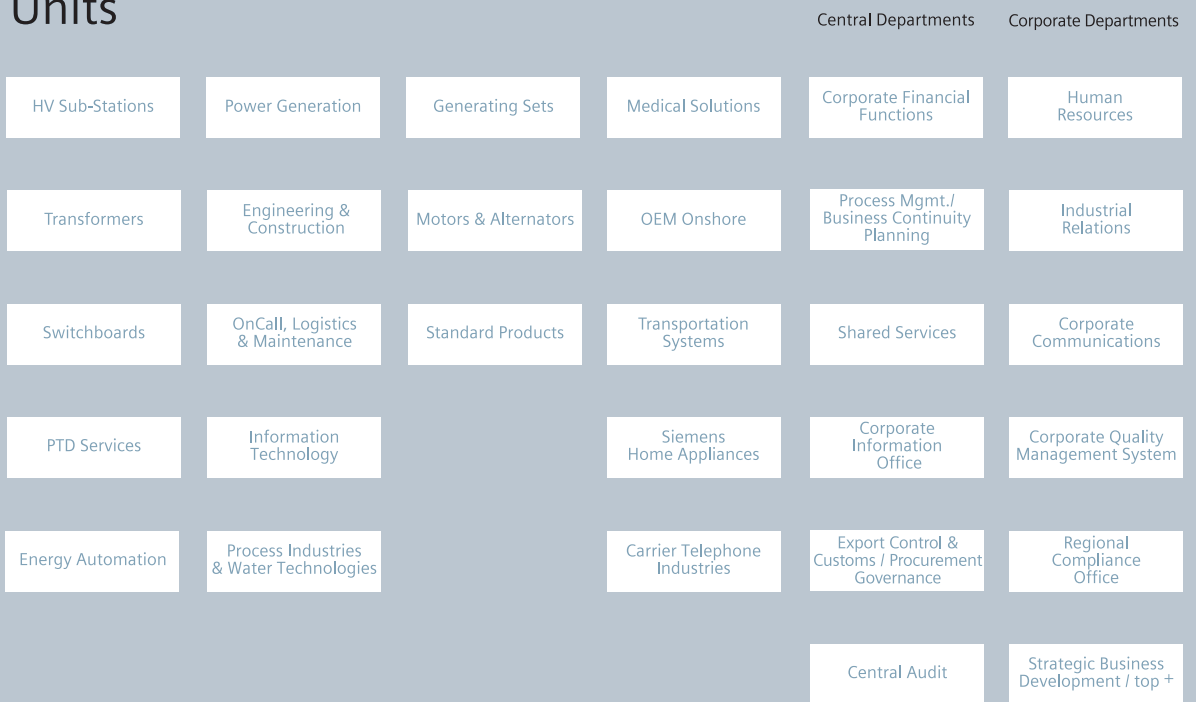
Vision & Mission	3
Corporate Structure	4
Company Information	5
Board of Directors	6
Directors' Report	9
Key Operating and Financial Data	12
Pattern of Shareholding	24
Categories of Shareholders	25
Our Values	26
Fit ₄ 2010	27
Power Transmission and Distribution	36
Industrial Solutions & Power Generation	46
Automation & Drives	60
MOTAC	68
Locally Manufactured Products & Services	80
Corporate Committee Members	90
Notice of Meeting	92
Statement of Compliance	94
Review Report	96
Auditors' Report	97
Balance Sheet	98
Profit and Loss Account	100
Cash Flow Statement	101
Statement of Changes in Equity	102
Notes to the Financial Statements	103

Chief Executive Officer

Divisions



Business Units



Company Information

Board of Directors

Syed Babar Ali, Lahore	Chairman
Sohail Wajahat H. Siddiqui, Karachi	Chief Executive Officer
Javaid Anwar, Karachi	Director
Tajammal Hussain Bokharee, Lahore	Director
Joachim Moeller, Erlangen	Director
Stephan Schneider, Munich	Director
Monika Valtwies, Munich	Director
Gerhard Wilcke, Karachi	Chief Financial Officer

Company Secretary

Mohammad Rafi

Management

Sohail Wajahat H. Siddiqui	Chief Executive Officer
Gerhard Wilcke	Chief Financial Officer
Mohammad Ilyas	Power Transmission & Distribution
Nasim A. Siddiqui	Industrial Solutions & Power Generation
S. Nadeem Ali Kazmi	Automation & Drives
Syed Asadullah	Medical, OEM Onshore, Transportation, Appliances & Carrier Telephone Industries

Bankers

ABN Amro Bank
 Citibank NA
 Deutsche Bank AG
 Habib Bank Limited
 Hongkong & Shanghai Banking Corporation Limited
 Meezan Bank Limited
 MCB Bank Limited
 Standard Chartered Bank (Pakistan) Limited

Auditors

KPMG Taseer Hadi & Co., Karachi

Registered Office

B-72, Estate Avenue, Sindh Industrial Trading Estates, Karachi-75700



Javid Anwar

Director



Stephan Schneider

Director



Syed Babar Ali

Chairman



Gerhard Wilcke

Director & CFO



**Sohail Wajahat H.
Siddiqui**

MD & CEO



Joachim Moeller

Director



**Tajammal Hussain
Bokharee**

Director



Monika Valtwies

Director



“Compliance is not a static topic, it is considered to be a dynamic objective and to remain compliant sine die has always been an objective of the Company.”

Sohail Wajahat H. Siddiqui
Managing Director
and Chief Executive Officer

Dear Shareholders,

The Company ensures that corporate governance principles remain to be integral part of its operating, decision-making and monitoring processes. The Company respects the rights of its shareholders and encourages their active participation in all general meetings of the Company. The Company also recognizes its legal obligations towards all of its legitimate stakeholders and business partners.

The Directors are pleased to present the Annual Report and the audited financial statements for the year ended September 30, 2007 together with Auditors' report thereon.

Last year's performance of your Company was once again the best ever. The Business Units continued to focus on profitable growth keeping the momentum which the Company has achieved through operational excellence and good corporate governance. The Board of Directors remained very vigilant of the affairs of the Company through out the year and participated in all major decisions. The management also kept the Board well informed on all matters of significance and took every decision in the best interest of the shareholders.

The year under review is unique in the history of the Company as the founding business, the Communication business (COM business), was sold pursuant to a decision of Siemens AG (SAG), the majority shareholder of the Company, to globally carve-out its COM business. After taking your approval in the fifty fourth Annual General Meeting held on December 27, 2006, the COM Carrier business of Siemens Pakistan was transferred to Nokia Siemens Networks Pakistan (Pvt.) Limited on April 1, 2007 and COM Enterprise Network business of the Company was transferred to Siemens Enterprise Communications (Pvt.) Limited on August 2, 2007 in line with the global carve-out plan provided by SAG.

The Company has received an aggregate sale price of Rs 2,451 million and the whole transaction has resulted in net after tax capital gain of Rs 1,498 million to the Company. We have all the intentions of investing the proceeds received by the Company to further increase shareholders' value.

Amalgamation of Carrier Telephone Industries (Pvt.) Limited (CTI) into the Company was another significant event of the year. Your Company had acquired 52.51% shares of CTI from Pakistan Telecommunication Company Limited and took over the management control in December 2005. In order to have better control and to get benefit of synergies, it was decided by the Board that the business of CTI should be amalgamated into the Company and for that reason a scheme of amalgamation was prepared and approved by the Board. According to the scheme of amalgamation, the Company also issued its 477,440 fully-paid ordinary shares to Siemens AG in consideration of their 47.49% shareholding in CTI. In April 2007, the Company and CTI jointly filed a petition for sanction of the proposed scheme of amalgamation in the Hon'ble Lahore High Court, Rawalpindi Bench, which was approved by the Hon'ble High Court in November 2007. Upon sanction of the scheme, entire undertaking of CTI has been transferred to and vested in Siemens Pakistan with effect from October 1, 2006.

Highlights of the national economy

According to official statistics, Pakistan's economy continued to perform remarkably and real GDP growth accelerated to 7 percent in 2006-2007 against the estimated growth of 6.6 percent. Over the last four years the real GDP has grown at an average rate of 7.5 percent and Pakistan has turned out to be one of the fastest growing economies in Asia along with China, India and Vietnam. This impressive GDP growth is primarily attributable to development and implementation of sound economic policies, on-going structural reforms and persistent influx of foreign investment. All three major sectors, namely

agriculture, manufacturing, and services have contributed to Pakistan's strong economic growth this year. The per capita income grew by 11 percent over last year which is indicative of steady improvement in average level of prosperity. In addition to the accelerated economic growth, robust efforts of the Government have also been pulling up the social indicators of the country. The literacy rate and health indicators have shown significant improvement over last five years and unemployment and poverty levels have declined as per statistics issued by the Government.

Since past several years, the overall economic uplift in the country has undoubtedly given momentum to the business activities and reclaimed confidence of investors. The management of your Company is determined to benefit from the economic upsurge of the country by enhancing its business portfolio.

Performance and financial overview of the Company

New orders

New orders of over Rs. 32,040 million have been received during the year - an all time high. Major contributions include projects for building grid stations / substations for various customers locally as well as in Dubai, supply of power and distribution transformers to various power generation companies and SAP Enterprise Resource Planning (ERP) implementation for Pakistan Telecommunication Company Limited. Healthcare sector with their Digital Linear Accelerators for cancer treatment, Diesel Generating Sets particularly for the telecommunication sector and first ever order of SGT-400 Gas Turbine Compressor Trains in Pakistan for Kandhkot Compression Project also played a significant role. Orders in hand at the year end indicate a prosperous start to the new financial year.

Sales

The turnover increased by 5.32% over previous year and stood at Rs 21,902 million mainly due to projects being undertaken in the energy sector. The total turnover includes business of Rs 5,611 million conducted outside Pakistan, especially in construction of substations, which grew by 20.46% over last year.

Profit

Profit before tax of Rs 1,965 million increased by 30.25% over last year mainly because of higher turnover and improved margins. After tax profit aggregated to Rs 2,481 million which is 2.4 times higher than corresponding year's after tax profit. This disproportionate increase in profit is attributable to profit of Rs 1,498 million, net of income tax, on sale of discontinued COM business which has been shown as separate line item.

Capital investment

During the year, the Company strengthened its manufacturing capacity to respond to its growing business, especially in the energy sector. A new 220 KV Power Transformer manufacturing facility was commissioned during the year. Further a Core Cutting machine was installed for Distribution Transformers. Rest of the capital investments were mainly undertaken on account of miscellaneous replacement, modernization, and capacity enhancement of plant and machinery, extension of office blocks and procurement of vehicles.

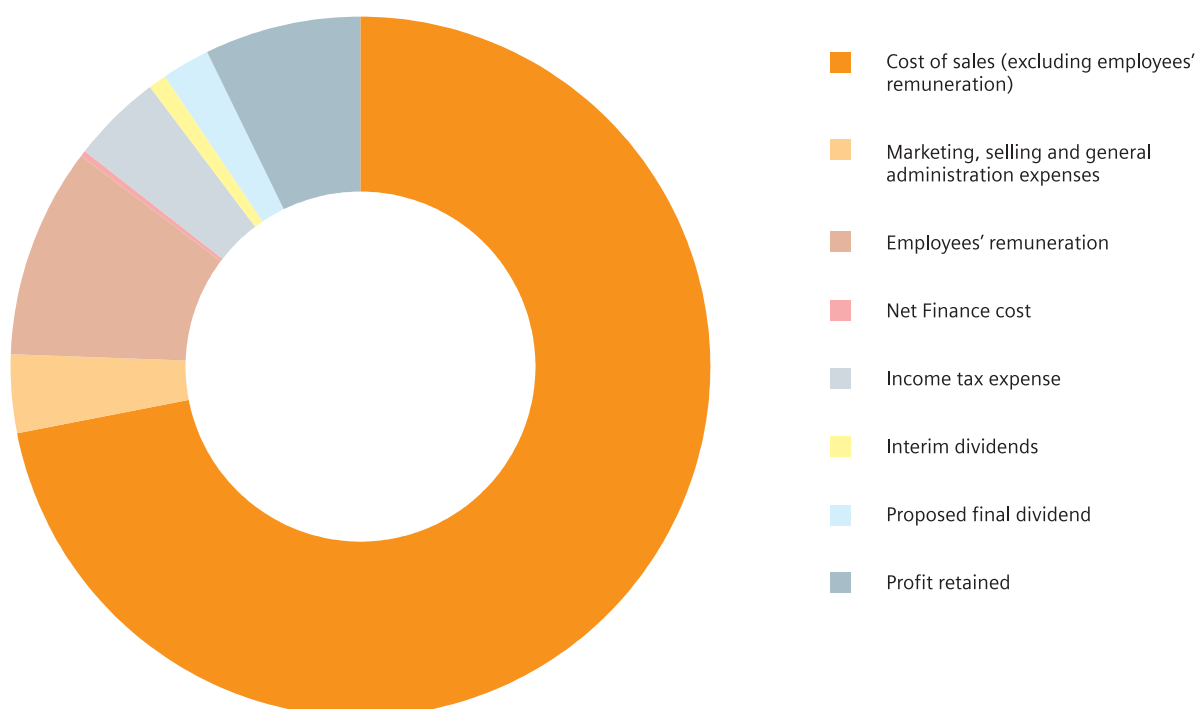
Earning per share

The earning per share for the year ended September 30, 2007 was Rs. 300.87 per share including profit on sale of COM Carrier and Enterprise Network businesses. The earning per share excluding this extraordinary profit amounted to Rs. 119.28 per share.

	Rupees in '000
Revenue	
Net sales	21,901,752
Commission and allowances earned	248,133
Other operating income	206,776
Profit on sale of discontinued operations - net of income tax	1,497,628
	23,854,289

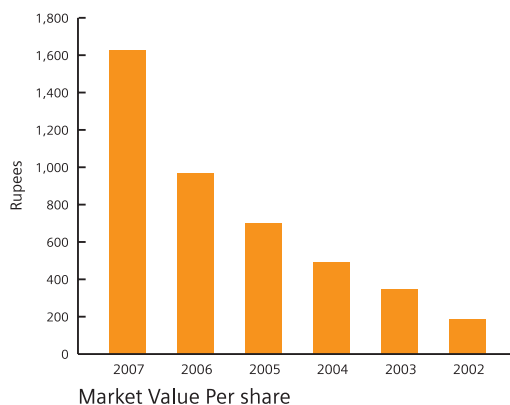
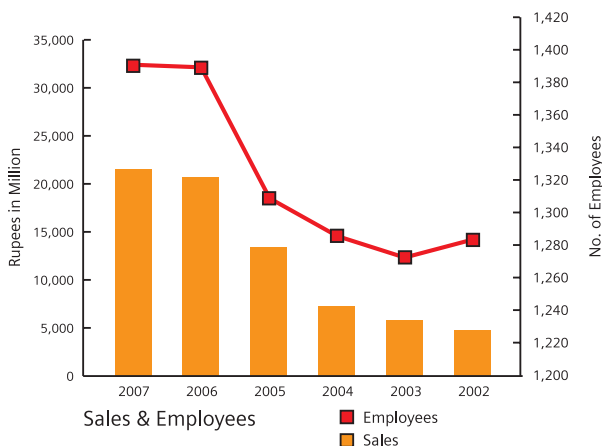
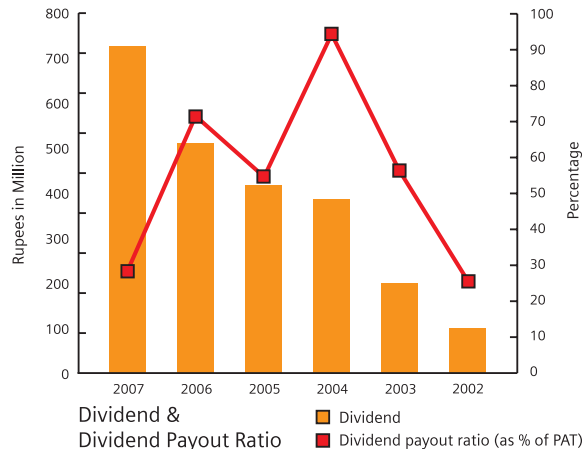
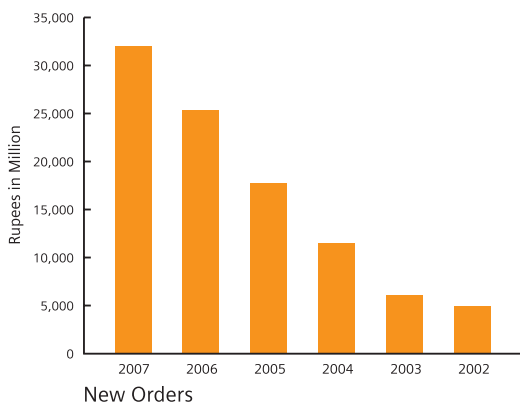
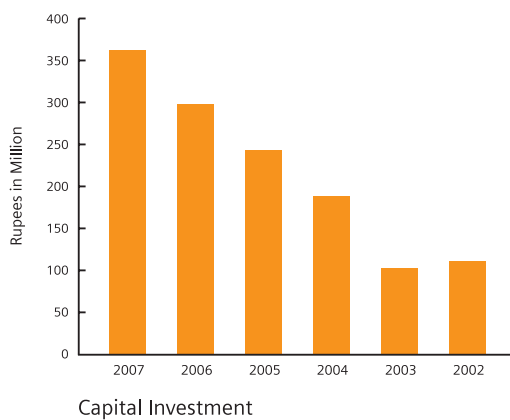
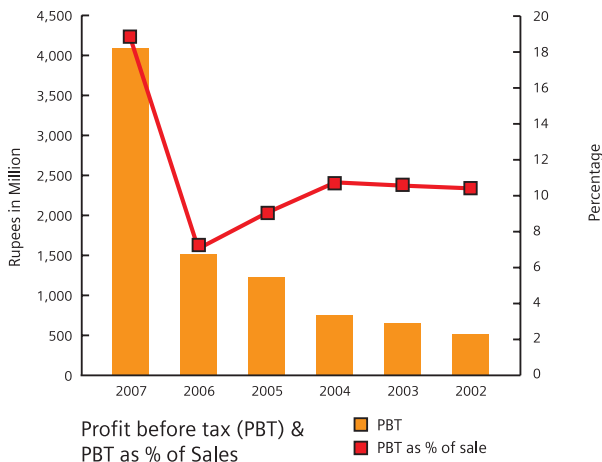
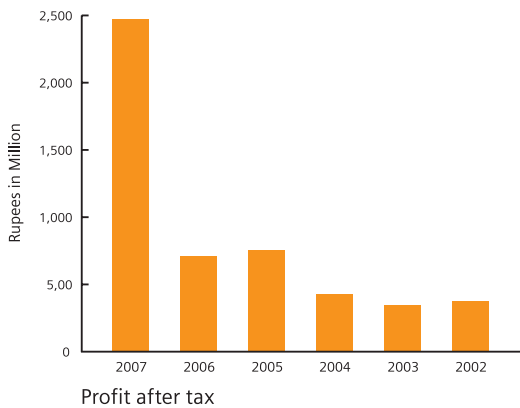
Distribution of revenue

Cost of sales (excluding employees' remuneration)	17,177,961
Marketing, selling and general administration expenses (excluding employees' remuneration)	853,306
Employees' remuneration	2,302,759
Net Finance cost	58,061
Income tax expense	980,880
Interim dividends	233,088
Proposed final dividend	494,822
Profit retained	1,753,412
	23,854,289



Key Operating and Financial Data

Six Years Summary	2007	2006	2005	2004	2003	2002
	Rupees in '000					
Trading Results						
New orders	32,039,600	25,337,253	17,715,216	11,514,501	6,049,459	4,916,418
Net turnover	21,901,752	20,795,847	13,132,819	7,110,456	5,812,128	4,836,296
Export of goods and services	105,427	131,623	517,676	412,471	472,290	669,358
Contracts executed outside Pakistan	5,610,671	4,657,654	3,271,416	-	-	-
Gross profit	3,125,129	2,451,757	1,764,595	1,252,137	1,002,054	999,719
Operating profit	2,022,635	1,675,351	1,383,165	786,631	622,884	588,273
Profit before tax including profit on sale of discontinued operations	4,090,511	1,508,320	1,232,899	760,716	616,919	510,234
Profit after tax	2,481,322	735,390	778,846	412,562	349,971	390,882
Interim dividend	233,088	279,706	233,088	155,392	101,005	-
Proposed final dividend	494,822	233,088	186,470	233,088	101,005	101,742
Balance Sheet						
Share capital	82,470	77,696	77,696	77,696	77,696	78,263
Reserves	5,268,952	2,644,116	2,383,286	2,070,616	1,813,446	1,680,819
Property, plant and equipment	1,532,620	1,477,252	602,876	525,462	496,694	495,605
Net current assets	2,368,659	565,110	1,333,299	1,411,527	1,242,416	1,135,753
Long-term / deferred liabilities	113,680	124,290	45,536	10,256	6,786	48,439
Investors Information						
Gross profit in percent of sales	14%	12%	13%	18%	17%	21%
Earnings per share (Rs)	300.87	93.57	100.24	53.10	44.89	49.95
Profit before tax in percent of sales	19%	7%	9%	11%	11%	11%
Profit after tax in percent of sales	11%	4%	6%	6%	6%	8%
Inventory turnover (times)	14.34	9.28	8.91	5.38	4.09	3.47
Debtor turnover (times)	3.66	5.24	6.43	4.59	4.98	4.38
Total assets turnover (times)	1.25	1.61	1.66	1.42	1.33	1.29
Fixed assets turnover (times)	14.23	12.86	19.98	12.50	11.68	9.76
Break-up value per share (Rs)	648.89	350.30	316.73	276.49	243.39	224.77
Market value per share (Rs)	1,689	980	671	480	355	197
High / low during the year (Rs)	1,869 / 975	1,365 / 650	719 / 480	579 / 341	449 / 196	215 / 105
Price earning ratio	5.61	10.47	6.69	9.04	7.91	3.94
Cash dividend per share (Rs)	90	66	54	50	26	13
Dividend yield ratio	0.05	0.07	0.08	0.10	0.07	0.07
Dividend pay out ratio	29%	70%	54%	94%	58%	26%
Return on capital employed	46%	27%	32%	19%	19%	22%
Debt : equity ratio	0.06	-	-	-	-	-
Current ratio	1.20	1.06	1.25	1.50	1.50	1.59
Quick ratio	0.93	0.81	0.97	1.13	1.05	0.96
Interest cover (times)	25.04	14.74	43.00	103.49	68.18	15.40



Appropriations

Following is the summary of appropriations made during the year.

	(Rupees in thousand)
Retained earnings - October 01, 2006	806,588
Net profit after taxation for the year ended September 30, 2007	2,481,322
Appropriations	
Final dividend @ Rs.30 per share for the year ended September 30, 2006	(233,088)
Interim dividend paid @ Rs.30 per share for the year ended September 30, 2007	(233,088)
Transfer to General Reserve	(200,000)
Retained earnings - September 30, 2007	<u>2,621,734</u>

Announcement of final dividend for 2007

The Board has recommended a final cash dividend of Rs. 60 per share, subject to approval of the shareholders of the Company in the Annual General Meeting. The effect of such declaration shall be reflected in the next year's financial statements and appropriations. A sum of Rs. 1,000 million has also been approved by the Board for transfer to General Reserve.

In addition to the above, the Company announced an interim cash dividend of Rs. 30 per share during the financial year, thus aggregating total payout for the year to Rs 90 per share.

Contribution to National Exchequer

The Company contributed Rs 2,120 million (2006: Rs 1,971 million) to the National Exchequer in form of duties, income and sales taxes, and other levies. In recognition of the Company's contribution towards state's revenue, a Large Tax Payers' Unit Award was also presented to it by the Central Board of Revenue (CBR). Being a prominent tax payer of the country, the Company actively participates and gives valuable inputs to CBR on various tax reforms.

Investment in retirement benefits

The value of investments, made by the staff retirement funds operated by the Company as per their respective audited financial statements are as follows:

	(Rupees in million)
Provident Fund as on June 30, 2006	522.022
Gratuity Fund as on September 30, 2006	109.131

Compliance with the Code of Corporate Governance

The Company ensures that corporate governance principles remain to be integral part of its operating, decision-making and monitoring processes. The Company respects the rights of its shareholders and encourages their active participation in all general meetings of the Company. The Company also recognizes its legal obligations towards all of its legitimate stakeholders and business partners. The Board comprises of individuals who have all the necessary skills and understanding to deal with various business issues and have ability to review and challenge management performance. A code of conduct exists for Directors, Executives and other employees of the Company which binds them to demonstrate ethical, honest and responsible attitude.

The Code of Corporate Governance which was implemented through the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges has been adopted by the Board in its true essence. The Board is pleased to inform that there has been no departure from the best practices of Corporate Governance as detailed in the Listing Regulations. The Board has also issued the 'Statement of Compliance with the Best Practices of Code of Corporate Governance' which has been reviewed by the statutory auditors of the Company and a satisfactory report has been issued by them in this regard.

The Board has implemented a suitably designed and sound accounting and internal control system which is subject to continuous review by internal and group auditors for evaluations and improvements, if any. The Board has formulated all the significant policies and any amendment or revision in such policies is also approved by it. Latest IT controls are also in place to ensure Company's electronic data security.

The Audit Committee after reviewing the financial statements of the Company for the year ended September 30, 2007 has confirmed that financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity of the Company. The Company has maintained proper statutory and accounting records and the Company's record retention policy meets the corporate and tax law requirements. All the statutory payments on account of taxes, duties, levies and charges have been made by the Company.

The Audit Committee further endorses that all applicable International Financial Reporting Standards were properly followed and disclosure requirements of the Fourth Schedule to the Companies Ordinance, 1984 have been complied with. Further, appropriate accounting policies have been consistently applied on a going concern basis, except for change in accounting policy for Goodwill as disclosed in note 3.5.2 to the financial statements. The accounting estimates, wherever made, are based on reasonable and prudent judgment. There are no significant doubts upon the Company's ability to continue as a going concern.

All Directors including the Chief Executive Officer, Chief Financial Officer, and Executives of the Company were delivered written notices by the Company Secretary to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and form of share certificates within 4 days of such transaction to the Company Secretary. However, no trading was done by these persons or their spouses during the year.

Investor relations

The Company encourages active participation of its shareholders in all general meetings. For that purpose, notices of the meetings alongwith agenda items are dispatched to the shareholders atleast 21 calendar days before date of the meetings in addition to their publication in leading Urdu and English news papers of Karachi, Lahore and Islamabad. The Board has taken adequate measures to ensure that comprehensive financial information is provided to the shareholders in the quarterly, half yearly and annual reports and in the general meetings. Investor related information is also published by the Company on its website. Queries of the shareholders are taken up with utmost care and prompt replies are delivered.

Responsibility for financial reporting and corporate compliance

The Chief Executive Officer and Chief Financial Officer have presented the financial statements of the Company duly endorsed under their respective signatures as acknowledgement of their responsibility for the true and fair presentation of these financial statements and its compliance with regulatory framework for consideration and approval of the Board.

The Company determined a closed period prior to each Board meeting during which no Director, Chief Executive Officer, Chief Financial Officer or Executive was allowed directly or indirectly to deal in shares of the Company.

Pattern of Shareholding

Shares of the Company are listed on Karachi, Lahore and Islamabad stock exchanges. There were 810 shareholders of the Company as of September 30, 2007.

As mentioned earlier, the Company, under the scheme of amalgamation, has issued its 477,440 fully paid ordinary shares to Siemens AG in consideration of their 47.49% shareholding in CTI. After allotment of these additional shares, the total paid up capital of the Company has increased to 8,247,037 ordinary shares and shareholding of Siemens AG and National Investment Trust, the two major shareholders of the Company, has become 66.10% and 24.04% respectively. The detailed pattern and categories of shareholding of the Company as of September 30, 2007 are annexed to this annual report on page 24 and 25.

Board of directors

The Board was actively involved during the year in performing their duties including those imposed on it by the Regulators and the Memorandum and Articles of Association of the Company, with the ultimate objective of safeguarding the interests of shareholders, increasing profitability of the Company and promoting market confidence. In order to strengthen the corporate decision making process, the Board considers all significant issues including but not limited to annual and long-term business plans, cashflow projections, budgets alongwith variance analyses, internal audit reports, management letter issued by the external auditors, major contracts and agreements, promulgation or amendment of a law, rule or regulation, disposal of fixed assets and investments and such other matters considered to be significant enough for the Board's attention by the Audit Committee or the management.

The Chief Financial Officer, who is also a member of the Board, and the Company Secretary attend all the Board meetings and business heads are also invited for their expert opinion on significant business issues.

During the last business year six meetings of the Board of Directors were held. Attendance of each director in these meetings is as follows:

Name of director	No. of meetings attended
Syed Babar Ali, Esq.	4
Mr. Sohail Wajahat H. Siddiqui	6
Mr. Javaid Anwar	6
Mr. Joachim Moeller	1
Mr. Gerhard Wilcke	6
Mr. Tajammal H. Bokharee	4
Ms. Monika Valtwies	4
Mr. Stephan Schneider	5

The participation of two foreign Directors in three different meetings was facilitated through video conferencing. The record of the video conferences is available with the Company. The minutes of those meetings in which the Directors participated through video conferencing are signed by all the Directors present.

The election of the Board took place on December 1, 2006 in which all of the retiring Directors were re-elected for a further term of three years. Further, Mr. Sohail Wajahat H. Siddiqui, was also re-appointed as Chief Executive Officer of the Company for a further period of three years after successful completion of his earlier term.

Audit committee

The Audit Committee of the Board comprises of following four Non Executive Directors:

Mr. Tajammal H. Bokharee	Chairman
Mr. Javaid Anwar	Member
Ms. Monika Valtwies	Member
Mr. Stephan Schneider	Member

The Audit Committee met four times during the year. These meetings were held prior to the approval of quarterly, half yearly and yearly results. The Committee also met the external auditors in the absence of the Chief Financial Officer and Head of Internal Audit as required by the Code. Further, the Committee also met with the head and other members of the Internal Audit department without the Chief Financial Officer and the external auditors in compliance of the Code.

The Committee has its terms of reference which were determined by the Board in accordance with the guidelines provided in the Code of Corporate Governance. The Audit Committee reviewed, in addition to others, the quarterly, half yearly and yearly financial statements besides reviewing the internal control system, the internal audit plan, material audit findings and recommendations of the internal auditors. Further, the Audit Committee also ensured proper coordination between Internal and external auditors. The Board appreciates valuable contribution made by the Audit Committee.

The Internal Audit Function

An internal audit department continuously evaluates the Internal Control System to enable the Company to achieve its Corporate objectives. The Audit Committee realizing the importance of good governance practices and need to mitigate the accessed Corporate Risk, has established an independent Audit department under its direct supervision. The Audit department is equipped with adequate professional qualified staff that is imparted training on emerging auditing technology by Siemens AG.

Management Committees***Executive Management Committee***

Executive Management Committee comprising the Chief Executive Officer, the Chief Financial Officer and the Executive Directors of the operating divisions remained active during the year. The committee meets at least every quarter to review the result of operations, to formulate strategic plans of marketing, production, investments and to take corrective and preventive measures for mitigation of risks and for seizing business opportunities. The Committee places before the Board of Directors all such matters which are required to be approved by it under the law as well as other matters of significance.

Corporate Committee

The Corporate Committee consists of heads of all corporate departments, headed by the Chief Executive Officer. The committee meetings are held each quarter. The committee considers the actionable items of the Executive Management Committee, discusses significant issues of each corporate area and suggests improvements wherever necessary.

Team work

Team work is the fuel that allows common people to attain uncommon results. The management believes in active interaction with different levels of management and different categories of employees, in order to involve them in the achievement of its overall goal and to get their valuable comments and

recommendations for improvement in various areas of the organization.

For major customers Key Account Managers exist to provide them one point access. A quarterly meeting of all Key Account Managers is held, chaired by Chief Executive Officer to discuss matters of significance relating to customers.

There is a yearly meeting of all the Divisional Directors, General Managers and Deputy General Managers of operational and corporate units. There is an open session each year with all the engineers who have worked with Siemens for at least two years and with trainees.

Quality management

Innovation, high-tech products and unprecedented mastery and successful application of new methods and technologies have shaped the history of our Company. We have been able to sustain our success through maintaining our quality standards - this is our commitment to all our stakeholders.

While making the quality as a benchmark of our success, we adhere to the three cornerstones of its implementation strategy: to achieve customer satisfaction by providing best products and services, through our efficient processes and by our best trained and motivated employees. All activities in our Company, therefore, are directed towards achieving these goals. This is reflected in Siemens brand name being declared winner among the Brands of the Year Award.

Our Quality Management System's involvement starts at the strategic planning stage and goes all the way until the product and services are delivered. It continues its journey towards continual improvement through customer and employee feedback and by critical performance evaluation of our processes.

Quality Management Surveillance Audit of ISO 9001:2000 certification was conducted this year without any non- conformity and we endeavor to maintain this record in the future.

To keep up our quality standards we endeavor to provide our employees awareness on quality through training. Quality talk sessions are also a regular feature for enhancing employees' contribution towards quality.

Environment, occupational health and safety

We play an integral part in the development of the national economy with a strong sense of responsibility to the society and environment. We, therefore, function in manner that protects and preserves the environment for our future generations and ensure the health and safety of our workers and employees.

In recognition of these, we have been given the coveted Annual Environment Excellence Award 2007 by the National Forum of Environment & Health. This is the third year in a row that we have received this honor and the management is committed to continue all such activities and policy implementations so that we keep on fulfilling our commitment to the society.

Product safety

We manufacture and supply products ranging from simple components to complex plants and systems. As a matter of principle, the products are manufactured in such a manner that they are safe and comply with all applicable safety norms and provisions. Product safety is an essential quality feature and we continue to monitor it closely through quality audits.

Executive
Management
Committee*(Left to Right)*

S. Nadeem Ali Kazmi,
Syed Asadullah,
Sohail Wajahat H.
Siddiqui,
Gerhard Wilcke,
Nasim A. Siddiqui,
Mohammad Ilyas

Compliance has top priority

Being a listed Company of Karachi Stock Exchange, the Company does whatever is required to be compliant with the applicable laws of the land in addition to the ones applicable to its main shareholder, Siemens AG which is listed on the New York Stock Exchange. Adherence to the statutes local and international and being in conformity with the established ethical practices is considered to be sine qua non for every employee working for the Company. With promulgation of compliance program in Siemens AG in 2001-2002, the Company concurrently rolled out and adopted this Compliance Program. Ever since the adoption of Compliance Program there existed zeal of improvement in this program in order to keep it live and vibrant and for that matter the Company's management has taken significant measures.

Compliance is not a static topic, it is considered to be a dynamic objective and to remain compliant sine die has always been an objective of the Company. Business Conduct Guidelines (BCG) encapsulates the ethical and legal values and modus operandi desired from every employee working for Siemens. The Company has not just adopted and implemented BCG but they are being lived. To critically assess and deter any violation of BCG, Regional Compliance Officer (RCO) and Internal Audit function perpetually monitor the affairs of the Company and its employees. Management takes serious cognizance and actions on any deviation and violation of law or BCG.

The topics of corruption and anti trust laws being the core topics of Compliance Program and also of BCG are very comprehensively addressed in the control environment of the Company. The outcome par excellence of the compliance and control environment of the Company is the non existence of any compliance related proceeding since the roll out of Compliance Program. In addition to the foregoing achievement it is pertinent to highlight the continuous award bestowed by the supreme accounting body, the Institute of Chartered Accountants of Pakistan, to the annual financial statements of the Company. This recognition corroborates the fairness and accuracy of the accounting disclosures made in the annual published financial statements and thus supplements the comprehensive conformity of the Company with accounting conventions and specifically with the Code of Ethics for financial matters, an integral part of the Company's Compliance program.

The Company and its management have taken concrete steps over and above the ones recommended by Siemens AG. The assignment of dedicated full time Compliance Officer far before the requirement from Siemens AG, the adoption of performing business related controls on quarterly basis in contrast to the requirement of annually from Compliance Office of Siemens AG, making RCO a full time member of Corporate Committee Forum to over see the policy formulation ab initio are few depictions of the man-

agement's concrete actions.

Company Management's close coordination and interaction with Compliance Officer has instilled across the Company a proactive approach towards high ethical practices. As part of this proactive approach the management, Internal Audit department and RCO with due consultation with Corporate Compliance Office formulated a whistle blowing mechanism and a policy/guideline was promulgated with the approval of Board of Directors in 2005. This mechanism is currently being replaced with Siemens latest initiative of establishing a Global Centralized Compliance Help Desk.

The Compliance function has full access to the Board of Directors. The reporting requirements by RCO on compliance matters have been enhanced by Board of Directors and hence its frequency being amended from annually to quarterly. RCO's primary mission is to spread and enhance the awareness of compliance and ethical matters among the employees and for pursuing this mission regular training sessions have been conducted out for the pertinent employees.

Siemens AG took new initiatives in the years 2006 and 2007 to pave its compliance program towards seamless status. Appointment of ombudsman, full time Chief Compliance Officer, acquiring assistance of renowned compliance advisors/experts by Corporate Compliance Office, development of Compliance Help Desk, reorganization of Corporate Compliance Office, a web based mandatory compliance training, revised guidelines on specific ethical and compliance topics and many others. The Company with due consideration to the provisions of local laws has adopted or is in process of adopting the above enunciated initiatives. The Company milieu has always been non tolerant to illegal and unethical practices and the Company's management is destined to uphold this status quo.

Corporate responsibility

Corporate responsibility at Siemens is a well thought out process not a knee jerk reaction. The emphasis is on making Pakistan a more clever, healthier and enjoyable place. This says it all from support to educational institutions, art, culture and sports to volunteering by Siemens employees and their families. We are among those few companies whose CSR efforts are well documented and are driven by a vision, mission and strategy. The CSR at Siemens Pakistan follows international standards set by Siemens organizations like 'Caring Hands' and 'Generation 21'. In a society where women often face difficulties at the workplace, Siemens offers an exemplary environment that is recognized and acknowledged by leading women organizations like the 'All Pakistan Women Association' and NGOs who have given awards such as 'Gender Equality Award' to Siemens.

The Company not only protects the environment by using international standards of environmental protection at the workplace but has also introduced environmental friendly technology in all areas of its business. For the first time in Pakistan Siemens has published a report on its CSR activities which accompanies this annual report and gives details of our efforts in this field and demonstrates the importance given to CSR by the Company.

Development of human resources

The success of our Company lies in the sum of the successes of its employees: Only with outstanding and motivated employees can Siemens Pakistan meet - and even exceed - the expectations of its customers and investors. People Excellence stands for a corporate culture, in which all individuals strive for peak performance, know their goals precisely and are enabled to contribute their talent to the fullest.

"I enjoy doing my best!" the performance and commitment of a company's employees determine what league the company is in when it comes to global competition. Excellent employees are the key to our success. How do we leverage the knowledge and experience of every single employee? How do we

promote especially talented people who want to and are able to assume more responsibilities - particularly young leaders and technical experts? How do we create a culture that stimulates everyone to excel?

They say that the secret to success is never being satisfied with what you have achieved. That is what links Siemens with the high-performance culture: people who want to measure themselves against the best, who assume personal responsibility for their actions, who have excellent skills, and, last but not least, carry out their tasks with commitment and even enthusiasm. If Siemens wants continued success in the market, this constant striving for competitiveness is indispensable. That means developing and utilizing the different skills of all management personnel and employees to achieve the best possible results.

Material changes

There have been no material changes since September 30, 2007 to the date of this report and the Company has not entered into any commitment during this period, which would have an adverse effect on the financial position of the Company. However, the management wishes to put on record that the Company filed suites on October 8, 2007 against Karachi Electricity Supply Corporation (KESC) for the recovery of outstanding payments in respect of the fixed and variable fee plus mark-up accrued thereon and against unauthorized access to Company's intellectual property (i.e. SAP ERP) by KESC. The matter has been fully explained in note 11.6 to the annexed financial statements.

External auditors

The present external auditors, KPMG Taseer Hadi & Co. retire and being eligible, offer themselves for reappointment. The external auditors have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP). The external auditors have confirmed that their firm is in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the listing regulations and they have confirmed that they have observed IFAC guidelines in this respect.

As suggested by the Audit Committee, the Board recommends their reappointment for the year ending September 30, 2008.

Holding company

The Company is a subsidiary of Siemens Aktiengesellschaft, which is incorporated in Germany.

Business risk, challenges and future outlook

Although Pakistan's economy has been performing remarkably well since past several years and some visible infrastructural development could be observed, however, this economic growth needs to be nurtured by concrete planning, sound fiscal and monetary policies and most importantly a politically stable environment on a long term basis to get to a level where short term economic adversities could easily be absorbed and addressed.

Business risks invariably surround every organization. Due to the buoyant local market, new competitors are continuously being attracted. The efforts of new entrants to buy market share are putting enormous pressure on our prices which is not in line with rising prices of our inputs, and rising interest and exchange rates, especially of the Euro. The Company has a comprehensive risk management system in place in order to avoid, mitigate, or transfer risks, where possible.

The Company foresees a huge potential in the energy sector as demand and supply gap is constantly widening. Further, public sector is expected to focus on infrastructure projects in water, health, transport and IT segments. UAE is another market for the Company where due to on-going construction boom, the demand for power sub-stations is growing consistently, and the Company is fully committed to take advantage of this opportunity.

We have applied the best of ourselves to the task in hand and will continue to apply the same in future. With our global tools of top+ put to work at Fit₄2010, we see no reason why we cannot achieve and surpass our targets. Our 'Recipe for Profit & Growth' has taken every employee on board in our drive for profit and growth.

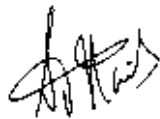
Acknowledgement

The Board would like to thank our extremely valued shareholders, customers, suppliers, contractors and financial institutions, whose faith, cooperation and support over the years strengthened our relationship which plays a vital role in improving our products and services and contribution to the national economy.

The Company is immensely proud of its human resources and thankful to all executives, officers and workers for consistently delivering outstanding performance resulting in a higher level of success and profitability for the Company. We also appreciate the valuable contribution and active role of the Audit Committee in supporting and guiding the management on matters of great importance leading to success in achieving the targets of the Company.

We are also thankful for the support provided to us by our parent company and the trust reposed by the shareholders on the management and Board of Directors. This support gives confidence and encouragement in achieving the targets and application of strategies.

On behalf of the Board



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer

Karachi, November 15, 2007



"If we can really understand the problem, the answer will come out of it, because the answer is not separate from the problem"

Gerhard Wilcke
Executive Director
and Chief Financial Officer

Siemens (Pakistan) Engineering Company Limited

Pattern of holding of the Shares held by the Shareholders

As at September 30, 2007

Number of Share holders	Shareholding			Total Shares held
	From		To	
308	1		100 shares	13,002
392	101		500 shares	90,702
50	501		1,000 shares	38,748
44	1,001		5,000 shares	101,375
4	5,001		10,000 shares	27,970
5	10,001		15,000 shares	62,260
2	15,001		20,000 shares	38,900
1	65,001		70,000 shares	67,720
1	170,001		175,000 shares	172,430
1	195,001		200,000 shares	200,000
1	1,980,001		1,985,000 shares	1,982,810
1	5,450,001		5,455,000 shares	5,451,120
810				8,247,037

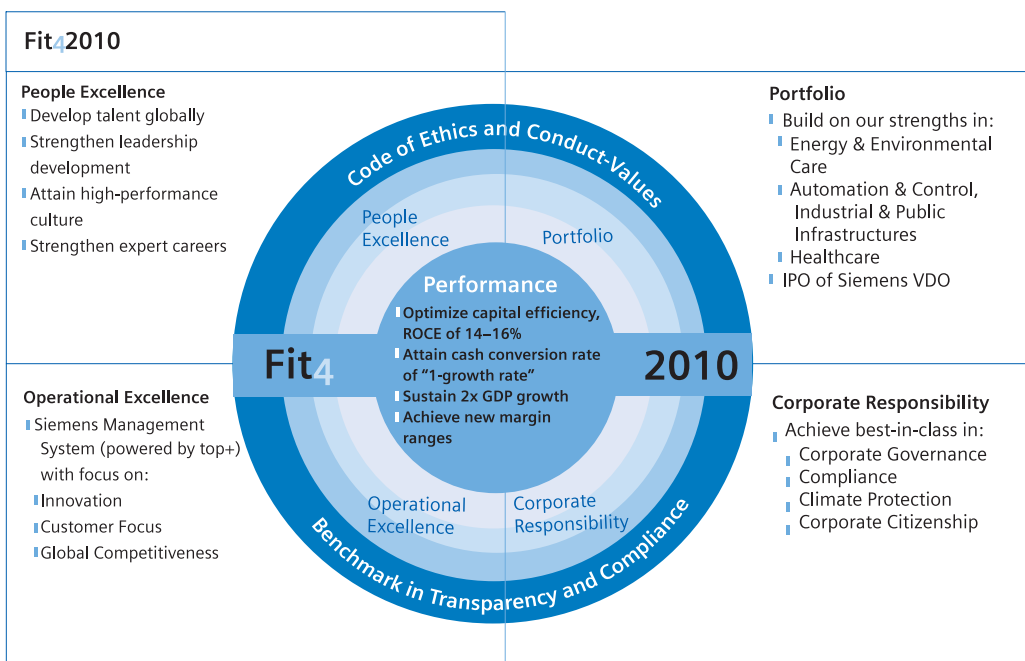
Categories of shareholders	Number	Shares held	Percentage
Directors, Chief Executive Officer and their spouse and minor children			
Director Mr. S. Babar Ali	1	500	0.01
Chief Executive Officer	Nil		
Executives	Nil		
Associated Companies, Undertakings and Related parties	1		
Siemens AG, Germany		5,451,120	66.10
NIT and ICP			
National Bank of Pakistan-Trustee Deptt (NIT)	1	1,982,810	24.04
Investment Corporation of Pakistan	Nil		
Banks, Development Financial Institutions & Non Banking Financial Institutions, Modarabas and Mutual Funds	9	260,300	3.16
National Bank of Pakistan		200,000	
Pakistan Premier Fund Ltd		19,900	
Bank of New York		14,100	
Golden Arrow Selected Stocks Fund Ltd		12,500	
CDC Trustee-Pakistan Capital Market Fund		5,000	
Trustee AKD Index Tracker Fund		2,300	
Trustee Treet Corporation Ltd Employees Provident Fund		2,300	
Trustee Treet Corporation Ltd Employees Gratuity Fund		2,100	
Trustee Treet Corporation Ltd Superannuation Fund		2,100	
Insurance Companies	3	240,160	2.91
Adamjee Insurance Co Ltd		172,430	
IGI Insurance Co Ltd		67,720	
The Crescent Star Insurance Co Ltd		10	
Public Sector Companies and Corporations	1		
Pakistan National Shipping Corporation		6,930	0.08
Shareholders holding 10% or more voting interest			
Siemens AG, Germany		5,451,120	
National Bank of Pakistan-Trustee Deptt.(NIT)		1,982,810	
Individuals	779	258,627	3.14
Others	15	46,590	0.56
Treet Corporation Ltd		13,000	
Trustee Mohammad Amin Wakf Estate		11,790	
Trustees Adamjee Foundation		7,000	
Crescent Steel & Allied Products Ltd		4,500	
Trustees Al-Bader Welfare Trust		2,300	
Guardian Securities (Pvt) Ltd		2,000	
Eastern Carpets Pak (Pvt) Ltd		1,600	
Treet Corporation Ltd(22012)		1,300	
Sapphire Textile Mills Ltd		1,000	
Aslam Sons (Pvt) Ltd		500	
Premier Fashions (Pvt) Ltd		500	
Treet Corporation Ltd(1673)		400	
Time Securities (Pvt) Ltd		300	
Clicktrade Ltd		300	
Yasir Mahmood Securities(Pvt) Ltd		100	
Total	810	8,247,037	100

Fit42010: Accelerating Profit & Growth

Good corporate responsibility secures the long-term success of Siemens and creates lasting value. When it comes to corporate responsibility, we intend to lead the way. An economically healthy company provides security for the future and jobs, and continuously works for the good of society and the environment.

To maintain continuous success, a regional growth project Fit42010 Asia/Australia has been launched with the strong commitment and engagement of the Regional Management. The cornerstones of the Fit42010 program are compliance, our Code of Ethics & Conduct and our values. The program concentrates on the established levers - Operational Excellence, People Excellence, Corporate Responsibility and Portfolio - but with new points of emphasis. At the same time, it clearly defines bold targets for the Company and its operating Groups. In combination, our values, levers and goals create a comprehensive system that will enable us to achieve sustained, long-term success for the Company.

Good corporate responsibility secures the long-term success of Siemens and creates lasting value. When it comes to corporate responsibility, we intend to lead the way. An economically healthy company provides security for the future and jobs, and continuously works for the good of society and the environment. For Siemens, corporate responsibility means providing outstanding innovative products and services for society while fulfilling all ethical, ecological, economic and social responsibilities. No tolerance for conduct that conflicts with the law or regulations throughout the company - with our compliance system, we are seeking to set the standard for maximum integrity and transparency. Binding rules and guidelines ensure that our employees and managers always conduct themselves in a legal and ethical manner in relation to each other and to our business partners





An essential requirement for profitable growth is to have a portfolio aligned with tomorrow's most promising markets, so proactive, focused portfolio management is crucial to our goals. Given that markets change constantly, portfolio management is an ongoing task. We are developing our portfolio by investing in existing businesses and in new businesses, either through organic growth or through acquisitions.

Our portfolio policy is guided by two fundamental principles: Our goal is to be the Number 1 or Number 2 in all our businesses. We have already met these two conditions in the majority of our businesses.

In those businesses that fall short, we have a clearly defined intermediate-term strategy designed to help us attain a leading position. Our business experience has shown that only those companies with a leading position in their markets remain profitable, even during times of crisis. In addition, these companies earn well enough to continue to invest adequately in R&D and in strengthening their portfolios. We are concentrating in three application fields that have high future potential. These are:

- Energy and Environmental Care
- Automation & Control, Industrial and Public Infrastructures
- Healthcare

It is in these three application fields, more than in others, that we intend to round out our future portfolio with new products and technologies. In other words, it is here that we wish to invest heavily in innovation and to strengthen ourselves with acquisitions so that we can open up new areas of business and tap growth markets.

Siemens continues to support its businesses through its proven top+ management system, thereby ensuring long-term success in a globally competitive environment. The top+ work processes and methods are the levers for achieving the goal of operational excellence within the scope of the new Siemens Fit₄2010 program.

Siemens is a leading player in a wide array of businesses, industries and countries around the world. Uniform processes and procedures that set a high standard for operational excellence throughout the entire Company are one of the pillars of our success. As part of our top+ initiative, we're continually improving our operations in order to master new market challenges.

Operational Excellence

Fit₄2010 Operational Excellence - powered by top+

As part of the Fit₄2010 program, top+ will continuously further develop this standard, and adapt it to new challenges in the markets. In the individual top+ programs for each business, there will be a clear focus on business-specific core issues. The common core of the programs will be the required elements of the top+ work process, such as benchmarking, the scorecard, market transparency and implementation controlling. As part of Fit₄2010, we are expanding the following issues within the three top+ business programs and establishing additional focal points:

top+ Innovation

The top+ corporate program of Innovation transforms creative ideas into market success stories, with the goal of safeguarding and expanding our leading position in the markets for the long term. To accomplish this, we will set new trends in the market and give ourselves a permanent competitive edge by clearly understanding customer requirements.

We will continue to move forward with proven methods such as benchmarking and lead customer feedback in order to reinforce the innovative strength of the businesses. In the context of Fit₄2010, we identified three additional core issues that we will address: New Generation Business, Siemens Top Innovation and Innovator Image.

Each of these additional core issues are a significant part of our vision for the Innovation corporate program: To create a stimulating environment so that new technologies with trendsetting customer benefits can be brought to market.

top+ Customer Focus

In the future, top+ Customer Focus will continue to put the customer at the center of everything we do. Solutions and strategies that bundle the Company's strengths will allow us to offer our customers added value, and help them to permanently position themselves at the top of their markets.

Market transparency and customer relationship management are examples of key elements of this program.



The topic of market transparency was already introduced as a mandatory element. This involves the business units setting goals on what percentage of the overall market must be secured in terms of individual customers and specific projects in order to establish a solid basis for improving market position.

Through these and other projects, we are significantly increasing customer satisfaction, thereby safeguarding our growth over the long term and ensuring its continued expansion.

Global competitiveness

To be competitive on a global level, existing structures and processes must be further optimized along the entire value creation chain, from design through production to service. This is the task and goal of the Global Competitiveness corporate program.

Within the framework of Fit42010, the focus is on the following core issues:

- Manufacturing
- Supply Chain Management
- Services

3i Program

Siemens Idea Management Program called 3i which is an acronym for Ideas, Impulses and Initiatives has been revamped. The Principles of the Idea management are based on the fast and un-bureaucratic manner in which employees through all hierarchy levels are called to act on their own initiatives and develop and implement suggestion for improvement within the company.

Suggestion relating to improving profitability and growth, innovation and new markets, process optimization, cost reduction, quality improvement, environmental protection in and occupational, health and safety are of particular importance.

Employees discuss such ideas with their managers and show them their economic benefit. The managers scrutinize them and all workable ideas are implemented. The managers are also empowered to assess and give monetary reward for these ideas upto a predefined limit while encouraging and supporting employees for promoting initiative work.

People are the basis of our business worldwide

High performance employees are the key to our success. Only highly motivated individuals can enable us to meet and exceed the expectations of our customers and investors. Our corporate culture based on clear goals and geared toward high performance - empowers our people to unleash their full potential.

Fit42010 People excellence.

The great importance that Siemens attaches to management and personnel development thus provides a foundation for the company and an anchor point for the People Excellence pillar within the Fit42010 program. The focus is on four topics:

- Global talent pool (Top Talents)
- Leadership Excellence programs
- Performance Management Process
- Expert carriers (Key Experts)

Global talent pool (Top Talents)

It becomes very important to recognize the so-called Top Talent at an early stage, to offer them challenging and rewarding tasks, to consistently foster their development, and to groom them for leadership positions. The top talent includes those employees who have constantly produced outstanding performance and have high potential. Future Siemens management personnel are recruited from this pool.

Leadership excellence programs

It takes first-class management in order to activate potential and to achieve first-class results. The courses of the Siemens Leadership Excellence (SLE) program prepare management personnel specifically for their tasks. What makes it special is that managers develop managers. The course participants profit from the concentrated knowledge and experience of Siemens Management. Focal areas include Siemens-wide



definition and implementation of joint management and value standards, communication of management instruments, and initialization of new approaches and strategies. In addition, the cross-Group and cross-Region network of Siemens managers is also enlarged. The worldwide sharing of experience not only engenders a positive response, it also greatly strengthens the management team.

Nearly all the members of Corporate Management have participated in the courses since the start of the SLE program in October 2005.

Performance Management Process

The prerequisites for all employees to contribute peak performance are to know their goals, to be allowed to continue their development, and to have an income related directly to the results achieved. The platform for this is provided by the Performance Management Process (PMP), which has been implemented. The PMP helps managers and employees determine clear personal goals and permits continuous, open, and concrete feedback. Transparency regarding individual performance and the results achieved makes it possible to derive consequences for professional development and income. In conjunction with the PMP, management personnel can identify top talents and key experts and can decide which development measures make sense.

Experts Carriers (Key Experts)

Without scientists and engineers with outstanding technical knowledge and a sustained willingness to drive innovation even in the face of resistance, Siemens would not be the technology leader in many fields. To honor and promote these employees appropriately, Siemens has decided to establish a career track for these key experts, analogous to the career path for managers.

PM@Siemens Project Management

The PM@Siemens initiative has been focusing on continuous improvement of Project Management at Siemens worldwide. Projects are the important aspects of our business portfolio. More than 50% of our portfolio is project business. It is for this reason that professional handling of projects is imperative for our continued success.

PM@Siemens is a specialized tool which inculcates a systematic way of thinking, best practice sharing and learning from mistakes.

PM@Siemens key success factors are bid quality, understanding and managing of contracts, qualified project managers, early involvement of project managers in contracts and systematic handing over at projects on completion.

From management's perspective, the motivation is to achieve a transparent view of the project portfolio, enhancing reliability and efficiency in forecasting resulting in fewer risks in project realization and sustained profitability.

From our customer's perspective professional project management means keeping our commitments, with clear responsibilities and scope of work and agreed way of managing changes. An adequate number of professional project managers mean sustainability and continuity in customer relationships.

The certification of project personnel is one element that contributes to high-quality projects, executed by highly skilled employees. Crucial for the bottom line result of our PM@Siemens initiatives are the project managers themselves with their skills and experiences. During the fiscal year 7 project managers were certified by the Company.

Future

The foundation for sustained personnel development has been prepared with People Excellence: With the Performance Management Process, the global talent pool, the expert careers, and Siemens Leadership Excellence, managers and employees can take advantage of high-quality programs. Throughout Siemens, we depend on the people to fill the initiatives with life over the long term, to use them, and to develop them further - and not to be satisfied with what has been achieved.

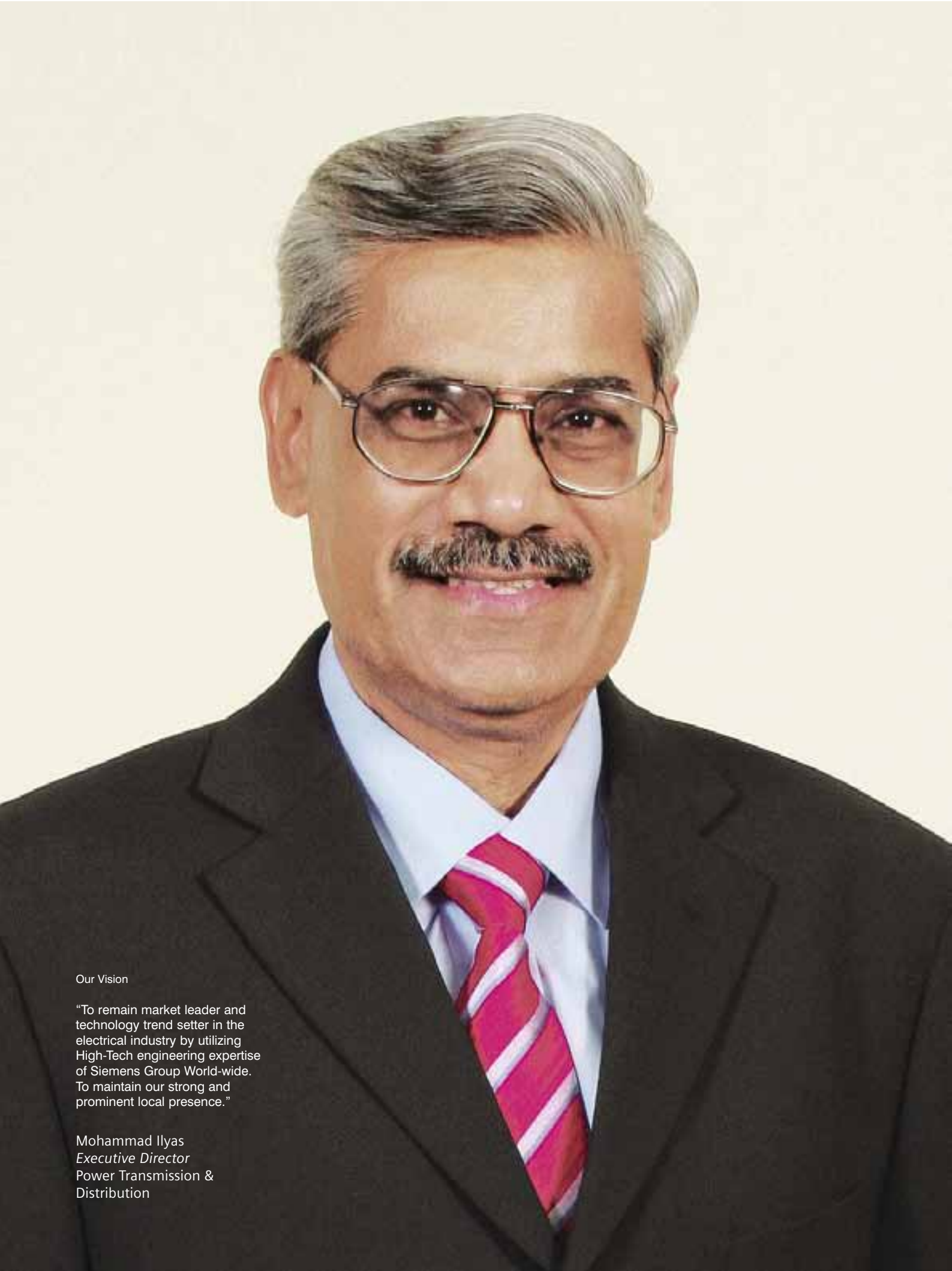




Corporate Responsibility

Corporate social responsibility is now part of the business process of all leading companies of the world. Billions are spent by global corporations around the world on health, sports, preservation of environment and heritage and in supporting causes that lead to an informed and improved society.

Siemens Pakistan answer to corporate responsibility is clear that it wants to have a sustainable partnership with society and make Pakistan cleverer, healthier and a more enjoyable place. From training young men to become useful members of society to acknowledging excellence and supporting education, sports, arts and creative thought to protecting the environment we are working together with society to achieve these objectives.



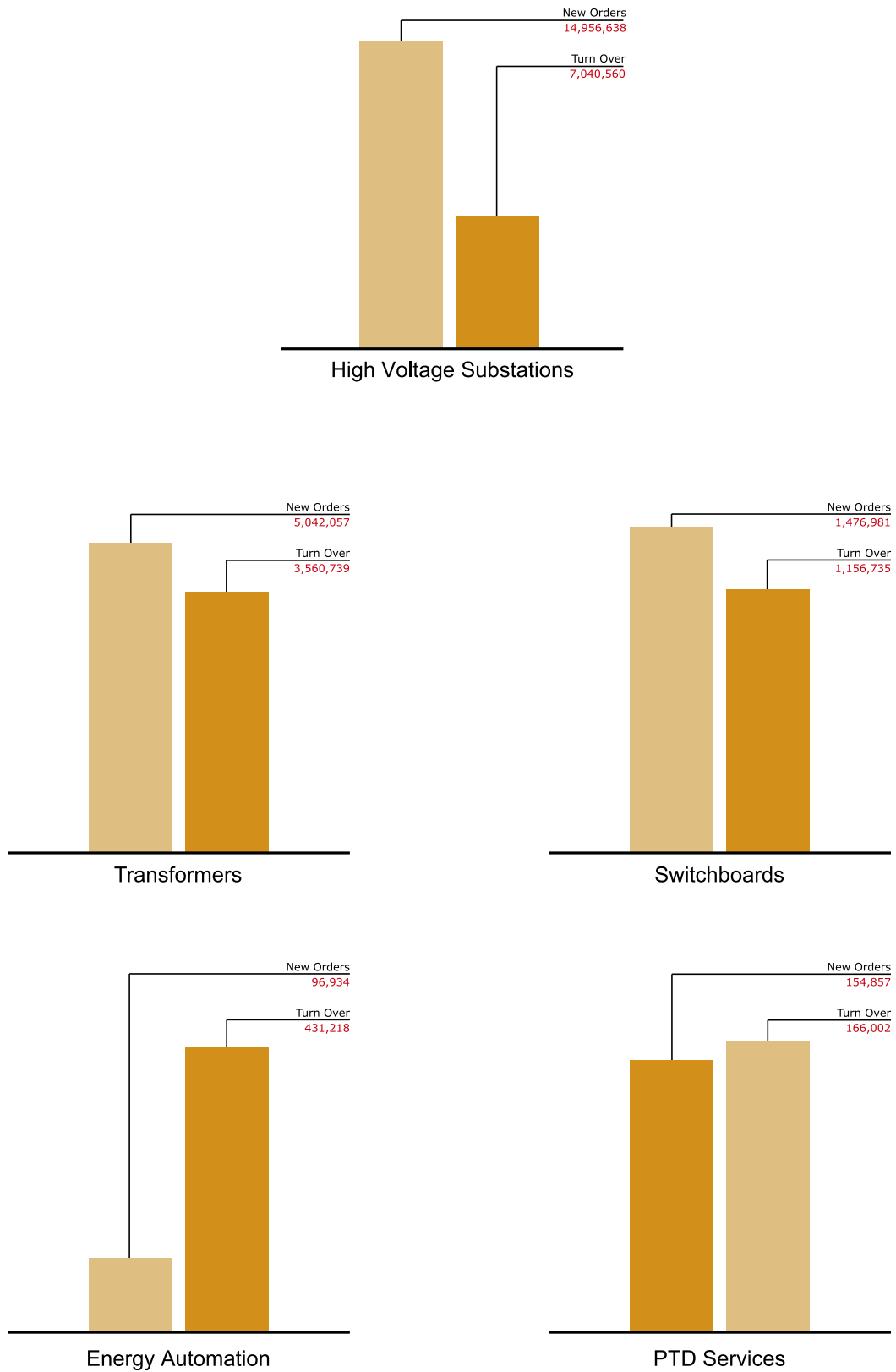
Our Vision

"To remain market leader and technology trend setter in the electrical industry by utilizing High-Tech engineering expertise of Siemens Group World-wide. To maintain our strong and prominent local presence."

Mohammad Ilyas
Executive Director
Power Transmission &
Distribution

Performance of Power Transmission & Distribution during the year 2007

(Rupees in '000)



High Voltage Substations

The growing demand for energy is a global mega trend. To answer the need for more energy for the mega city of Karachi, Water and Power Development Authority (WAPDA) and National Transmission and Dispatch Company (NTDC) conceived NTDC-KESC Interconnection Project situated at about 30KM from Karachi. Siemens was awarded this turnkey contract in August 2004.

We provide equipment & substations for power transmission & distribution systems. The growing energy needs of megacities are a special focus for our unit which can address these constantly increasing requirements by providing state of the art equipments and services. BU HSS is also a major player in Dubai and has significantly contributed in its infrastructure development.

The growing demand for energy is a global mega trend. To answer the need for more energy for the mega city of Karachi, WAPDA (Water and Power Development Authority) and National Transmission and Dispatch Company (NTDC) conceived NTDC-KESC Interconnection Project situated at about 30KM from Karachi. By virtue of this project power supply from Hub power plant which was previously being fed to NTDC Network at Jamshoro has now been hooked up directly to Karachi Electric Supply Corporation (KESC) Network.

Siemens was awarded this turnkey contract in August 2004. The project was successfully commissioned in December 2006. Since then it is operating satisfactorily.

On March 31, 2007 Siemens Pakistan successfully commissioned 500/220/132kV Yousafwala Sahiwal grid station. It is for the first time that turnkey project of 500kV air insulated substation been executed by Siemens Pakistan in consortium with Siemens AG wherein the major responsibility of project management and engineering was with Siemens Pakistan.

Answer to Karachi's growing demand for energy. The NTDC-KESC Interconnection project.



Transformers

We have been constantly working for the transfer of technology through Siemens based on their worldwide experience, enhancing know how and skills of our workforce. With urbanization and demographic changes taking place we are well equipped to meet the demands of a growing power industry in the country.

Business Unit Transformers enhanced their manufacturing facility up to 220kV/250MVA. The expansion that was initiated two years ago completed with the installation of latest production machines and test field equipments that will ensure reliable products of high quality.

Our product portfolio meets the demand of all applications of Power and Distribution transformers in Pakistan which is growing due to mega trends being witnessed by the country. We have successfully met the demands of transformers in the local market. Due to certain local conditions the demand of Distribution Transformers has slowed down. However, due to shortage of power in the country the demand for Power Transformers remains high and is expected to remain so in coming years.

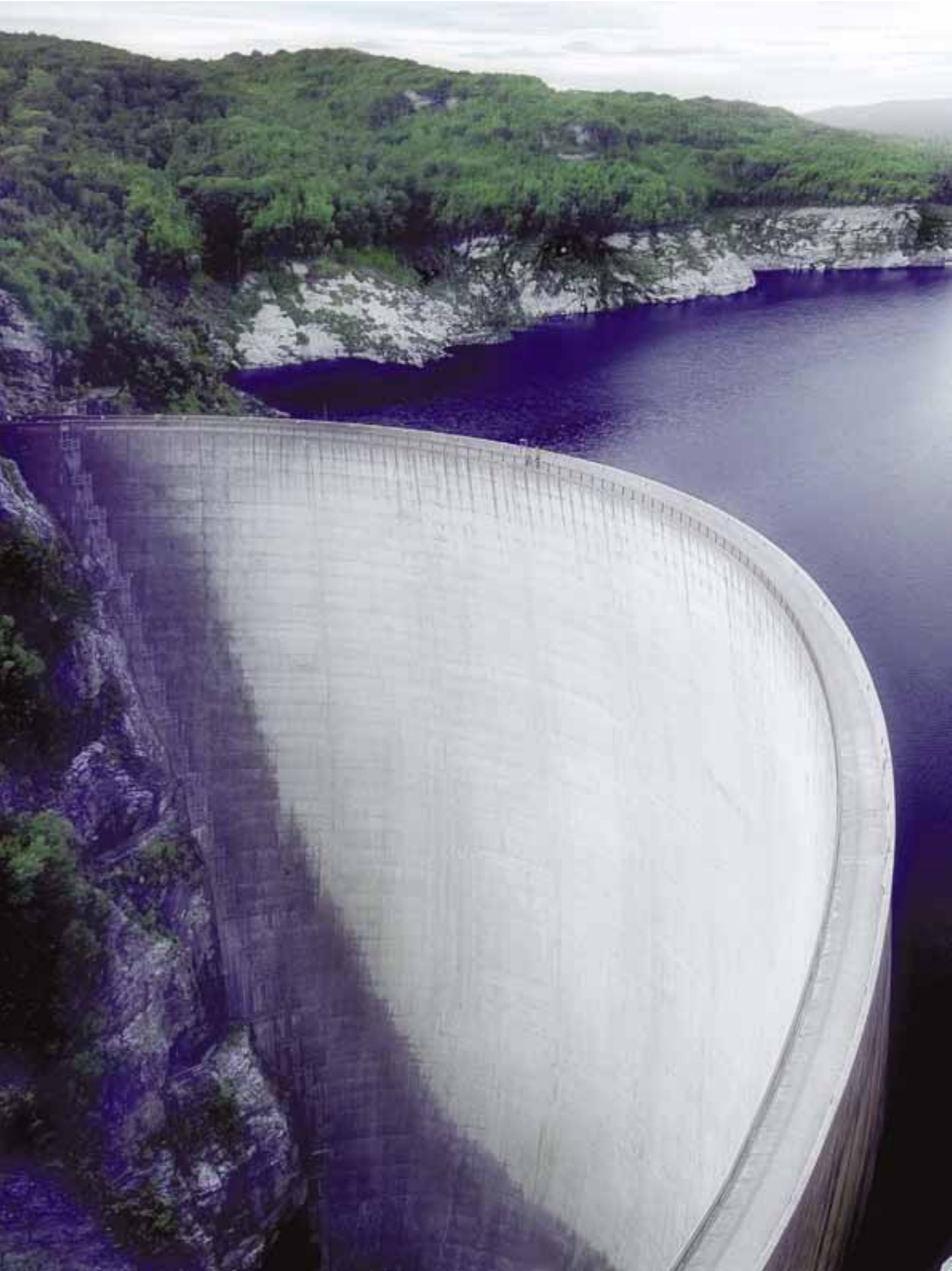
We are successful in maintaining our role as a technology trend setter providing innovative solutions by providing special design transformers for utilities and industrial sectors and thus maintaining market leadership. We have been successful in providing customer oriented, cost effective and environmental friendly solutions at various stages of installation, commissioning and after sales services of Power and Distribution Transformers. With urbanization and demographic changes taking place we are well equipped to meet the demands of a growing power industry in the country.

Our main local customers are WAPDA, KESC and industries. We contribute significantly in village electrification and system rehabilitation program of Government of Pakistan and utilities by supplying Power and Distribution transformers as per requirement of DISCOs/KESC. We have been constantly working for the transfer of technology through Siemens based on their worldwide experience, enhancing know how and skills of our workforce. We are fully integrated in the house of Siemens transformer network which provides a standard platform for engineering and design, CIP and R&D activities in Distribution and Power Transformers.

We are center for excellence for Distribution and Power Transformers in Pakistan serving the entire local market as well as catering to the needs of neighboring countries. We are ideally placed to fill the growing requirements for transformers in present and future megacities of the country.



New 220kV Power Transformer factory being inaugurated here by Governor Sindh will answer the requirements for locally manufactured products for the power industry.





Energy

Pakistan's electricity demand is rising rapidly. According to Pakistani government estimates, generating capacity needs to grow by 50 percent by 2010 in order to meet expected demand especially of rapidly growing mega cities. Pakistan will require enormous amounts of energy to meet its developmental challenges and keep up with mega trends to attain and sustain its vision for growth.

Siemens with its innovative solutions, services and local manufacturing backed by global expertise and network of innovation has the answers to the Government's national vision for future development in the energy sector.

Switchboards

We have always been working for technology transfer to Pakistan by utilizing the global expertise of Siemens and have signed the license agreement with Siemens Germany for complete local manufacturing of Simoprime World panels with effect from October 2007.

Our activities include design, engineering, manufacturing and service of medium voltage and low voltage switchgear. Fully equipped to address the growing energy demand and future challenges.

Business Unit Switchboards has always been number one in fulfilling market needs, customer demands and providing answers to challenges posed by mega trends in the country by providing the best solutions to its customers in the form of most advanced products which are also in line with latest international standards. We introduced the latest Air Insulated Switchgear, Simoprime World which is the only locally manufactured switchgear compliant with new IEC 62271-200. We have already provided more than 120 panels of Simoprime World to the local utility KESC for their KESC 2480-02 project on the basis of primary part from Siemens Indonesia and secondary part locally manufactured at our industrial complex. The successful outcome of this project is based on a number of steps which enabled us to assist KESC in upgrading its requirements to bring them in line with latest international standards.

We have also started to supply Simoprime World switchgear to private sector. Century Papers, the leading name in paper industry in Pakistan has been served with this top of the line product. We have always been working for technology transfer to Pakistan by utilizing the global expertise of Siemens and have signed the license agreement with Siemens Germany for complete local manufacturing of Simoprime World panels with effect from October 2007. Our special gas insulated switchgear NX PLUS-C which is meant for high end applications was also supplied to one of our key customers in the cement industry, Maple Leaf Cement to meet their demand due to special application. Housing and commercial sector has been a prominent market segment for the last couple of years, and we have satisfactorily served this market segment with our specialized products most suited for underground electrification networks such as ring main units and PMT type package substations.

We have also been successful in getting orders from outside Pakistan, and have secured two orders from USA and Greece for the supply of Medium and Low Voltage Switchgears of Simoprime World & Sivacon 8PT respectively. This clearly reflects the trust of our customers for supplying reliable and quality products fully compliant with international quality standards. Increasing demand of electrical power a defining mega trend in the country is a promising sign for us for the future. With our vast product portfolio, strong technical expertise and local presence, Business Unit Switchboards is fully equipped to meet the challenges posed by the mega trends driving the country.

Local manufacture of Simoprime world panels provides answers to questions of transfer of technology vital to our industrial growth.



PTD Services

PTD Services is now a certified centre of competence for network planning and analysis in the region and the only one that has been certified outside Europe. This distinction has been earned by PTD Services after having successfully executed more than 25 major projects in network analysis both for local and international customers using local expertise trained in Germany.

Network planning and analysis

PTD Services is now a certified centre of competence for network planning and analysis in the region and the only one that has been certified outside Europe. This distinction has been earned by PTD Services after having successfully executed more than 25 major projects in network analysis both for local and international customers using local expertise trained in Germany.

Apart from load flow, fault analysis and protection coordination studies PTD Services can now also carry out harmonic analysis thereby providing workable solutions to our valued customers who are facing acute power quality problems.

PARCO, PPL, Ittehad Chemicals and Engro Chemicals have been amongst the major customers of 2007. PTD Services is also working with NTDC/WAPDA planning department for maintenance of the networking software PSS/E and training of their staff in effectively using this software.

Asset Services

PTD Services is engaged in providing reliable, cost effective, quality services and engineering solutions to its customers keeping in view the new market environment and challenges posed by mega trends in the country.

A leading trend is the privatization & de-regularization of the energy sector in the country to meet the challenges of mega trends. The business unit is not only engaged in providing technical support to the prospective investors but is also helping the corporatised DISCO's (Distribution Companies - WAPDA) in maintaining their assets.

Under Services Information Management System (SIMS), PTD Services is helping the utilities to generate a data base for preventive maintenance of HV substation equipment to increase the reliability of their transmission & distribution systems.

Integrated services for all areas of power transmission and distribution. Regional centre of competence for Network planning. The unit is fully equipped to deal with the growing service needs of megacities in the energy sector.



Wind energy the answer to our growing requirements of safe renewable energy.

PTD Services

Guaranteeing environmental protection is necessary in the face of global mega trends of urbanization and demographic change. Siemens Pakistan is committed to energy efficiency and environment friendly alternative energy resources.

Metering services

To arrest the increasing non-technical utility losses PTD Services has offered turnkey solutions of AMR and Pre-paid metering systems/services to various DISCO's based on best practice sharing with Siemens Energy Services UK. Metering services is a growing field requiring innovative solutions which can only be provided by Siemens on the basis of its vast experience in this field world-wide.

Grid access solutions for wind energy

Guaranteeing environmental protection is necessary in the face of global mega trends of urbanization and demographic change. Siemens Pakistan is committed to energy efficiency and environment friendly alternative energy resources. In this regard PTD Services has signed a Contract recently with one of the leading investors in the field of wind energy to provide grid access for a 50MW wind power project near Gharo about 40km from Karachi. Most of the electrical equipment to be supplied under this Contract will be manufactured locally by Siemens. Government of Pakistan following the worldwide mega trend of switching to alternative sources of energy has declared its intentions to set up wind power projects of at least 700MW within the next 3 years. With Siemens extensive experience in this field, a number of Grid Access Contracts are expected in the next few years.

Energy efficiency and environmental friendly alternative energy. Answers to growing concerns about the environment.



Energy Automation

Our supplies of thousands of control and relay panels to the utilities in Pakistan reflects the customers trust and confidence in our technology and competence. The local expertise to carry-out the design related activities as well as the testing and commissioning of these solutions provides us an edge over other solution providers.

Mega trends have given rise to growing energy demand in the country. Subsequently the need for efficient, smart and state of the art energy management solutions is also growing. Business Unit Energy Automation (EA) provides a wide range of systems and solutions to enhance the network efficiency. Our solutions cover protection and control systems, substation automation systems, communication solutions as well as the load dispatch centre projects.

The first state of the art load dispatch centre in the country which is being constructed by Siemens for KESC is an example. The project will link all the grid stations in the KESC network to the load dispatch centre which will provide network monitoring and control in the normal situations as well as the peak demand situations from a single location ensuring maximum availability and reliability of the network. It is important to highlight that most of the services related activities of the project are mainly being carried out by local engineers which demonstrates our strong local competence and presence in the field of Energy Automation.

Energy Automation has been a strong contributor in the Protection and Control Solutions for 132kV, 220kV and 500kV systems also. Our supplies of thousands of control and relay panels to the utilities in Pakistan reflects the customers trust and confidence in our technology and competence. We are currently supplying control and protection panels to Ghakkar 500/220/132kV grid station.

We are geared to offer smart substation automation solutions to the utilities as well as the private sector specially the industries. Our smart and efficient load management and load shedding solutions based on the SAT 1703 RTU systems for substations are being viewed by the utilities as well as industries with keen interest. Examples are break through orders from Fauji Fertilizers for substation automation solutions and KTPS new grid station. Our wide ranging telecommunication solutions covering power line carriers to fiber optic solutions have been accepted in utilities like KESC. The local expertise to carry-out the design related activities as well as the testing and commissioning of these solutions provides us an edge over other solution providers.

We provide systems and solutions to make the power transmission and distribution network perform reliably, safely and efficiently. The growing energy needs of the megacities make it essential to ensure the optimum utilization of the network, which makes EA a reliable and experienced partner to meet these demands of providing state of the art technology and turn key solutions for the ever growing needs of the power sector.



Answer to ensuring maximum availability and reliability of network. Load dispatch centre by Siemens.



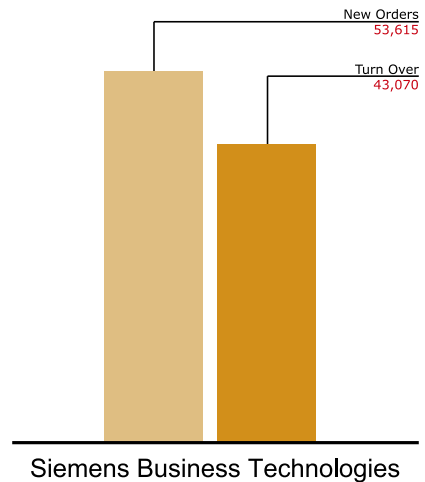
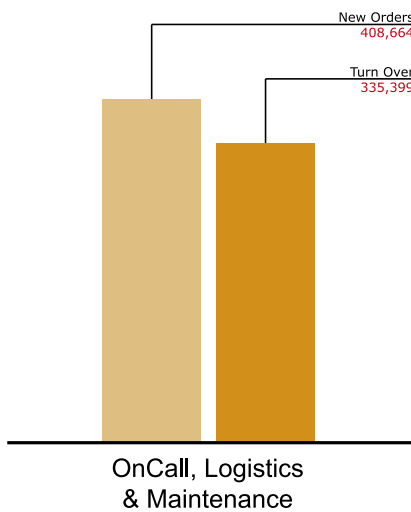
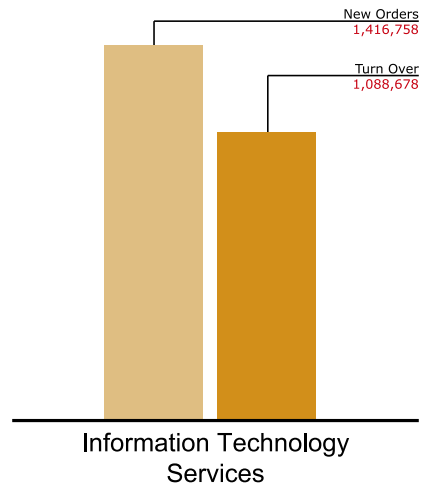
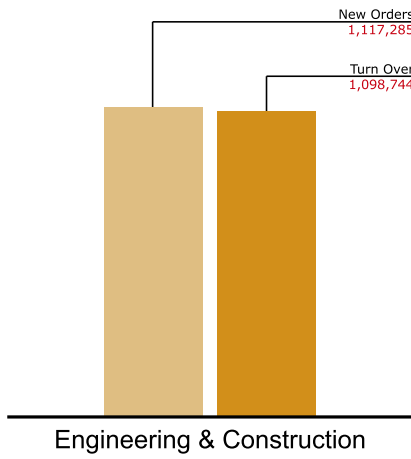
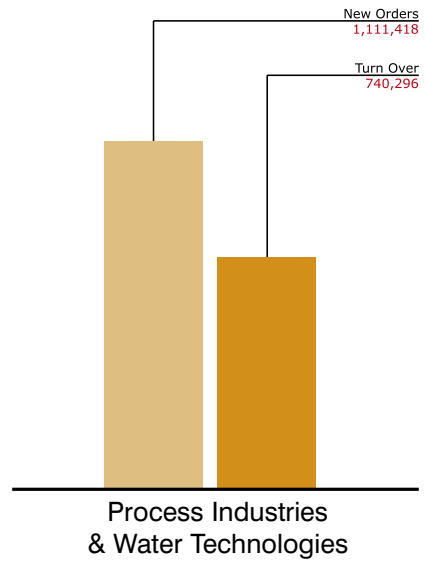
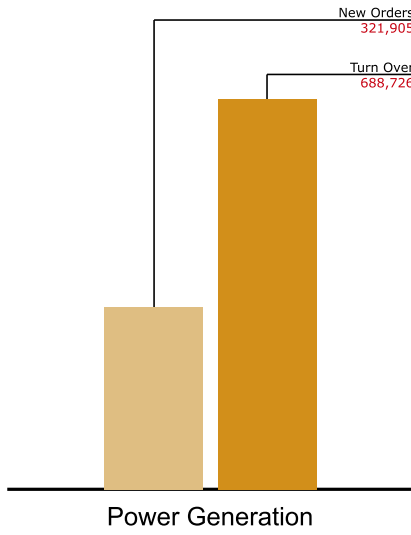
Our Vision

"Creating value proposition for our Customers in Energy, Industry and Infrastructure Sector"

Nasim Siddiqui
Executive Director
Industrial Solutions &
Power Generation

Performance of Industrial Solutions & Power Generation during the year 2007

(Rupees in '000)



Process Industries & Water Technologies

BU PWT is absolutely committed to the environment and is working towards a waste heat recovery solution for the cement industry. All these projects and their success can be attributed to our engineering team, whose services are in high demand all over the globe including Germany, Ecuador, Kingdom of Saudia Arabia, United Arab Emirates, etc.

Delivering on its commitment to provide its customers with solutions that meet both current and future business needs, Business Unit - Process Industries and Water Technologies has moved another step towards an even more strengthened and enhanced portfolio that encompasses a large section of industry including Cement, Pulp & Paper, Diesel Power Plants, HV Cables, Electrical and Automation Solutions for Cross industries and Water Business. BU PWT provides expertise to its customers through its in-depth engineering background and raises the level of customer satisfaction.

In an effort to support the Government of Pakistan in overcoming the anticipated energy crisis posed by mega trends in the coming years, PWT has made an important contribution in the Power Sector. MAN Diesel SE has awarded PWT the contract for the complete electrical and control system of the Atlas Power Project - a 225 MW Diesel Power Station in Lahore. It is a fast-track project which is scheduled to connect to the public grid in March 2009.

One of the projects done in the Chemical Sector by BU PWT is "The Upgradation of DCS Emulsion Plant (Clariant Pakistan Ltd) which is an Advanced Control System based on PCS7 V6.1. The project has a state-of-the-art visualization and up-to-date software that provides high performance and greater system reliability. Other projects in the Cross Industry include a Drive Solution for the New Paper Plant (Packages, Kasur), Ammonia Storage Process Automation (Pak Arab Fertilizer), and Upgradation of Chemical Plant (BASF)."

In the Water Sector, PWT is busy improving the water supply and pumping system particularly in the Punjab region, having many diversified projects that are being executed viz. Improvement Water Supply Scheme Project in Mailsi and several other projects in Southern Punjab Basic Urban Housing Development. Another Project that is worth-mentioning is the Clariant-Waste Water Treatment Plant, Jamshoro that has been recently commissioned.

BU PWT is absolutely committed to the environment and is working towards a waste heat recovery solution for the cement industry. This year, BU PWT successfully completed Al-Abbas cement project to revamp electrical, instrumentation and control system for Raw Mill, Kiln, Cooler and Finish Mill as well as the complete rehabilitation of Slag Mill which was not in running condition for more than 20 years. Some other worth-mentioning projects are the upgradation of Holcim Lanka (Sri Lanka), PCS7 V7, CEMAT of Butson Cement (Vietnam) and upgradation of Irish Cement (Ireland).

All these projects and their success can be attributed to our engineering team, whose services are in high demand all over the globe including Germany, Ecuador, Kingdom of Saudia Arabia, United Arab Emirates etc.



Providing answers to water supply and pumping requirements. PWT is working on several diversified projects in Punjab.

Engineering & Construction

We proudly served all the market segments of our core competence by promptly responding to their contemporary and prospective demands. Our excellence and innovation help us in providing answers posed by global mega trends.

The success story of Business Unit Engineering & Construction continued in the year 2006-07. We proudly served all the market segments of our core competence by promptly responding to their contemporary and prospective demands. Our excellence and innovation help us in providing answers posed by global mega trends.

We maintained our leadership position in airfield lighting by winning the orders of Peshawar International Airport from Civil Aviation Authority (CAA), Pakistan Air Force (PAF) base Samungli (Quetta) from Military Engineering Services (MES) and most remarkably, the biggest order in airfield lighting for 9 air bases of PAF from Directorate of Procurement (Air), where we introduced the state-of-the-art LED based lights.

The successful commissioning of CAT II-airfield lighting system of Sialkot International Airport was a distinct milestone. In the Infrastructure sector, the successful completion of underground electrification works for Karachi Export Processing Zone Phase-II and Sundar Industrial Estate can be considered as our major landmarks.

The completion of Zaver Pearl Continental Hotel, Gawadar and Abbott Laboratories is another feather in the cap, as far as the building electrification field is concerned.

We continued to serve the leading members of oil and gas sector. The biggest milestone of the year was the signing of three years call-off contract with ENI Pakistan for E&M and civil works pertaining to their upcoming plant expansion and wellhead development activities in all their concession areas. The flawless completion of Chanda Gas Processing facility project of OGDC was also a big achievement.

In the power sector, we also rendered our installation, testing and commissioning services to PTD for the power system improvement project of KESC and of 500kV Rawat and Sahiwal grid stations of WAPDA.

Turnkey solutions and construction services provider for infrastructure, energy and industrial sectors. From project management to procurement, mechanical and electrical constructions, we provide a host of services. The one window facilitator for mega projects in megacities.



Providing answers to building electrification challenges in such prestigious projects as Zaver Pearl Continental Hotel Gawadar.





Water

In the next twenty years, water consumption will increase by approximately 40 percent. More water must be recycled in order to meet this demand. The problem confronting us resulting from water shortage on the one hand and world population growth on the other is generally underestimated.

Siemens Water Technologies is doing its part to ensure the availability of this basic necessity for the coming generations. Siemens has a wide-ranging portfolio of answers for water management and purification. Siemens Water Technologies also offers a broad portfolio of solutions for the entire waste water treatment process.

Power Generation

Our oil & gas and industrial application department is one of the leading solution providers for power generation & gas compression solutions, co-generation applications in industries and up / down stream compressor solutions for oil and gas sector.

From design & engineering for complete utility, industrial, wind turbine, coal gasification power plants and oil & gas solutions, extensive services covering scheduled / unscheduled power plant maintenance to new system installations, we provide combination of products & services to help our customers to meet their objectives.

Siemens Pakistan with its strong local presence in power generation industry has played a significant role in enhancing Pakistan's power generation capacity in both thermal and hydro power. It is now poised to answer challenges posed by mega trends in the country. From design / engineering studies to complete utility / industrial power plant solutions, wind turbine solution, turbines for use as mechanical drives and compressors, instrumentation and control systems, fuel gasification technology and extensive services covering scheduled / unscheduled power plant maintenance to new system installations, we provide combination of products and services to help our customers to meet their objectives.

This year, we successfully sold 3 compressor trains in Pakistan for compression project based on SGT-400 solution. SGT -400 is ideally suited for customer load points, allowing greater efficiency at site conditions. It is a globally proven machine for oil and gas application that is characterized for its better efficiency and low maintenance cost. Our steam turbine department was also successful in selling state of the art steam turbine for a 225 MW combined cycle power plant. It is an IPP project which will start commercial operation by end of 2008. Our oil & gas and industrial application department is one of the leading solution providers for power generation & gas compression solutions, co-generation applications in industries and up / down stream compressor solutions for oil and gas sector. Its range of products and services primarily features gas turbines for industrial applications with ratings up to 50 MW and steam turbines up to 150 MW.

As a reliable local and regional partner, service center Pakistan has been established in Power Generation Business Unit since 1997 serving the local market of power plant maintenance successfully it has also expanded its operations in the Middle East market with high class skilled services.

To satisfy the recent mega trend of global energy sector service market, Siemens has made global resource pool with support from the strategic regional offices, having strong service capability, PG service centre is playing a vital role to support other regional offices (like UAE in Gulf region & South East Asia) to meet customer needs.

Service centre Pakistan is providing answers to local need of power plant maintenance.



Power Generation

To satisfy the recent mega trend of global energy sector service market, Siemens has made global resource pool with support from the strategic regional offices, having strong service capability, PG service centre is playing a vital role to support other regional offices (like UAE in Gulf region & South East Asia) to meet customer needs.

Our Service Center is equipped with several standard and special tool containers and has a qualified service team of balancing engineers, commissioning engineers, supervisors, welders and turbine fitters, certified from our Principals.

Apart from this, our service center is also equipped with state of the art videoscopic equipment for baroscopic inspections, Gas turbine commissioning tool kits, vibration monitoring and balancing equipment, thermography camera, mobile heat treatment oven (up to 1200C) for pre and post heat treatments of the inner casing & mixing chambers, special welding machines, plasma cutters and NDT equipments, all are being extensively used in major overhauling / maintenance and repair jobs in Pakistan as well as abroad.



Requirements for major overhauling, maintenance and repair are answered by the service centre.

Information Technology Services

With our aggressive market development strategy yielding positive results, ITS can now boast of serving more than twelve prominent industry sectors in Pakistan. We are providing information technology answers to industry so that the local industry can keep up with global mega trends.

ERP software and services make up a large part of our core business functions, but we also provide other comprehensive services.

Business Unit Information Technology Services (ITS) registered a steady growth in the fiscal year 2007.

The Information Technology Services (ITS) registered a strong growth in the fiscal year 2007. The key highlight for the year was the award of contract from PTCL, being Pakistan's largest fixed-line operator, for automation of all processes through SAP ERP implementation. Besides, ITS also signed contracts with Punjab Beverage and Tripack Films for SAP implementation. These projects signify major breakthrough for ITS in the telecommunication, beverage and process manufacturing industries with SAP ERP solution offerings. At the same time, the business unit strengthened its ties with current customer base and signed up another project in the oil and gas industry to bolster its dominance. With our aggressive market development strategy yielding positive results, ITS can now boast of serving more than twelve prominent industry sectors in Pakistan. We are providing information technology answers to industry so that the local industry can keep up with global mega trends.

The year 2007 also witnessed an intensive focus in our marketing and sales activities, whereby ITS organized industry-specific seminars on public sector, banking and utilities sectors in Islamabad, Karachi and Lahore respectively in collaboration with SAP. These seminars served as comprehensive forums where customers and prospects gained clear insights into how SAP's business solutions can enhance their organization's performance and also got an opportunity to witness the latest developments in SAP Technology.

The SAP Authorized Training Center run by ITS also demonstrated exceptional performance by conducting maximum number of SAP academy programs, i.e. five in just one year. SAP training are now being conducted at the Siemens Learning Center at Park Towers, Clifton, Karachi. A state-of-art training premises that offers convenient access to participants from all parts of the city. SAP ATC now has the honor of conducting twenty two SAP academies so far in different cities of Pakistan and has trained approximately 700 attendees in various technologies and SAP solutions. Besides ERP software and services that make up a large part of ITS's core business functions, ITS also provides complete turnkey IT solutions including comprehensive service, from specification through installation, configuration and commissioning, across the entire system landscape including networks and communication. Siemens Pakistan also offers a hardware sourcing service, operated via agreements with leading hardware suppliers.

Siemens SAP Academy answering the need for SAP certified consultants in the country. SAP is now running in 12 prominent industry sectors in the country.



OnCall, Logistics & Maintenance

The prestigious “Finance and Trade Centre” Karachi is being maintained by us since April 01, 2007 which is one of the examples of facility management services. The total contract value is approximately Rs. 50 million for three years, which demonstrates a remarkable growth in maintenance portfolio.

Our core competency consists of technical services in the field of operation and maintenance and optimization of plant as well as after sales support services. We provide these services for entire plant life cycle for cement, infrastructure and cross industry sectors thus helping these industries face the challenges posed by mega trends.

The technical services spectrum covers automation and drive technology, power engineering, instrumentation and control system and other related technical fields in entire plant life cycle support.

Our goal is to provide prompt responses in services and one window solutions to customers experiencing production downtime. OnCall, Logistics & Maintenance (OLM) always introduces new innovative concepts in the area of maintenance services. Recently we have introduced the Facility Management concept to facilitate our customers through a one window operation & maintenance service. This package brings together our broad spectrum of technical capability, in-depth industry expertise and rich experience from numerous service and maintenance projects.

The prestigious “Finance and Trade Centre”, Karachi is being maintained by us since April 01 2007 which is one of the examples of facility management services. We are operating and maintaining a power generation plant of 6 MW capacity with a cooling load of about 2200 tons for refrigeration of plant and building auxiliaries including power generator sets, boilers & chillers, cooling towers, air handling units and electrical distribution. The total contract value is approximately Rs. 50 Million for three years, which demonstrates a remarkable growth in maintenance portfolio.

Our Electro Mechanical Maintenance (EMM) workshop contributed its part in one of the important national projects for Gawadar port by providing services on a 700kW DC generator of a Chinese ship of Shanghai Dredging Company at Gawadar port that helped the Company to execute the project in time.

We are a technical service provider of Siemens Pakistan for industry and infrastructure. Many cities are being transformed as new infrastructure are being built to cope with the mega pressures of megacities. We provide the means for long term sustainability of these mega projects.



Answering the need for maintenance of prestigious projects like the Finance and Trade Centre Karachi.

OnCall, Logistics & Maintenance

Condition monitoring portfolio showed continuous growth this year especially in the field of thermography services. Customers value our services due to predictive measures for damages at an early stage which reduces unplanned downtime.

Condition monitoring portfolio showed continuous growth this year especially in the field of thermography services. Customers value our services due to predictive measures for damages at an early stage which reduces unplanned downtime.

Apart from our maintenance services portfolio, our proactive sales and marketing activities helped us to penetrate into small automation projects market. Some of our significant projects include replacement of text based operator panel with graphics HMI interface of nitrogen plant at FFC Ltd, automation on drum twister machine at Pakistan Cables Ltd, and implementation of centralized automation system for air separation unit at BOC Pakistan Ltd.

The answer to unplanned shut downs is predictive measures for damages at an early stage.



Siemens Building Technologies

In the year 2007 SBT Team continued to focus on business development and made significant penetration into the market. Presently SBT is working on several projects and has also completed a number of them throughout the country. We are offering security and safety, major challenges posed by mega trends in the country.

In the year 2007 Siemens Business Technologies (SBT) team continued to focus on business development and made significant penetration into the market. Presently SBT is working on several projects and has also completed a number of them throughout the country. We are offering security and safety, major challenges posed by mega trends in the country.

Some of the significant projects include building management system, fire alarm system and access control system for Ibrahim Fibers new head office building, security alarm system for Telenor BTS / MSC sites, revamping of fire alarm system at ICI Paints, upgradation of existing fire alarm system at PARCO Refinery, fire alarm system parts supplied to Allama Iqbal Airport Lahore, perimeter surveillance, closed circuit television system and access control system for KESC LDC Building.

With significant investment expected in hospitality sector, landmark buildings and real estate, SBT Business is expected to grow significantly in the coming years.

Siemens Building Technologies (SBT) is a new business set up in Siemens with the aim of making buildings in Pakistan more productive, comfortable, secure and safe for owners, users, tenants and other stakeholders.



Providing answers to critical issues like building management, fire and security and access control in major organisations.





Security

The world is becoming a more unpredictable place. With migration from rural to urban the mega cities are becoming fertile grounds for crime and terrorism. This is now the top priority for city administrators all over Pakistan. Security for the people on the roads and security for business and industry.

Siemens provides answers to security concerns based on latest technology that takes the advantage away from criminals. CCTV cameras that are immune to explosions, entry systems that only allow the authorized to enter, fire safety systems that spring to life during a fire and many more innovative answers to keep society safe and secure.



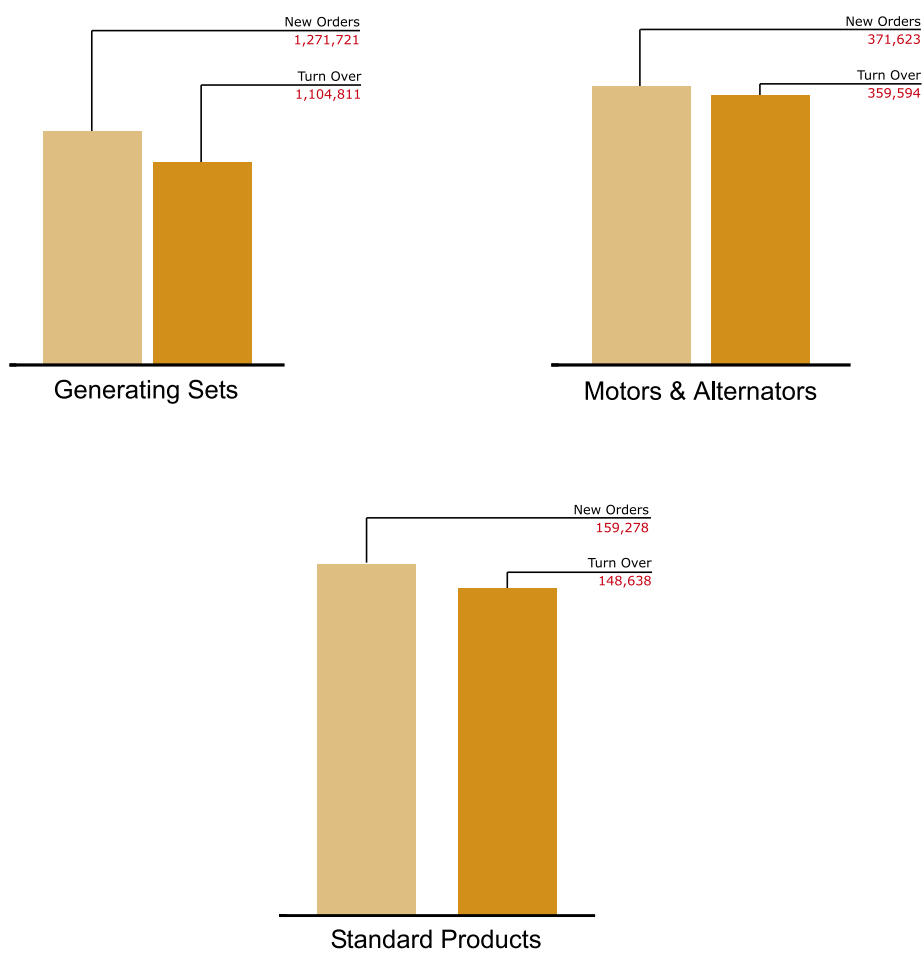
Our vision

"To be the first choice for Customers through Customer Focus, Product Portfolio and Human Excellence".

Nadeem Kazmi
Executive Director
Automation & Drives

Performance of Automation and Drives during the year 2007

(Rupees in '000)



Generating Sets

Driven by aggressive sales and marketing and a stringent focus on quality resulting in a reliable and durable product backed by an excellent service team and structure, the opportunities at the moment seem limitless. Consumer preference for our generating sets is another feather in our cap. Our Generating Sets won the Consumer Choice Award for two consecutive years in 2006 and 2007.

We provide locally manufactured diesel generating sets according to customer specifications. Growing demands of energy in megacities is putting pressure on energy resources and we aim to fill the gap by offering our cost effective and innovative solutions.

The power generator business experienced yet another record breaking year. Previous production and sales records were broken as the rapidly growing market for power a global mega trend provided a fertile environment for growth and gave the Business Unit the opportunity to provide answers for challenges posed by urbanization. Driven by aggressive sales and marketing and a stringent focus on quality resulting in a reliable and durable product backed by an excellent service team and structure, the opportunities at the moment seem limitless. The salient features for this upbeat market and rapid expansion can be attributed to a few dominant factors whose roots are well entrenched in global mega trends e.g. urbanization.

The upturn in the telecom and oil and gas sectors of the economy resulted in a major demand for these sets. The expansion of cellular networks in remote locations where utility power is not available, also paved the way for the installation of power generators. A new sales avenue of financial institutions also emerged as a market segment for power generators. The enhancement in volume and market share is expected to continue in the next fiscal year.

Consumer preference for our generating sets is another feather in our cap. Our Generating Sets won the Consumer Choice Award for two consecutive years in 2006 and 2007 in the category of best generator based on a survey of consumers. In exports we are still looking for business opportunities in regional markets such as Bangladesh, the Gulf States and Sri Lanka. These opportunities, being carefully monitored are being identified and with production enhancement in mind being lined for business growth.

Focusing on our competitors and the market of our operations, strict monitoring is done to identify areas where improvement may be made. This improvement may be in terms of design, quality of service, productivity and efficiency of production and / or in overall cost of product. The aim of all of these measures is to streamline our internal processes and in turn deliver to our customers a product that is unmatched in quality and reliability and to sustain and enhance our position as the leading manufacturer of power generators.

Siemens D.G. sets answering demand for uninterrupted power supply and for supply of power where the utility is not available.



Motors & Alternators

A land mark achievement was winning of the "Consumer Choice Award" for the year 2006 in the category of best Motors. This demonstrates the excellence and innovativeness of Siemens that has won the hearts of consumers in the country.

Our motors business continued its growth despite an increasingly crowded market and entry of a host of low cost competitors from around the globe.

Strengthening and reinvigoration of the Original Equipment Manufacturers (OEM) and dealers' network has yielded good results in the region of Sindh. Now this effort shall be replicated in the NWFP and Punjab to sustain growth.

Water and irrigation projects remained our primary focus. Irrigation schemes in Sehwan, Naushehro Firoz, Hyderabad and Larkana were executed with Siemens Vertical Hollow Shaft (VHS) 1PM7 motors. Siemens is well positioned to provide solutions to problems related to water and irrigation the off shoot of global mega trends like urbanization and demographic change.

Similarly, VHS motors for centrifugal pumps were supplied to the public health engineering departments in Hala & Naushehro Firoz. Sanitation projects by WASA in Multan, Faisalabad and Lahore were approved and executed with Siemens motors.

A variable speed drives based system was installed and commissioned at a local distillery in the sugar sector. A land mark achievement was winning of the "Consumer Choice Award" for the year 2006 in the category of best Motors. This demonstrates the excellence and innovativeness of Siemens that has won the hearts of consumers in the country.

We locally manufacture a wide range of motors and alternators that are also exported to the region. The unit is fulfilling the growing demands of these products as cities become megacities and existing infrastructure requires timely expansion.



Siemens motors providing answers related to water and irrigation.

Standard Products

The business unit also emphasized on educating and preparing the new generation of engineers for serving the industry by supplying PLC based simulators to technical education institutions.

We are engaged in the marketing of products like Programmable Logic Controllers and Variable Speed Drives. Our products help speed up modernization for total automation required in this age of megacities.

Standard Products Business Unit was actively involved in the marketing and sales of automation products based on the concept of "Totally Integrated Automation". Integration of process instruments, control and distribution devices and large and small drives with programmable controllers ensured that the customers are provided with a complete solution for their industrial needs which in turn resulted in increased sales and better profitability.

Siemens Programmable Logic Controller (PLC) is the world market leader for all kind of applications in all industrial and commercial sectors. We continued our support to internal as well as external solution providers and supplied equipment and technical support for projects of process house automation at Etihad Sugar Mills, automation of DHA desalination plant, online weighing system of coke at ICI Soda Ash and level measurement system of underground tanks at KESC.

In addition to these we also gave programming and commissioning support to various customers in the chemical, pharma and sugar sectors. A latest addition to the portfolio of our products is the state of the art wireless modules. Globally the wireless modules business ranks number 1 where every second GSM module sold is manufactured by Siemens, extrapolating on this global trend, we have made some significant gains in the local market. The Mobilink Public Call Office (PCO) has been designed and developed by us. Siemens has a complete family of wireless modules for variety of applications.

Seminars and workshops for customers were also organized like the "Productivity Tour 06/07" where new innovations in the field of factory and process automation were shown as complete solutions to over 300 customers from various segments of industry in Karachi, Lahore and Islamabad. The business unit also emphasized on educating and preparing the new generation of engineers for serving the industry by supplying PLC based simulators to technical education institutions. We also supervised final year students of various engineering universities for projects to ensure knowledge about technological advancement at grass root level. Our Business unit is geared to help the industry in Pakistan meet the challenges posed by mega trends.

Customer's Comment

Mr. Siraj Kassim Teli is a valued customer of Siemens A & D, a well known business and community leader. Commenting on Siemens products he referred to switches and sockets "Siemens switches and sockets are unique and have no competition in the market, even in the matter of renovating my house, I contacted Siemens for its switches and sockets. I believe that Siemens has the potential to grow with country's economy and this growth will benefit the economy as well"





Excellence

“Attracting the best people: those who are passionate, disciplined and motivated.”



Industry

The national vision of Pakistan 2030 envisages the share of the manufacturing sector to change from the current 18.3 percent of GDP to nearly 30 percent (or USD 300 billion in current terms) by the end of the vision period. This requires the sector to grow at a sustained average growth of around 10 percent.

Siemens is providing answers to attain the national vision by combining the capabilities of our businesses across the entire industry spectrum. From providing answers based on latest technology to training of man power and maintenance of industry infrastructure we are responsible partners in the national quest for sustained growth of industry.



Our Vision

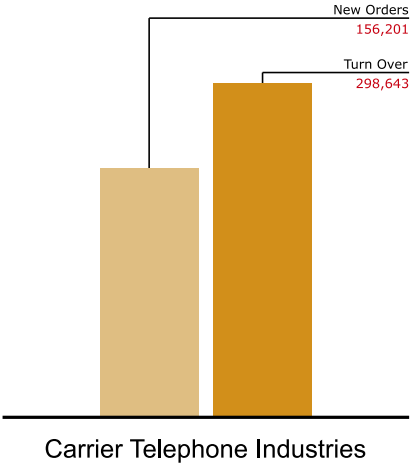
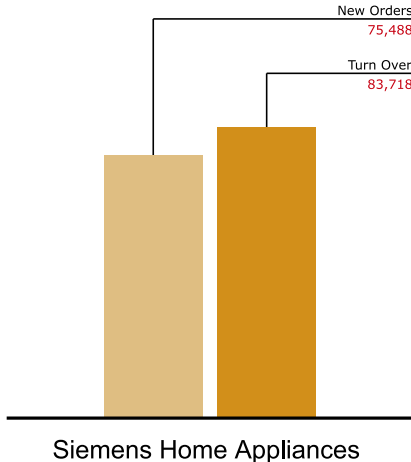
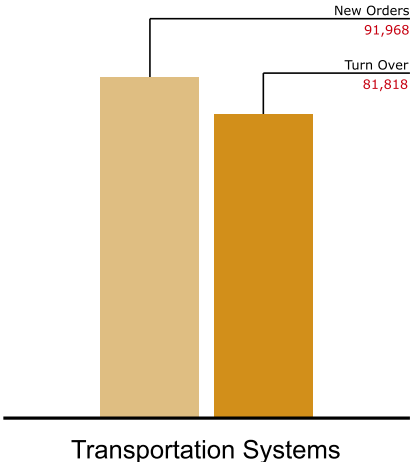
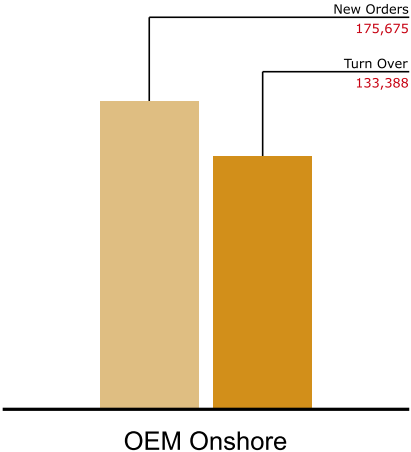
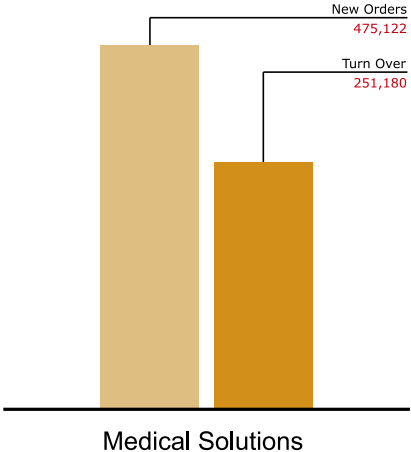
"To stay ahead of competition by developing strategic partnerships & offering complete solutions based on the needs of the market by utilizing the Global experience & developing local competencies"

Syed Asadullah

Divisional Director

MOTAC (Medical Solutions, OEM Onshore, Transportation Systems, Siemens Home Appliances & Carrier Telephone Industries)

Performance of MOTAC during the year 2007
(Rupees in '000)



Medical Solutions

We also continued to prove and establish ourselves as innovation and technology trend setters in Pakistan by obtaining an order for the world's first revolutionary CT scanner capable of doing non-invasive cardiac angiography from the federal ministry of health.

We provide turnkey executions and complete solutions in the healthcare industry. With exploding populations in megacities the need for latest technology to diagnose diseases early is fulfilled by our futuristic medical solutions.

There was continued growth and an upward trend in medical solutions market in Pakistan in the year under review. Health care especially for the elderly will be a requirement of the mega trends and Siemens medical solutions is well equipped to provide answers for this challenge.

We also continued to prove and establish ourselves as innovation and technology trend setters in Pakistan by obtaining an order for the world's first revolutionary CT scanner capable of doing non-invasive cardiac angiography from the federal ministry of health. The order for 3 such CT Scanners is for three major hospitals of the country. A brief introduction of these three hospitals is mentioned below:

National Institute of Cardiovascular Diseases (NICVD) Karachi

It is the biggest and the pioneer institution of its kind in South Asia. The institute has 360 beds (Functionally 400 plus beds). It caters for patients from all over Pakistan as well as some from neighboring countries.

Over 3,000 coronary angiographies and cardiac cath studies are carried out every year and over 500 coronary angioplasties are done per year.

Pakistan Institute of Medical Sciences (PIMS) Islamabad

Establishment of this institute heralds a bright new era for the citizens of Pakistan, especially the residents of the federal capital. The PIMS functions as a national reference centre for providing specialized diagnostic and curative services to patients.

Islamabad Hospital (IH) is a major component of PIMS. It is a 592 bedded hospital and has 22 medical and surgical specialities. 230 bedded children's hospital built by Japanese contractors is also an important component of PIMS.



Providing answers to life. Siemens medical equipment is adding years to life and life to years

Medical Solutions

Gambat Institute of Medical Sciences recently purchased state of the art Digital X-ray system Axiom Iconos R 200, further boosting their Radiology department and adding another Siemens product apart from the already purchased Siemens CT Scanner Somatom Spirit and ultrasound system Sonoline G60S.

Armed Forces Institute of Cardiology (AFIC) Rawalpindi

Armed Forces Institute of Cardiology is 270 bedded major secondary and tertiary cardio thoracic center in Pakistan, dedicated to the cardiac patients from all over the country including armed forces, federal government employees and civil population. AFIC/NIHD is an extremely busy center equipped with four cardiac surgical theatres capable of all kinds of adult and pediatric cardiac surgery, 1,600 cardiac surgical procedures are done yearly, 80% of which are open heart surgeries.

Gambat Institute of Medical Sciences continued to demonstrate its confidence in our products. They recently purchased state of the art Digital X-ray system Axiom Iconos R 200, further boosting their Radiology Department and adding another Siemens product apart from the already purchased Siemens CT Scanner Somatom Spirit and ultrasound system Sonoline G60S.





Healthcare

In the new "National Health Vision, 2030" of Pakistan, service delivery is only at one end of the spectrum. It is to be linked via knowledge and innovation to civil society and the community. Adequate and fair financing will be the hallmark of the health system. The government will increase its expenditure on health that would ensure provision of priority public health programs to all and protect the vulnerable sections of the population.

Siemens with its innovative answers is already actively involved in helping to realize this vision. Latest technology from Siemens is helping doctors in government hospitals to diagnose diseases earlier and faster. We are adding years to life, and life to years. Our solutions are helping Pakistan keep up with the mega trends of this fast growing country.

OEM Onshore

We offer endless integrated high technology engineered solutions for navigation, security, renewable energy and communication setups, display systems etc. Increased security requirements a global mega trend are the basis for improvement in our business.

OEM Onshore offers a diversified range of products and services which include communications, monitoring and security, defense electronics and solar power. This unit truly offers high tech solutions for megacities.

Business portfolio of Business Unit OEM Onshore has been enhanced by addition of new product lines. Now we offer endless integrated high technology engineered solutions for navigation, security, renewable energy and communication setups, display systems etc. Increased security requirements a global mega trend are the basis for improvement in our business.

During the current year we have served the President House by supplying scanning systems, which will also be utilized by the armed forces according to their utility. OEM Onshore also successfully handed over the highway communication system along Motorway Section M-3, that includes microwave and access networks.

OEM Onshore has recently completed the electrification of one village of 40 houses, Rural Health Center & Mother and Child Health Center in Tehsil Sharda, Azad Jammu & Kashmir.

Solar energy providing answer for power in areas yet to be served by any utility.



Transportation Systems

The Business Unit has been actively following the upcoming projects of "Revitalization of Karachi Circular Railways", and the "Lahore Rapid Mass Transit System" and enthusiastically looks forward to the implementation of these two projects in the near future.

Mobility is a tough challenge posed by mega trends. With urbanization reaching new heights in Pakistan, Siemens Transportation Systems with its portfolio of unmatched services and latest technology is well placed to answer the challenges of mobility in a more urbanized country. We are active in the fields of rail automation (Signaling), traction power supply, locomotives, trains, and mass transit systems. Pakistan Railways is the major client of the business unit. Various signaling projects have been successfully executed in the past. In the year under review, spare parts for the previously executed projects were supplied to Pakistan Railways to keep their signaling systems running efficiently. This included orders for various relay groups, where about 70% local value addition was done, after import of necessary components from Siemens Germany.

Modifications to Siemens Tokenless Block Systems were carried out to the entire satisfaction of Pakistan Railways at Lodhran - Khanewal section, making it possible for trains to run up to a speed of 140 km/h on the newly laid double tracks. The project was managed with hundred percent indigenous resources as a result of highly skilled and experienced manpower.

The Business Unit has been actively following the upcoming projects of "Revitalization of Karachi Circular Railways", and the "Lahore Rapid Mass Transit System" and enthusiastically looks forward to the implementation of these two projects in the near future.

The Transportation Systems (TS) of Siemens is one of the leading international suppliers to the railway industry. As single-source supplier and system integrator, the TS combines in its business segments, Automation & Power, Rolling Stock, Turnkey Systems and Integrated Services, all the expertise necessary to cover the spectrum from signaling and control system to traction power supplies, as well as rolling stock for mass transit, regional and main line services. Extensive experience in project management and forward-looking service concepts complement our portfolio.



Providing answers to the challenge of mobility through latest technology tested and proven in major megacities of the world.





Mobility

Pakistan will see the rise of large urban centers and mega cities that will propel the growth of national economy and make important contributions to national output. Mobility will be a crucial factor for the populations of these megacities. These cities will have to enhance their urban management capabilities and improve integrated development of urban infrastructure and services to provide a better quality of life for their residents.

Siemens has outstanding answers to the problems of mobility. From Bangkok to Shanghai Siemens transportation solutions are helping people move with greater safety, speed and comfort than ever before. Siemens is looking forward to implementing these solutions in Pakistan.

Siemens Home Appliances

With such innovative solutions to offer Siemens Home Appliances has been very strong in the development project business which is booming across Pakistan as a result of global mega trends of urbanization and demographic change.

SHA offers a complete range of free standing & built in appliances that include refrigerators, air conditioners, gas cookers, washing machines, dish washers & a wide range of small kitchen appliances. With higher earnings there is desire for higher standard of living. SHA endeavors to fill that need.

In the year under review Siemens Home Appliances (SHA) introduced complete kitchen solutions. With built in appliances and most modern kitchen ordinary households can be turned into state of the art high tech cooking areas that can cater to the needs of the most demanding household. With such innovative solutions to offer Siemens Home Appliances has been very strong in the development project business which is booming across Pakistan as a result of global mega trends of urbanization and demographic change.

Major well known foreign developers like Pak Gulf Construction and Al Ghurair have started investing in the real estate sector. There are also Mega residential projects coming up in Karachi, Lahore and Islamabad - like The Centaurs, Goldcrest, Bahria Town, Pak Avenue, Mangla View Resort, and Savoy Residences.

Siemens Home Appliances as a strategic move has established a strong relationship with kitchen specialists to increase competence and service levels in real estate projects.

This year Siemens Home Appliances introduced split air conditioners in the market aggressively. Initial results are very promising. Our competitive edge is heat & cool air conditioners that serve both as heaters and air conditioners thus providing unmatched service and convenience especially in the northern areas of the country.

In a move to offer customers the feel and look of our appliances and excellence in service, we are planning to renovate all our showrooms.

Siemens home appliances providing answers in the kitchen through unbeatable technology admired by the most famous in the land.



Carrier Telephone Industries

Networking Project for the PTCL Intranet was completed at 32 sites all over Pakistan and successfully handed over to customer. The challenging task of equipping and networking of IT Laboratories of 95 Schools in 28 districts of Baluchistan for the Provincial Ministry of Education was completed and handed over successfully.

Carrier Telephone Industries (CTI) continues to offer a diverse portfolio of products with a special emphasis on quality that leads to customer satisfaction. This includes mechanical cabinets, racks and panels, locally assembled desktop personal computers, LAN / WAN networking as well as installation services. Re-certification for ISO 9001-2000 was attained for the non-COM production after carving out of Carrier business to NSN. This year CTI accomplished the following landmark projects:

Optical Fiber (OF) cable laying project from Tall to Parachinar was executed for PTCL with record performance of having just one extra joint over a distance of 100 KM and lowest attenuation observed ever during OF cable laying.

Networking Project for the PTCL Intranet was completed at 32 sites all over Pakistan and successfully handed over to customer.

Installation, testing and commissioning of Flood Monitoring System over Nullah Lai in Islamabad - Rawalpindi for Japan Radio Corporation (JRC) has been concluded to their entire satisfaction, as a result, JRC awarded CTI with a one year contract for the maintenance of system.

The challenging task of equipping and networking of IT Laboratories of 95 Schools in 28 districts of Baluchistan for the Provincial Ministry of Education was completed and handed over successfully.

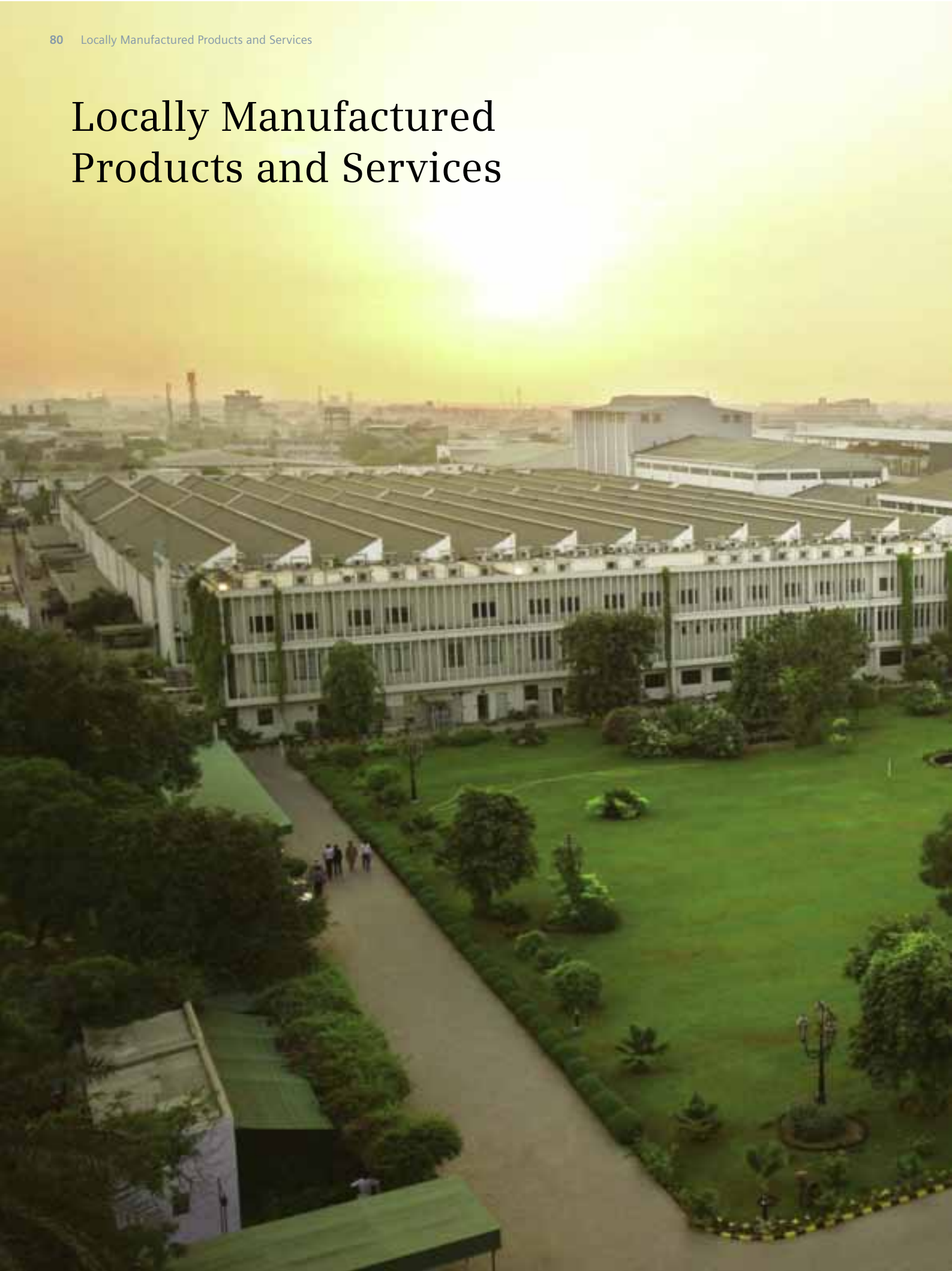
A contract for supply, installation and commissioning of 20 Telecom Self Support Towers in the Northern Area has been acquired from PTCL.

CTI offers products and services to the Government and Corporate Sector, some of the products are Desktop Computers, Server Systems, Network Solutions and Call Centre applications.



Views of CTI Building

Locally Manufactured Products and Services



Siemens Industrial Complex located in the heart of Karachi's Industrial hub the Sindh Industrial Trading Estate is a sprawling 96,500 square meters that houses not only five factories producing motors, diesel generating sets, switchboards, transformers and the recently added factory that will produce for the first time 220kV power transformers in Pakistan but also the head office of the Company. Lush green lawns demonstrating our commitment to a green environment surround the head office building. Through out the complex there is an emphasis on greenery.

Siemens manufacturing activities at this complex includes distribution and power transformers, low and medium voltage switchgear, packaged substations, diesel-generating sets, vacuum circuit breakers and motor starters. Manufactured to international standards these products are also exported to other countries in the region. Also located at this complex is the Apprentice Training Centre where young people are given a chance to become productive members of society by undergoing a three year course that enables them to find gainful employment not only in Siemens but also in other industries in Pakistan and the region.





Power Transmission and Distribution Services

- Upgrading and retrofitting of electrical Installations
- Maintenance and spare parts
- Customer training
- Network analysis and consultancy
- Engineering for System protection
- Asset management, operations and integrated service contracts
- System studies
- Center of competence for network planning
- Re-engineering, refurbishment and capacity
- Enhancement solutions for Distribution and Power Transformers.
- On Site testing, diagnosis and life assessment

Products

Transformers

- Power Transformers up to 250 MVA, 245kV
- Distribution Transformers up to 10 MVA, 36kV for Generator, network and special applications including :

- Voltage regulator auto transformers,
- Furnace transformers,
- High current rectifier transformers

- Neutral earthing transformer
- Single phase traction transformers

Medium Voltage Switchboards

- MV Vacuum Circuit Breaker panels upto 24kV, 40kA.
- MV Vacuum Contactor Panels upto 24kV, 800A.
- MV Load Break Switch Panels.
- Pad Mounted Transformers upto 1,250kVA.
- MV SF6 Gas Insulated Ring Main units.

Package Transformers Substations

For outdoor and indoor installations

- Self contained, factory wired. Separate sections for MV, LV and transformers.

Low Voltage Switchboards

- Switchboards upto 6,300 Amps upto 100kA
- Motor Control Centers fixed or draw-out type
- Power factor improvement plants
- Relay and Control Panels for 132/220/500kV grid stations.
- Bus Tie Ducts
- Distribution Boards
- AC / DC Panels
- Fan / Temperature / Auxiliary Control Panels
- Fan Control Panels
- Auxiliary Control Panels



- Soft Starter Panels
- MCC Panel for PLCs

High Voltage Substation Projects

For High Voltage Substations upto 500kV, we offer complete solutions including the following:

- Project Management
- Engineering
- GIS or HIS Gridstations
- Outdoor / Indoor Conventional Gridstations
- Transmission lines
- Numerical Protection Systems
- Conventional and Digital Sub-station Control Systems
- Static VAR compensation

Due to our expertise in executing turnkey projects, Siemens Pakistan is designated as “**Center of Competence**” for High Voltage Substations in the region.

Energy Automation Systems

- Protection and Control Systems
- SCADA / Telecom Systems for Utilities and for the industries
- Substation Automation Solutions
- Load Dispatch Centre

Industrial Solutions & Power Generation

Services

Engineering & Construction

Services and Solutions for Industrial, Infrastructure and Energy Sectors:

- Project Management
- Design & Engineering Services (Mechanical, Electrical & Instrumentation)
- Global Procurement Services
- Mechanical Constructions
- Civil Constructions
- Electrical and I&C Installations
- Instrumentation & Control Systems
- Testing, Commissioning and Life Cycle Support
- Airport and Airfield Lighting Solutions
- Traffic Control Solutions

Power Generation

Our business portfolio covers complete range of solution and services for Power Generation & Oil and Gas sector

- Gas Turbines, Steam Turbines and Combined Cycle Power Plants



- Oil and Gas Compression, LNG
- Wind Turbines (onshore and offshore)
- Fuel Gasification Technology
- Instrumentation and Control Systems for power plants

We have also established the service center in Pakistan which provides technical support and services for:

- Minor and Major inspections of Turbines & Generators of all ranges, makes & sizes
- Mod and Upgrades, Rehabilitation programs for Turbines and Generators.
- Long Term Service Contracts
- Operation and Maintenance contracts for Power Plants
- Heat Treatment Services (up to 1200 C)
- Commissioning Services for Power Plants
- Turbo charger Work shop

Information Technology Services

IT Business Solutions and Support, IT Solutions, IT Education including:

IT Business Solutions

- SAP Turnkey Solutions: Core SAP Solutions and SAP Industry Solutions
- Turnkey IT Business Solutions - Core Banking

- Turnkey IT Business Solutions - Textiles
- Siemens Support Services provides round-the-clock IT system support services to our clients

IT Solutions

- IT Infrastructure and Business Connectivity Solutions
- Software Development

IT Education

Siemens Learning Center, state-of-the-art dedicated training center offering:

- SAP Education
- IT Training

Process Industries and Water Technologies

Projects and Solutions for Industrial Sector:

- Project Management
- Design, Engineering, Procurement, Testing, Commissioning and Training
- Process Control and Automation
- Drive Solutions
- Management Information System
- Telemetry and SCADA
- Electrical Systems
- Migration Solutions



- Waste Heat Recovery
- HV Cable Solutions
- MES Solutions
- Energy Recovery and Management
- Boiler Solutions

Projects and Solutions for Water Sector:

- Project Management
- Procurement
- Construction (Civil, Mechanical and Electrical & Instrumentation)
- Installation, Testing, Commissioning and Training for:
 - Turnkey projects
 - Screening and Membrane Solutions
 - Water Treatment Solutions
 - Telemetry / SCADA Solutions
 - Pipeline Solutions
 - Mechanical Systems and Solutions
 - Electrical Systems and Solutions
 - Disinfection Solutions

On-Call, Logistics and Maintenance

Technical support and services in the field of Maintenance and Optimization for entire plant life cycle.

Maintenance Services

Industrial Plant Services:

- Preventive and Predictive maintenance
- Routine Maintenance of Electrical and I&C system
- Operation & Maintenance Contracts
- Calibration of instruments
- PCB Repair
- On-Call Services and Call out support
- Logistics Supply of Spare Parts

Reliability Solutions:

- Vibration analysis
- Thermography Services for Electrical and Mechanical Equipment / System
- Visual Inspection

Workshop Services:

- Motors / Alternators Repairs and Overhauling

Business based Maintenance including:

- Facility Management
- Consultancy Services range from process mapping and analysis to detailed feasibility studies
- Training for Industrial Personnel



Siemens Building Technologies

Design, supply, installation, testing & commissioning of:

- Fire Alarm Systems
- Security & Surveillance System
 - Intruder Detection System
 - Access Control System
- Building Management Systems and Heating, Ventilation & Airconditioning Controls (HVAC)
- Hospitality Solutions

Automation & Drives

Products

Generating Sets

- Upto 1.1 MVA, 3 phase, 400V, 50/60 Hz.
- Base load, Prime power or Standby duty
- Automatic Mains, Failure Units (Relay based/Logic module based)
- Changeover Units (Manual/Motorized)
- Synchronizing Units - Manual & Automatic
- Manual Over Ride panels
- Main & Sub-distribution Boards

- Sound attenuated / Weatherproof enclosures
- Skid, Trailer / Trolley-mounted
- Fuel Tanks
- Fully customizable, tailor made options

Low Voltage Motors

- 3-phase, solid shaft, squirrel cage induction motors for industrial & agricultural applications, 1HP to 400 HP, in 2, 4, 6 & 8 poles construction
- 3-phase vertical hollow shaft, squirrel cage induction motors for deep well turbine pumps, 7.5 HP to 22 HP in 2, 4 & 6 poles construction

Special Motors

- Pole changing Motors
- Increased Safety Motors
- Motors for textile applications

Service and Repair

- Pre and post purchase consultancy services for power solutions
- Maintenance, repair and overhauls with full backup support
- Turnkey operation and maintenance contracts
- Genuine back up spare parts inventory



- Installation, testing and commissioning
- Motor & Alternator Rewinding
- Dynamic balancing of rotating parts upto 1000 kG

- Digital Microwave Radios
- Fixed Wireless Sets
- Rectifier panels for telephone exchanges

MOTAC

Services

Installation and commissioning of following for all types of Enterprises:

- Voice Communication Systems
- Voice Communications applications such as Call Centers, Voice/Fax Mail, Conferencing, Conversation Recording, IVR etc.
- Data Switching (wired and wireless), Routing and Security systems
- Voice and Data (copper & fiber) cable networks

Services to all types of Enterprises for:

- Life Cycle Support
- On Call Support
- On site presence (including 24x7x365)

Products

Local manufacturing of digital communication systems is carried out at Siemens. The products covered include:

Cutting edge products and applications from our Principals and Partners for Enterprises including:

- Voice Communication platforms catering for 6 to 100,000 users
- Applications for Call Centers, IVR, Voice/Fax Mail etc.
- Data Switching, Routing and Security systems
- Copper and fiber cabling systems

Medical Solutions

Services

We offer economical and complete solutions to customers for execution of projects on turnkey basis, project management, inclusive of engineering, construction, supplies, installation, commissioning, customer training and long term maintenance.



Siemens Pakistan also offers the following products and services to the Government and Corporate Sectors.

Desktop Computers

Based on Intel Mother Boards and Processors with other Components from Microsoft qualified OEMs.

Server Systems

Based on Dual processor Intel boards, Server grade Intel casings with Hot swappable power supplies and Hard disks

Network Solutions

LAN and WAN solutions based on Cable (Fiber/Copper) & Wireless (802.11) technologies.

Call Center Applications

Computer Telephony based Automatic Call Distribution System with Automated and Interactive Voice Response (AVR/IVR) and Customized Database System

Racks and Panels

19 Inch Standard and Customized Racks, ETSI Standard Customized Racks, DDF Racks and Panels, Fuse Panels / Power Distributors, Wired Relay Panels

and Kiosks

CDMA Products

Fixed Wireless Phones, Fixed Wireless Terminals, and EVDO terminals

Test Equipment & Tools

OTDRS, E1 Testers, SDH Analyzers, Copper Loop, Testers, General Purpose Testers, Splicing Machines

Power Systems

Rectifiers, Low Maintenance, Maintenance Free (Lead Acid and Gel Type), Solar Power Panels, Uninterrupted Power Supplies (UPS)

Cables & Installation Material

Mono-mode and Multi-mode Optical Fiber Cables, OF Jointing Enclosures, ODFs, PCM Cables, Switchboard Cables, Under Ground Cables, CAT Cables , Jointing Kits, Tag Blocks / MDF, Wire Wrap Connectors, Wire Wrap Jacks

Services

Engineering Surveys; Installation, Testing, and Commissioning; Customer Training; Maintenance and Repair Services



Innovation

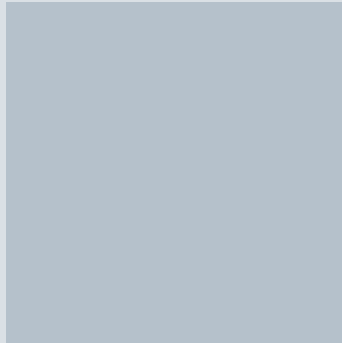
AL FAHIDI substation, Dubai. Most innovative and compact design as per customer requirements.

"Innovation ensures our success and that of our customers."

Corporate Committee Members



Amin Bandhani
Director
Process Management /
Business Continuity
Planning



Major (Retd.) A. A. Zuberi
Director Administration /
Industrial Relations



Zaman Najmi
Director
Business Development



Rahim Dawood
Director
Corporate Financial
Functions

Zia ul Islam Zuberi
Director
Corporate Communications

Asad Ahmed
Chief Information Officer

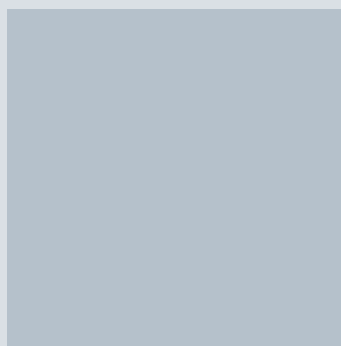
Mansoor Farooqui
Director
Human Resources

Shaheen Ahmed
General Manager
Export Control & Customs /
Procurement Governance
& Logistics



Naveed I. Ansari
Regional Compliance Officer

Muhammad Sohail
Head of Central Audit



Mohammad Rafi
Director
Financial Controlling
and Company Secretary

Mansoor Iqbal Khan
Director
Corporate Quality Process
Excellence

Notice of Meeting

Notice is hereby given that the Fifty Fifth Annual General Meeting of the shareholders of Siemens (Pakistan) Engineering Company Limited will be held on **December 27, 2007** at B-72, Estate Avenue, S.I.T.E., Karachi at **10:30** a.m. to transact the following business:

1. To confirm the minutes of the fifty fourth annual general meeting held on December 27, 2006 and extra ordinary general meeting of the shareholders of the Company held on July 30, 2007.
2. To receive and adopt the audited financial statements for the year ended September 30, 2007 and reports of the directors and auditors thereon.
3. To declare and approve final dividend of Rs. 60 per share (600%) in addition to interim dividend of Rs. 30 per share (300%) already paid, thereby making a total dividend of Rs. 90 per share (900%) for the year ended September 30, 2007.
4. To appoint auditors and to fix their remuneration for the year ending September 30, 2008. The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.
5. To transact such other ordinary business as may be placed before the Meeting with the permission of the Chair.

By order of the Board

Mohammad Rafi
Company Secretary

Karachi: December 5, 2007.

Notes:

1. The Share Transfer Books of the Company will remain closed from December 19, 2007 to December 28, 2007 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxy forms in order to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting. A member shall not be entitled to appoint more than one proxy. A proxy must be a member.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

FOR ATTENDING THE SHAREHOLDERS MEETING

- i) In case of individuals, the account holder or sub-account holder and/or the person, whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

The shareholders registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS.

- ii) In case of a corporate entity the Board of Directors' resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

FOR APPOINTMENT OF PROXIES

- i) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- v) In case of corporate entity, the Board of Directors resolution/Power of Attorney with specimen signature shall be submitted along with proxy form to the company.


Statement of Compliance with the Best Practices of Code of Corporate Governance

This statement is being presented to comply with the requirements of the Code of Corporate Governance (the Code) as incorporated in the listing regulations of the stock exchanges of Pakistan. The Code provides a framework of best practices of Corporate Governance. Good Governance is considered indispensable by the Board to enhance and achieve highest performance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors. The Board comprises of eight directors which include three independent non-executive directors, one of whom is the Chairman. Two directors represent the National Investment Trust Limited (NIT).
2. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.
3. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies including this company.
4. All the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any dues to any banking company, a DFI or NBFIs.
5. None of the directors or their spouses are engaged in business of stock brokerage.
6. No casual vacancy occurred during the year. On expiry of the terms of offices of directors, fresh elections were held in which the eight retiring directors were re-elected by the shareholders in the Extra Ordinary General Meeting held on December 1, 2006.
7. The Company has adopted a Statement of Ethics & Business Practices which has been signed by all the directors and employees of the Company.
8. The Board of Directors has developed a Vision and Mission Statement. All significant policies have been approved by the Board and compiled in the Company's Policy Manual. The level of materiality has also been defined by the Board.
9. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been determined and approved by the Board of Directors. Further, the appointment, remuneration and terms and conditions of employment of the Head of Internal Audit and the Company Secretary have been determined by the Chief Executive Officer with the approval of the Board of Directors.
10. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined.
11. The meetings of the Board are presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose.
12. The Board meets at least once in every quarter.
13. Written notices and agenda of Board Meetings are circulated not less than seven days before the meetings.
14. The Minutes of the Board Meetings are appropriately recorded, signed by the Chairman and circulated within 14 days from the date of meetings.
15. The Company conducted in-house orientation for foreign resident directors to apprise them of their duties and responsibilities. Other directors of the Company, being professionals and directors of other local companies have adequate exposure of corporate matters and are already aware of their duties and responsibilities.

16. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.
17. All quarterly, half yearly and annual financial statements presented to the Board for approval were duly endorsed by the CEO and the CFO.
18. The directors, CEO, CFO and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
19. All statements have been included in the Directors' report, which are required by the Code and Section 236 of the Companies Ordinance, 1984.
20. We confirm that the Company has complied with all material principles and the corporate and financial reporting requirements of the Code as mentioned in this Statement of Compliance with the best practices of Corporate Governance.
21. The Board has formed an audit committee. It comprises of four members including the Chairman of Committee, all of whom are non-executive directors.
22. 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.
23. The Company has an internal audit function in place. The function is managed by suitably qualified and experienced staff. The internal audit activities are further supplemented by financial audit carried out by regional audit team.
24. The external auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
25. The external 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.
26. The Directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

For and on behalf of the Board of Directors



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Karachi, November 15, 2007

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Siemens (Pakistan) Engineering Company Limited to comply with the Listing Regulation No. 37, 36 and Chapter VIII of the Karachi, Islamabad and Lahore Stock Exchanges respectively where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system 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.

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.



Date: November 15, 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of Siemens (Pakistan) Engineering Company Limited ("the Company") as at 30 September 2007 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 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, except for the change as stated in note 3.5.2 with which we concur;
 - 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 30 September 2007 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 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Date: November 15, 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Siemens (Pakistan) Engineering Company Limited

Balance Sheet

As at September 30, 2007

	Note	2007 (Rupees in '000)	2006
Share capital and reserves			
Share capital			
- Authorised 20,000,000 (2006: 20,000,000) ordinary shares of Rs 10 each		<u>200,000</u>	<u>200,000</u>
- Issued, subscribed and fully paid-up	5	82,470	77,696
Reserves	6	2,647,218	1,837,528
Retained earnings		<u>2,621,734</u>	<u>806,588</u>
Total equity		<u>5,351,422</u>	<u>2,721,812</u>
Minority interest		-	347,504
Total equity and minority interest		<u>5,351,422</u>	<u>3,069,316</u>
Retention money payable		<u>104,279</u>	<u>68,843</u>
Employees' long service bonus		9,401	8,556
Deferred liability		-	46,891
Total non-current liabilities		<u>113,680</u>	<u>124,290</u>
Trade and other payables	8	<u>7,058,499</u>	<u>7,665,891</u>
Provisions	9	1,139,496	817,319
Short-term borrowings	10	2,687,826	784,778
Provision for taxation		<u>1,230,093</u>	<u>425,202</u>
Total current liabilities		<u>12,115,914</u>	<u>9,693,190</u>
Total liabilities		<u>12,229,594</u>	<u>9,817,480</u>
Total equity and liabilities		<u>17,581,016</u>	<u>12,886,796</u>
Contingencies and commitments	11		

Siemens (Pakistan) Engineering Company Limited

Balance Sheet

As at September 30, 2007

	Note	2007 (Rupees in '000)	2006
Property, plant and equipment	12	1,532,620	1,477,252
Intangible assets	13	6,755	139,751
Long-term receivables and prepayments	14	1,154,164	644,158
Deferred tax assets	15	402,904	367,335
Total non-current assets		3,096,443	2,628,496
Inventories	16	3,166,741	2,452,339
Trade receivables	17	6,634,051	5,336,901
Other receivables	18	1,371,873	698,771
Cash and bank balances	19	3,311,908	1,770,289
Total current assets		14,484,573	10,258,300
Total assets		17,581,016	12,886,796

The annexed notes 1 to 42 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Siemens (Pakistan) Engineering Company Limited

Profit and Loss Account

For the year ended September 30, 2007

	Note	2007			2006		
		Continuing operations	Discontinued operations	Company as a whole	Continuing operations	Discontinued operations	Company as a whole
----- (Rupees in '000) -----							
Net sales	20	18,607,805	3,293,947	21,901,752	13,849,065	6,946,782	20,795,847
Cost of sales	21	(16,167,683)	(2,608,940)	(18,776,623)	(12,765,938)	(5,578,152)	(18,344,090)
Gross profit		<u>2,440,122</u>	<u>685,007</u>	<u>3,125,129</u>	<u>1,083,127</u>	<u>1,368,630</u>	<u>2,451,757</u>
Commission and allowances earned		<u>177,219</u>	<u>70,914</u>	<u>248,133</u>	<u>393,596</u>	<u>221,751</u>	<u>615,347</u>
		<u>2,617,341</u>	<u>755,921</u>	<u>3,373,262</u>	<u>1,476,723</u>	<u>1,590,381</u>	<u>3,067,104</u>
Marketing and selling expenses	22	(777,130)	(209,330)	(986,460)	(697,896)	(305,579)	(1,003,475)
General administration expenses	23	(542,836)	(28,107)	(570,943)	(364,130)	(76,858)	(440,988)
Other operating income	24	195,281	11,495	206,776	16,181	36,529	52,710
		<u>(1,124,685)</u>	<u>(225,942)</u>	<u>(1,350,627)</u>	<u>(1,045,845)</u>	<u>(345,908)</u>	<u>(1,391,753)</u>
Profit from operations		<u>1,492,656</u>	<u>529,979</u>	<u>2,022,635</u>	<u>430,878</u>	<u>1,244,473</u>	<u>1,675,351</u>
Financial income	25	258,878	-	258,878	82,222	-	82,222
Financial expenses	25	(307,509)	(9,430)	(316,939)	(222,355)	(26,898)	(249,253)
Net finance costs		<u>(48,631)</u>	<u>(9,430)</u>	<u>(58,061)</u>	<u>(140,133)</u>	<u>(26,898)</u>	<u>(167,031)</u>
Profit before income tax expense and profit on sale of discontinued operations		<u>1,444,025</u>	<u>520,549</u>	<u>1,964,574</u>	<u>290,745</u>	<u>1,217,575</u>	<u>1,508,320</u>
Income tax expense	26	(763,739)	(217,141)	(980,880)	(140,974)	(642,810)	(783,784)
Profit for the year before profit on sale of discontinued operations		<u>680,286</u>	<u>303,408</u>	<u>983,694</u>	<u>149,771</u>	<u>574,765</u>	<u>724,536</u>
Profit on sale of discontinued operations - net of income tax	27	-	1,497,628	1,497,628	-	-	-
Profit for the year		<u>680,286</u>	<u>1,801,036</u>	<u>2,481,322</u>	<u>149,771</u>	<u>574,765</u>	<u>724,536</u>
Attributable to							
- Equity holders of Siemens (Pakistan) Engineering Company Limited		680,286	1,801,036	2,481,322	150,281	576,725	727,006
- Minority interest		-	-	-	(510)	(1,960)	(2,470)
		<u>680,286</u>	<u>1,801,036</u>	<u>2,481,322</u>	<u>149,771</u>	<u>574,765</u>	<u>724,536</u>
Basic and diluted earnings per share (Rupees)	28	<u>82.49</u>	<u>218.38</u>	<u>300.87</u>	<u>19.34</u>	<u>74.23</u>	<u>93.57</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Siemens (Pakistan) Engineering Company Limited

Cash Flow Statement

For the year ended September 30, 2007

	Note	2007 (Rupees in '000)	2006
Cash flows from operating activities			
Cash generated from operations	29	(1,112,623)	1,744,697
Payments to employees for long service bonus		(837)	(2,310)
Financial expenses paid		(294,288)	(197,835)
Income tax paid		(839,866)	(818,168)
Net cash flows from operating activities		<u>(2,247,614)</u>	<u>726,384</u>
Cash flows from investing activities			
Acquisition of subsidiary		-	(500,000)
Capital expenditure		(362,220)	(312,101)
Proceeds from sale of property, plant and equipment		18,443	24,032
Investment		-	9,341
Proceeds from sale of discontinued operations		2,450,694	-
Financial income received		244,376	69,592
Net cash flows from investing activities		<u>2,351,293</u>	<u>(709,136)</u>
Cash flows from financing activities			
Short-term loans obtained		330,646	-
Dividends paid		(465,108)	(464,982)
Net cash flows from financing activities		<u>(134,462)</u>	<u>(464,982)</u>
Net decrease in cash and cash equivalents		<u>(30,783)</u>	<u>(447,734)</u>
Cash and cash equivalents at beginning of the year		985,511	1,639,176
Cash and cash equivalents of CTI at acquisition		-	(205,931)
Cash and cash equivalents at end of the year	30	<u><u>954,728</u></u>	<u><u>985,511</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Siemens (Pakistan) Engineering Company Limited

Statement of Changes in Equity

For the year ended September 30, 2007

	Issued, subscribed and paid-up share capital	Capital reserves			Revenue reserves		Minority interest	Total
		Share premium	Capital repurchase reserve account	Other capital reserve	General reserve	Retained earnings		
------(Rupees in '000)-----								
Balance as at September 30, 2005	77,696	9,635	567	4,300	1,823,026	545,758	-	2,460,982
Final dividend @ Rs 24 per share for the year ended September 30, 2005	-	-	-	-	-	(186,470)	-	(186,470)
Minority interest on acquisition of a subsidiary	-	-	-	-	-	-	349,974	349,974
Profit / (loss) for the year ended September 30, 2006	-	-	-	-	-	727,006	(2,470)	724,536
Interim dividend @ Rs 6 per share for the three months period ended December 31, 2005	-	-	-	-	-	(46,618)	-	(46,618)
Interim dividend @ Rs 30 per share for the six months period ended March 31, 2006	-	-	-	-	-	(233,088)	-	(233,088)
Balance as at September 30, 2006	77,696	9,635	567	4,300	1,823,026	806,588	347,504	3,069,316
Final dividend @ Rs 30 per share for the year ended September 30, 2006	-	-	-	-	-	(233,088)	-	(233,088)
Transfer to general reserves	-	-	-	-	200,000	(200,000)	-	-
Issuance of share capital under a scheme of amalgamation	4,774	609,690	-	-	-	-	(347,504)	266,960
Profit for the year ended September 30, 2007	-	-	-	-	-	2,481,322	-	2,481,322
Interim dividend @ Rs 30 per share for the six months period ended March 31, 2007	-	-	-	-	-	(233,088)	-	(233,088)
Balance as at September 30, 2007	82,470	619,325	567	4,300	2,023,026	2,621,734	-	5,351,422

The annexed notes 1 to 42 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Siemens (Pakistan) Engineering Company Limited

Notes to the Financial Statements

For the year ended September 30, 2007

1. LEGAL STATUS AND OPERATIONS

1.1 Siemens (Pakistan) Engineering Company Limited (the Company) is incorporated in Pakistan as a public limited company and its shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The Company is principally engaged in execution of projects under contracts and in the manufacture, installation and sale of electronic and electrical capital goods.

1.2 The Company had acquired 52.51 percent shareholding in Carrier Telephone Industries (Private) Limited (CTI) for Rs 500 million during the year ended September 30, 2006 and took over the management on December 9, 2005. During the current year the shareholders of the Company, in their Extra-ordinary General meeting held on December 1, 2006, approved the merger of CTI into the Company with effect from October 1, 2006. The Lahore High Court Rawalpindi Bench, vide its order dated November 2, 2007, sanctioned the Scheme of Arrangement of Amalgamation (the scheme) of the Company and CTI with effect from October 1, 2006. Accordingly, the entire undertaking of CTI including its business and all its assets, properties, rights, privileges, powers, bank and other accounts, trade marks, patents and licenses as of October 1, 2006 stand transferred to the Company.

2. BASIS OF PREPARATION

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 or directives of the Companies Ordinance, 1984 shall prevail.

Standards early adopted by the Company

The Securities and Exchange Commission of Pakistan has notified the adoption of IFRS - 2, 'Share based payment', IFRS - 3, 'Business Combinations' and IFRS - 5, 'Non-current Assets Held for Sale and Discontinued Operations' on December 6, 2006 and is applicable on the Company for annual periods beginning on or after October 1, 2007. The Company has adopted these standards for the preparation of these financial statements.

The accounting policies on adoption of IFRS - 2 and IFRS - 5 are described in notes 3.19 and 3.20 respectively. The change in accounting policies have no impact other than reclassifications and additional disclosures. The accounting policy and the resulting impact of change therein on adoption of IFRS-3 is described in note 3.5.2.

2.2 Basis of measurement

These financial statements have been prepared under the 'historical cost' convention.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousand of rupees.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In preparing these financial statements, the significant judgements made by the management in applying accounting policies include:

- Warranty obligations (note 3.2)
- Provision for liquidated damages aggregating Rs 651.932 million as at September 30, 2007 (note 3.2)
- Provision against inventories and doubtful receivables (notes 3.10 and 3.11)
- Actuarial assumptions for the gratuity scheme and provision thereagainst (note 7)
- Provision for taxes and deferred taxation (note 26.2)
- Cost of completion of contracts in progress and their results (note 33)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGES THEREIN

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Employees' retirement benefits

Defined Benefit Plan

The Company operates a funded gratuity scheme for its regular permanent employees except expatriates. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit method. Actuarial gains / losses are amortised over the expected future service of the employees. The Company also operates a gratuity scheme for the employees of CTI.

Defined Contribution Plan

The Company also operates a provident fund scheme for all its regular permanent employees except expatriates. Equal monthly contributions are made to the fund, both by the Company and the employees at the rate of 10 percent of basic salary and cost of living allowance wherever applicable.

3.2 Provisions

A provision is recognised in the balance sheet when the Company has legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The Company accounts for its obligations towards long service bonus payable to its employees who are expected to complete twenty five / forty years of service when the employees render service.

The Company accounts for its warranty obligations when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Various contracts entered into by the Company include provisions whereby liquidated damages may be imposed in case of delay in completion of the project. These damages are generally levied in case the delay is considered to be on account of factors under Company's control. The Company makes provision for these liquidated damages based on an analysis of various factors resulting in delays / estimated delays. The imposition of actual liquidated damages is subject to negotiations and, in certain cases, based on fresh analysis of the factors affecting the delay, these damages may not be imposed or may be higher than the amount provided. On final acceptance and release of retention money, the provisions which are no longer required are released to the profit and loss account.

3.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. Capital work-in-progress is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated service life. Depreciation on additions is charged from the month in which asset is put to use and on disposals upto the month of deletion.

Maintenance and normal repairs are charged to income as and when incurred.

Renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains or losses on sale or retirement of fixed assets are included in income currently.

3.5 Intangible assets

3.5.1 Software

Software is stated at cost less accumulated amortisation. These are amortised using the straight line method over the estimated useful lives of software.

3.5.2 Goodwill

Goodwill represents the excess of the cost of business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. This is stated at cost less any accumulated impairment losses, if any.

Previously, goodwill arising on purchase of a subsidiary was being amortised over the period of its economic use. Following adoption of IFRS - 3, such amortisation was discontinued and the goodwill is now stated at cost less impairment losses. This change in accounting policy does not have a material impact on these financial statements.

3.6 Impairment

The carrying value of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the recoverable amount is estimated. An impairment loss is recognised if carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

3.7 Investments

Investments in subsidiaries are recognised at cost.

3.8 Taxation

3.8.1 Current

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

3.8.2 Deferred

Deferred tax is provided using the 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 tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only when it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Long-term receivables

Long-term loans, trade debts, deposits and other receivables, except those on which mark-up is earned by the Company are discounted to their present values.

3.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of finished goods, both manufactured and purchased, raw material and components is determined on weighted average basis. The cost of work-in-process and finished goods includes direct materials, labour and applicable production overheads. Goods-in-transit are valued at cost comprising invoice value and other expenses incurred thereon.

Net realisable value is arrived at by considering the depletion span and technical obsolescence of inventories and the replacement cost thereof.

3.11 Trade receivables

3.11.1 Trade receivables are initially recognised at fair value and subsequently measured at amortised cost.

3.11.2 Due against construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred.

3.11.3 Provision for impairment on trade receivables is established when there is objective evidence that the Company will not be able to collect all amount due according to original terms of receivables.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and deposits held with banks. Running finance facilities availed by the Company, which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.13 Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business and geographical segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3.14 Foreign currencies

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities (monetary items) in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income currently.

3.15 Revenue recognition

Revenue from sale of goods are recognised when significant risks and rewards of ownership are transferred to the buyer i.e., when deliveries are made or when goods are specifically contractually appropriated. Service revenue is recognised over the contractual period or as and when services are rendered to customers. Commission income is recognised on receipt of credit note. Financial income is recognised as it accrues, using the effective mark-up rates.

Contract revenue and contract costs relating to long-term construction contracts are recognised as revenue and expenses respectively by reference to stage of completion of contract activity at the balance sheet date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. Contract revenue on construction contracts valuing less than Rs 10 million and duration upto six months is recognised using completed contract method. Expected losses on contracts are recognised as an expense immediately.

In respect of certain sales contracts, the price differentials are accounted for in the year in which they are finally determined.

3.16 Financial assets and liabilities

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given or received as appropriate. These financial assets and liabilities are subsequently measured at fair value or amortised cost as the case may be. The Company derecognises the financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instruments.

3.17 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. Any gain or loss from re-measuring the hedging instrument at fair value is recognised in the profit and loss account.

3.18 Dividends

Dividend is recognised as a liability in the period in which it is declared.

3.19 Share based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights and / or phantom stocks, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as salaries, wages and employment welfare expense in the profit and loss account.

3.20 Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation had been discontinued from the start of the comparative period.

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.21 Business combinations

Business combinations are accounted for by applying the purchase method. The cost of acquisition is measured as the fair value of the asset given, equity instruments issued and the liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identified assets acquired are recognised at fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill.

Business combinations arising from transfer of interest in entities that are under the control of the shareholders that control both the companies are accounted for as if the acquisition had occurred at the beginning of the earliest period presented or, if later, at the date such common control was established. For this purpose comparatives are restated. The assets and liabilities acquired are recognised at the fair values recognised previously in the Group's consolidated financial statements.

3.22 Amendments to published standards and new interpretations effective in 2007

IAS 19 (Amendment), Employee Benefits, is applicable for the Company's accounting periods beginning on or after October 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains or losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Company has decided to continue with its existing policy for recognition of actuarial gains and losses and does not participate in any multi-employer plans. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 7 to the financial statements.

3.23 Standards, interpretations and amendments to published accounting standards that are issued but not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after October 1, 2007 and except for additional disclosures are not expected to have a significant effect on the Company's financial statements or are not relevant to the Company:

- Amendment to IAS 1, Presentation of Financial Statements - Capital disclosures;
- IAS 23, Borrowing cost (Revised);
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 10, Interim Financial Reporting and Impairment;
- IFRIC 11, Group and Treasury Share Transactions;
- IFRIC 12, Services Concession Arrangements;
- IFRIC 13, Customer Loyalty Programmes; and
- IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

4. AMALGAMATION OF CTI

During the year ended September 30, 2007, the Company acquired an additional 47.49 percent shares of CTI for Rs 614.465 million making CTI a wholly owned subsidiary of the Company. Pursuant to sanctioning by the High Court, and as disclosed in note 1.2 above, CTI has been amalgamated with the Company with effect from October 1, 2006. In accordance with the scheme of amalgamation, as consideration for the transfer of undertaking of CTI, the Company has issued 477,440 fully paid ordinary shares of Rs 10 each of the Company at a price of Rs 1,287 each to Siemens AG, Germany, the other shareholder in CTI in exchange of 7,251 shares of Rs 1,000 each of CTI. The above share swap had the following effect on the company's assets and liabilities as of October 1, 2006:

	Note	2007 (Rupees in'000)
Fair value of identified assets and liabilities of CTI on amalgamation:	4.1	
Property, plant and equipment		739,261
Long-term receivables		5,763
Deferred tax assets		17,718
Inventories		167,126
Trade receivables		251,516
Other receivables		53,143
Cash		2,982
Deferred liability		(42,955)
Short-term running finances		(281,088)
Trade and other payables		(181,725)
Net identified assets		<u>731,741</u>
Share of net assets attributable to other shareholder of CTI (47.49 percent)		347,504
Fair value of shares issued by the Company		<u>614,465</u>
Additional goodwill recognised		<u>266,961</u>

4.1 The carrying value of identifiable assets as at October 1, 2006 is estimated to approximate their fair values as at that date as a fair value exercise was carried out on December 9, 2005, the date of acquisition of the subsidiary.

The respective fair values of shares of both the companies and the resulting swap ratio have been determined based on business valuations carried out by independent consultants using the discounted cash flow method. The fair value of the Company's share so determined exceeded the market value of the such shares by Rs 146.574 million as of the date of amalgamation. The market value of Company's shares has not been used in determining the cost of combination as it is not considered to be a true representative of the fair value of the Company's shares.

CTI was engaged in the manufacture of carrier multiplex equipment, digital system alongwith its existing spectrum of analog system and computer equipment and the goodwill was attributable to CTI's COM operations. The CTI operations have added Rs 298.643 million to Company's net sales (including Rs 165.228 million included in discontinued operations) and a loss of Rs 58.988 million to Company's profit before tax (including a loss of Rs 32.448 million included in discontinued operations).

5. ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL

		2007	2006
		(Rupees in '000)	
		Note	
Ordinary shares of Rs 10 each			
6,217,780	Issued for cash	62,178	62,178
81,700	Issued for consideration other than cash	817	817
1,526,800	Issued as bonus shares	15,268	15,268
(56,683)	Shares bought back	(567)	(567)
477,440	Issued under a scheme of amalgamation	4,774	-
<u>8,247,037</u>		<u>82,470</u>	<u>77,696</u>

5.1 Siemens AG held 5,451,120 ordinary shares (2006: 4,973,680 ordinary shares) of Rs 10 each of the Company as at September 30, 2007.

5.2 Dividends and other appropriations

The Board of Directors in their meeting held on November 15, 2007 have proposed a final cash dividend of Rs 60 per share (2006: Rs 30 per share) amounting to Rs 494.822 million (2006: Rs 233.088 million). The Board also proposed to transfer an amount of Rs 1,000 million (2006: Rs 200 million) from retained earnings to general reserves.

6. RESERVES

		2007	2006
		(Rupees in '000)	
		Note	
Share premium	6.1	619,325	9,635
Capital repurchase reserve account	6.2	567	567
Other capital reserve		4,300	4,300
General reserve		2,023,026	1,823,026
		<u>2,647,218</u>	<u>1,837,528</u>

6.1 This represents premium of Rs 50 per share on issue of 186,340 ordinary shares and Rs 70 per share on issue of 223,608 ordinary shares during the years ended September 30, 1988 and 1990 respectively and premium of Rs 1,277 per share on issue of 477,440 ordinary shares under the scheme of amalgamation during the year ended September 30, 2007. This amount has been reduced by Rs 15.334 million on account of 56,683 shares bought back by the Company during the year ended September 30, 2003.

6.2 This represents the amount by which the share capital of the Company was diminished on buy back of 56,683 shares of Rs 10 each and transferred from the distributable profits of the Company to 'capital repurchase reserve account' during the year ended September 30, 2003. This reserve was created to comply with the requirements of sub-section 10 of section 95A of the Companies Ordinance, 1984.

7. STAFF RETIREMENT BENEFITS - Defined benefit plan

7.1 The actuarial valuation of gratuity schemes were carried out at September 30, 2007. The Projected Unit Credit method, using the following significant financial assumptions respectively for the Company and CTI, has been used for the actuarial valuation:

- Discount rate 11.00% and 10.00% per annum compound (2006: 10.78% and 8%).
- Expected rate of increase in salaries 8.89% and 9.00% per annum (2006: 8.66% and 8%).
- Expected rate of return on plan assets 11.00% and 12.00% per annum (2006: 10.78% and 12%).

The amounts recognised in the balance sheet are as follows:

		2007	2006
		(Rupees in '000)	
Fair value of plan assets		368,633	405,731
Present value of defined benefit obligation		(377,690)	(335,459)
(Deficit) / surplus		(9,057)	70,272
Unrecognised net loss / (gain)		42,973	(13,920)
Surplus carried forward in the balance sheet		<u>33,916</u>	<u>56,352</u>

	2007	2006
	(Rupees in '000)	
7.2 Movement in net asset in the balance sheet is as follows:		
Opening balance of net asset	56,352	45,470
Balance of CTI at acquisition	-	11,185
Expense recognised for the year	(22,436)	(303)
Closing balance of net asset	<u>33,916</u>	<u>56,352</u>
7.3 The following amounts have been charged in the profit and loss account in respect of these benefits:		
Current service expense	27,765	21,733
Interest expense	35,489	31,191
Expected return on plan assets	(42,296)	(43,457)
Settlement cost	1,469	-
Expense for the year	<u>22,427</u>	<u>9,467</u>
Recognition of actuarial loss / (gain)	9	(9,164)
Expense recognised in the financial statements	<u>22,436</u>	<u>303</u>
7.4 Movement in the present value of defined benefit obligation:		
Opening balance	335,459	246,385
Obligation pertaining to CTI at acquisition	-	37,009
Service expense	27,765	21,733
Interest expense	35,489	31,191
Benefits paid	(63,276)	(22,800)
Benefits due but not paid to outgoing members	(15,017)	-
Settlement cost	1,469	-
Actuarial loss	55,801	21,941
Present value of defined benefit obligation at end of the year	<u>377,690</u>	<u>335,459</u>
7.5 Movement in the fair value of plan assets		
Opening balance	405,731	331,390
Fair value of plan assets of CTI at acquisition	-	48,506
Expected return	42,296	43,458
Benefits paid	(63,276)	(22,800)
Benefits due but not paid to outgoing members	(15,017)	-
Actuarial (loss) / gain	(1,101)	5,177
Fair value of plan assets at end of the year	<u>368,633</u>	<u>405,731</u>

7.6 Comparison for five years

As at September 30,	2007	2006	2005	2004	2003
	----- (Rupees in '000) -----				
Fair value of plan assets	368,633	405,731	331,390	334,072	326,788
Present value of defined benefit obligation	(377,690)	(335,459)	(246,385)	(225,050)	(204,715)
(Deficit) / surplus	<u>(9,057)</u>	<u>70,272</u>	<u>85,005</u>	<u>109,022</u>	<u>122,073</u>
Experience adjustment on plan liabilities	7%	18%	5%	8%	-5%
Experience adjustment on plan assets	-1%	0%	-2%	0%	-2%

7.7 Major categories / composition of plan assets are as follows:

	2007	2006
	-----%	
Debt instruments	13	94
Mixed funds	11	5
Cash and cash equivalents	76	1
	<u>100</u>	<u>100</u>

7.8 The expected return on plan assets is taken as weighted average of the expected investment return on different assets of the gratuity fund.

7.9 Actual return on plan assets for the year ended September 30, 2007 was Rs 41.223 million (2006: Rs 48.635 million).

7.10 Company's asset in respect of the gratuity scheme of Rs 33.916 million (2006: Rs 56.352 million) is included in note 18 'Other receivables'.

7.11 The Company plans to contribute Rs 25 million to the gratuity fund next year.

8. TRADE AND OTHER PAYABLES

	Note	2007	2006
		(Rupees in '000)	
Trade Creditor		3,080,559	3,384,224
Accrued liabilities		1,402,309	1,207,029
Advances from customers			
- For goods		716,099	744,079
- For services including projects		1,393,760	1,806,972
Accrued mark-up on running finances		3,774	4,728
Unearned portion of revenue and maintenance contracts		36,012	63,850
Workers' profits participation fund	8.1	111,253	82,227
Workers' welfare fund		104,268	47,519
Unclaimed dividend		6,488	5,420
Other liabilities		203,977	319,843
		<u>7,058,499</u>	<u>7,665,891</u>
Amount payable to related parties included in trade and other payables are as follows:			
- Payable to parent company		-	378,149
- Payable to associates		3,453	765,266
		<u>3,453</u>	<u>1,143,415</u>

8.1 Workers' profits participation fund

Balance at beginning of the year	82,227	65,716
Interest paid on funds utilised in Company's business	1,215	9,068
Amount allocated for the year	110,865	82,227
Amount paid to the Fund	(83,054)	(74,784)
Balance at end of the year	<u>111,253</u>	<u>82,227</u>

9. PROVISIONS

	Warranties	Liquidated damages	Losses on sales contracts	Total
	------(Rupees in '000)-----			
Balance as at October 1, 2006	405,501	213,481	198,337	817,319
Additional provisions	385,876	562,310	72,424	1,020,610
Reversals of utilised and unutilised amounts	(231,006)	(83,812)	(178,448)	(493,266)
Provisions disposed off as part of discontinued operations	(165,120)	(40,047)	-	(205,167)
Balance as at September 30, 2007	<u>395,251</u>	<u>651,932</u>	<u>92,313</u>	<u>1,139,496</u>

10. SHORT-TERM BORROWINGS	Note	2007	2006
		(Rupees in '000)	
Due to an associate			
- Short-term loans - Unsecured	10.1	330,646	-
- Short-term running finances - Secured	10.2	2,357,180	784,778
		<u>2,687,826</u>	<u>784,778</u>

10.1 Short-term loans

The facility for short-term loans has been arranged from Siemens Financial Services (SFS) of Siemens AG, (the parent company) at a mark up rate of 5.33% per annum for an initial period of one month. The amount and period is extendable under a frame agreement.

10.2 Short-term running finances

Short term running finance facilities available from various banks and financial institutions including SFS aggregating to Rs 5,342.180 million (2006: Rs 1,979.200 million). The mark-up on these facilities ranges between 5.35% to 11.81% (2006: 8.75% to 11.06%) per annum and the facilities are secured, where applicable, by joint hypothecation of inventories of finished goods, work-in-process, raw materials and components and present and future trade receivables. These include facilities aggregating Rs 2,357.180 million (2006: nil) obtained in UAE at 5.35% to 5.76% per annum (2006: nil).

Other facilities granted by the banks and amounts remaining unutilised thereof as at September 30, 2007 are as follows:

	2007	2006
(Rupees in '000)		
Letters of credit		
- limit	<u>6,571,250</u>	<u>4,493,309</u>
- unutilised portion	<u>3,534,249</u>	<u>3,007,684</u>
Guarantees		
- limit	<u>9,143,365</u>	<u>4,540,491</u>
- unutilised portion	<u>4,526,682</u>	<u>623,709</u>

11. CONTINGENCIES AND COMMITMENTS

- 11.1 As at September 30, 2007 capital expenditure contracted for but not incurred amounted to Rs. 88.692 million (2006: Rs. 152.051 million).
- 11.2 The Company has been made party to a legal suit along with two other Siemens entities for infringement of intellectual property rights of an individual. The plaintiff has prayed the court for recovery of cost and damages of Rs. 20 billion. The Company considers that the suit has no merit and accordingly no provision has been made thereagainst.
- 11.3 The Company is defending various cases in the High Court of Sindh for the recovery of claim aggregating to Rs 129.600 million (2006: Rs 183.859 million) alongwith liquidated damages. The Company's management is confident, based on the advice of its legal advisor, that the matter will be decided in its favour and accordingly no provision has been made in these financial statements in respect of the amounts claimed.
- 11.4 The Company has filed a case in the High Court of Sindh against a claim of Sui Southern Gas Company Limited amounting to Rs 7.690 million. The Company's management is confident, based on the advice of its legal advisor, that the matter will be decided in its favour and accordingly no provision has been made in these financial statements in respect of the amount claimed.
- 11.5 The Company alongwith two Siemens entities is defending a law suit filed by a supplier to seek damages in excess of USD 7.4 million for an alleged breach of an agreement to purchase certain equipment. The Company has moved to dismiss the claims against it for lack of personal jurisdiction. As the case is still proceeding, the likely outcome cannot be predicted nor the amount of potential loss, if any, can be estimated at this stage.
- 11.6 The Company served notice of termination of the Operation and Maintenance Contract (O & M Contract) to KESC on account of material default by KESC on payments against the O & M Contract and hiring of Company's officials without the Company's consent. However, pending the resolution by KESC, the Company filed suites on October 8, 2007 against KESC for the recovery of outstanding payments in respect of the fixed and variable fee plus mark-up accrued thereon and against unauthorized access to Company's intellectual property (i.e. SAP system) by KESC. In response to the notice KESC has accepted the Company's desire to terminate the O & M Contract while reserving its rights to initiate legal proceedings interalia for recovery of amounts paid to the Company and the alleged damages and losses caused to KESC.

12. PROPERTY, PLANT AND EQUIPMENT

	Note	2007 (Rupees in '000)	2006
Tangible assets	12.1	1,504,313	1,399,801
Capital work in progress	12.2	28,307	77,451
		1,532,620	1,477,252

12.1 Tangible assets

2007	Cost at October 1, 2006	Identifiable tangible assets of CTI at acquisition	Additions / (deletions)	Disposal as part of discontinued operations	Cost at September 30, 2007	Accumulated depreciation at October 1, 2006	Depreciation for the year / (on deletion)	Depreciation on disposal as part of discontinued operations	Accumulated depreciation at September 30, 2007	Net book value at September 30, 2007	Depreciation rates as a % of cost
(Rupees in '000)											
Leasehold lands	53,149	-	-	-	53,149	20,695	1,329	-	22,024	31,125	2.5
Freehold land	544,011	-	-	-	544,011	-	-	-	-	544,011	-
Buildings on leasehold / freehold lands	336,228	-	54,540 (21)	(55)	390,692	75,736	8,125 (21)	(55)	83,785	306,907	2.5 & 10
Plant and machinery	575,090	-	167,767 (9,509)	(64,887)	668,461	320,310	53,549 (9,034)	(23,218)	341,607	326,854	10,20,25 & 100
Tools and patterns	132,662	-	28,174 (14,365)	(17,909)	128,562	108,748	15,602 (14,365)	(9,989)	99,996	28,566	50
Furniture and equipment	382,537	-	73,708 (8,274)	(93,277)	354,694	268,497	52,351 (7,919)	(66,549)	246,380	108,314	20,25,33.33 & 100
Vehicles	342,812	-	83,820 (32,517)	(53,253)	340,862	172,702	68,377 (30,912)	(27,841)	182,326	158,536	25 & 50
	2,366,489	-	408,009 (64,686)	(229,381)	2,480,431	966,688	199,333 (62,251)	(127,652)	976,118	1,504,313	
(Rupees in '000)											
2006	Cost at October 1, 2005	Identifiable tangible assets of CTI at acquisition	Additions / (deletions)	Disposal as part of discontinued operations	Cost at September 30, 2006	Accumulated depreciation at October 1, 2005	Depreciation for the year / (on deletion)	Depreciation on disposal as part of discontinued operations	Accumulated depreciation at September 30, 2006	Net book value at September 30, 2006	Depreciation rates as a % of cost
(Rupees in '000)											
Leasehold lands	53,149	-	-	-	53,149	19,366	1,329	-	20,695	32,454	2.5
Freehold land	-	544,011	-	-	544,011	-	-	-	-	544,011	-
Buildings on leasehold / freehold lands	228,377	106,495	1,405 (49)	-	336,228	67,499	8,254 (17)	-	75,736	260,492	2.5 & 10
Plant and machinery	427,718	98,533	54,516 (5,677)	-	575,090	264,930	60,537 (5,157)	-	320,310	254,780	10,20,25 & 100
Tools and patterns	110,839	-	24,972 (3,149)	-	132,662	96,986	13,267 (1,505)	-	108,748	23,914	50
Furniture and equipment	331,303	7,426	62,547 (18,739)	-	382,537	234,970	51,715 (18,188)	-	268,497	114,040	20,25,33.33 & 100
Vehicles	237,730	12,095	119,047 (26,060)	-	342,812	135,276	57,970 (20,544)	-	172,702	170,110	25 & 50
	1,389,116	768,560	262,487 (53,674)	-	2,366,489	819,027	193,072 (45,411)	-	966,688	1,399,801	

12.2 Capital work in progress

	2007 (Rupees in '000)	2006
Building under construction	3,879	34,419
Plant, machinery and equipment under installation	5,303	28,982
Advances to suppliers	19,125	14,050
	28,307	77,451

14. LONG TERM RECEIVABLES AND PREPAYMENTS	Note	2007 (Rupees in '000)	2006
Loans			
Considered good			
Due from executives	14.1 & 14.2	8,325	11,245
Due from others		3,528	13,008
		<u>11,853</u>	<u>24,253</u>
Receivable within one year		(3,305)	(5,547)
Long term portion		8,548	18,706
Discounting to present value		(2,232)	(5,647)
		<u>6,316</u>	<u>13,059</u>
Trade receivables			
Considered good - others		1,234,913	662,442
Considered doubtful - others		233	220
		<u>1,235,146</u>	<u>662,662</u>
Provision for doubtful debts		(233)	(220)
		<u>1,234,913</u>	<u>662,442</u>
Discounting to present value		(114,639)	(89,734)
		<u>1,120,274</u>	<u>572,708</u>
Security deposits			
		<u>3,425</u>	<u>54,259</u>
Prepayments			
		<u>24,149</u>	<u>4,132</u>
		<u>1,154,164</u>	<u>644,158</u>
Maximum amount outstanding at end of any month during the year against loans to executives		<u>11,245</u>	<u>13,467</u>

- 14.1 This represents real estate loans provided interest free to executives in accordance with the Company's policy. The loans are secured against the respective assets for which the loans have been granted and are recoverable in one to ten years in equal monthly installments.

14.2 Reconciliation of carrying amount of loans to executives	2007 (Rupees in '000)	2006
Balance at beginning of the year	11,245	14,473
Promotion of non-executive employees as executive	-	1,781
Repayments	(2,920)	(5,009)
Balance at end of the year	<u>8,325</u>	<u>11,245</u>
15 DEFERRED TAX ASSETS		
Debit / (credit) balances arising in respect of:		
Provision for doubtful debts and deposits	21,307	33,926
Provision for obsolete and slow moving items of inventories	46,089	26,328
Contract and other obligations	327,140	302,478
Discounting of long-term receivables	28,379	20,461
Accelerated tax depreciation	(20,011)	(41,060)
Tax loss for the year	-	15,352
Minimum tax for the year	-	9,850
	<u>402,904</u>	<u>367,335</u>

16. INVENTORIES		2007 (Rupees in '000)	2006
Raw materials and components		1,202,878	894,697
Goods-in-transit		405,166	220,592
Work-in-process		1,061,490	958,742
Finished goods		<u>851,706</u>	<u>623,464</u>
		3,521,240	2,697,495
Provision for slow moving and obsolete items		<u>(354,499)</u>	<u>(245,156)</u>
		<u><u>3,166,741</u></u>	<u><u>2,452,339</u></u>
16.1 The above balances include items costing nil (2006: Rs 13.216 million) valued at net realisable value of nil (2006: Rs 4.078 million).			
17. TRADE RECEIVABLES	Note	2007 (Rupees in '000)	2006
Considered good			
Due from related parties - associates	17.1	452,767	10,298
Due from others		<u>4,017,319</u>	<u>3,184,271</u>
		4,470,086	3,194,569
Due against construction work in progress			
- associates	17.1	-	6,811
- others		<u>2,163,965</u>	<u>2,135,521</u>
		2,163,965	2,142,332
Considered doubtful - others		<u>119,962</u>	<u>119,953</u>
		6,754,013	5,456,854
Provision for doubtful receivables		<u>(119,962)</u>	<u>(119,953)</u>
		<u><u>6,634,051</u></u>	<u><u>5,336,901</u></u>
17.1 These represent amounts due from affiliates and associates.			
18. OTHER RECEIVABLES			
Loans and advances			
Considered good			
Loans due from			
- Executives		2,234	2,476
- Others		<u>1,071</u>	<u>3,071</u>
		3,305	5,547
Advances to			
- Executives		<u>2,758</u>	1,076
- Suppliers		591,159	252,686
- Others		<u>6,663</u>	<u>16,783</u>
		600,580	270,545
		<u><u>603,885</u></u>	<u><u>276,092</u></u>
Trade deposits, short-term prepayments and other receivables			
Considered good			
Due from associates		<u>164,453</u>	-
Trade deposits		128,684	114,793
Short-term prepayments	18.1	94,488	72,850
Sales tax refundable		170,016	180,680
Interest receivable		28,765	14,263
Fair value of derivative financial instruments		112,520	1,882
Others		<u>69,062</u>	<u>38,211</u>
		767,988	422,679
Considered doubtful			
Trade deposits		<u>8,301</u>	<u>6,974</u>
		776,289	429,653
Provision for doubtful trade deposits		<u>(8,301)</u>	<u>(6,974)</u>
		<u><u>767,988</u></u>	<u><u>422,679</u></u>
		<u><u>1,371,873</u></u>	<u><u>698,771</u></u>

- 18.1 This includes Rs 33.916 million (2006: Rs 56.352 million) representing excess contribution as per actuarial valuation in funded employees' gratuity scheme.

19. CASH AND BANK BALANCES	Note	2007 (Rupees in '000)	2006
With banks in			
- Current accounts		150,324	11,033
- Deposit accounts		3,007,305	1,617,264
Cheques in hand		151,014	141,908
Cash in hand		3,265	84
		<u>3,311,908</u>	<u>1,770,289</u>
20. NET SALES			
Export - Goods		46,313	112,919
- Services		59,114	18,704
Contracts executed outside Pakistan		5,610,671	4,657,654
Against International Tenders		110,455	64,000
Other - Goods		9,859,519	8,213,213
- Services including projects		6,552,903	7,931,697
Gross sales		<u>22,238,975</u>	<u>20,998,187</u>
Commission paid		(23,923)	(4,027)
Sales tax		(313,300)	(198,313)
Net sales		<u>21,901,752</u>	<u>20,795,847</u>
21. COST OF SALES			
Opening inventory of finished goods		623,464	271,997
Cost of goods manufactured and services rendered	21.1	18,029,491	18,139,885
Finished goods purchased		<u>975,374</u>	<u>555,672</u>
		19,628,329	18,967,554
Closing inventory of finished goods		(851,706)	(623,464)
Cost of sales		<u>18,776,623</u>	<u>18,344,090</u>
21.1 Cost of goods manufactured and services rendered			
Opening inventories			
Raw materials and components		894,697	439,674
Goods-in-transit		220,592	207,884
Work-in-process		958,742	766,739
Inventories of CTI at acquisition		-	289,544
		2,074,031	1,703,841
Purchase of goods and services		14,639,568	14,220,526
Salaries, wages and employees welfare expense		1,572,745	1,337,876
Gratuity fund expense / (reversal)		11,133	(1,308)
Provident fund contribution		14,784	11,772
Fuel, power and water		423,453	624,608
Repairs and maintenance		213,249	178,867
Rent, rates and taxes		452,333	507,665
Liquidated damages for late deliveries - net of recoveries		491,052	126,584
Warranty and other contractual obligations		(196,695)	580,944
Slow moving and obsolete items of inventories		109,343	58,674
IT, networking and data communication		45,863	38,527
Insurance		58,454	76,960
Depreciation and amortisation	13.3	137,427	143,587
Transportation		81,922	84,478
Travelling and conveyance		249,465	324,871
Stationery, telex and telephone		95,677	111,110
Others		275,285	132,383
		<u>20,749,089</u>	<u>20,261,965</u>
Closing inventories			
Raw materials and components		(1,202,878)	(894,697)
Goods-in-transit		(405,166)	(220,592)
Work-in-process		(1,061,490)	(958,742)
		<u>(2,669,534)</u>	<u>(2,074,031)</u>
Sale of scrap		18,079,555	18,187,934
		(50,064)	(48,049)
		<u>18,029,491</u>	<u>18,139,885</u>

22. MARKETING AND SELLING EXPENSES	Note	2007 (Rupees in '000)	2006
Salaries, wages and employees welfare expense		433,026	444,848
Gratuity fund expense		10,182	1,738
Provident fund contribution		10,124	11,873
Fuel, power and water		44,696	45,410
Repairs and maintenance		54,723	45,779
Advertising and sales promotion		28,176	30,893
Rent, rates and taxes		56,498	48,265
Insurance		11,704	7,480
Provision for doubtful trade receivables		36,427	52,586
Provision / (reversal of provision) for doubtful trade deposits		1,327	(650)
Bad debts written off		766	1,396
Depreciation and amortisation	13.3	65,234	60,053
Travelling and conveyance		59,068	72,166
Transportation expenses		56,974	81,841
Stationery, telex and telephone		40,188	33,588
IT, networking and data communication		60,551	57,523
Others		16,796	8,686
		<u>986,460</u>	<u>1,003,475</u>
23. GENERAL ADMINISTRATION EXPENSES			
Salaries, wages and employees welfare expense		246,749	127,665
Gratuity fund expense / (reversal)		1,121	(127)
Provident fund contribution		2,895	2,746
Fuel, power and water		9,033	5,957
Repairs and maintenance		15,048	15,446
Rent, rates and taxes		3,556	1,934
Insurance		2,663	2,016
Auditors' remuneration	32	3,086	3,690
Depreciation and amortisation	13.3	22,451	16,206
Travelling and conveyance		17,259	15,155
Stationery, telex and telephone		9,514	10,634
IT, networking and data communication		10,544	10,192
Legal and professional		12,365	20,865
Donations	23.1	2,040	2,588
Exchange loss		-	65,955
Workers' profits participation fund		110,865	82,227
Workers' welfare fund		87,627	31,034
Amortisation of goodwill		-	5,652
Others		14,127	21,153
		<u>570,943</u>	<u>440,988</u>
23.1 Donations include the following in which a director or his spouse is interested:			
Name and address of donee	Interested director or his spouse	Interest in donee	
National Management Foundation LUMS Campus Opposite Sector U Defence Housing Authority Lahore, Cantt.	Syed Babar Ali	Chairman	108
Rotary Club of Karachi Metropolitan 321 Central Annexe, Abdullah Haroon Road, Karachi.	Sohail Wajahat H. Siddiqui	Member	35
Aga Khan Hospital & Medical College Foundation Stadium Road, Karachi.	Spouse of Sohail Wajahat H. Siddiqui	Member of annual giving committee	1,512
Organisation for the Under Privileged 108-A/II, Khayaban-e-Rahat Street 25, Phase IV, DHA Karachi	-do-	Trustee	-
			35

24. OTHER OPERATING INCOME	Note	2007 (Rupees in '000)	2006
Exchange gain		160,760	-
Profit on sale of property, plant and equipment		15,796	15,769
Sales tax refund		2,022	28,809
Balances no longer payable written back		4,557	6,557
Rental income		9,010	1,128
Others		14,631	447
		<u>206,776</u>	<u>52,710</u>
25. FINANCIAL INCOME AND EXPENSES			
Mark-up from trade and other receivables		3,685	1,454
Income on amounts placed with banks under deposit accounts		255,193	80,768
Financial income		<u>258,878</u>	<u>82,222</u>
Interest on workers' profits participation fund		1,215	9,068
Mark-up on short-term finances		147,002	92,943
Mark-up on trade and other payables		21,947	7,727
Commission on guarantees		16,489	15,047
Bank charges for services		106,681	74,154
Provision for discounting on long-term receivables		23,605	50,314
Financial expenses		316,939	249,253
Net finance costs		<u>58,061</u>	<u>167,031</u>
26. INCOME TAX EXPENSE			
Current			
- For the year		913,864	929,049
- For prior years		102,585	88,474
		1,016,449	1,017,523
Deferred		(35,569)	(233,739)
	26.1	<u>980,880</u>	<u>783,784</u>
26.1 Reconciliation of income tax expense for the year			
Accounting profit		1,964,574	1,508,320
Enacted tax rate		35%	35%
Tax on accounting profit at enacted rate		687,601	527,912
Tax effect of income assessed under Presumptive Tax Regime		190,086	151,296
Tax effect of expenses that are not allowable in determining taxable income		608	16,102
Prior years' tax expense		102,585	88,474
		<u>980,880</u>	<u>783,784</u>

26.2 The Company makes provision for taxation based on its understanding of the tax laws and regulations and on the basis of advices from its tax consultants. These provisions may require change in case these laws and regulations are interpreted differently by tax authorities and Company's appeals are not accepted at various forums.

27. PROFIT ON SALE OF DISCONTINUED OPERATIONS		2007 (Rupees in '000)	
Consideration received		2,450,694	
Identifiable (assets) / liabilities disposed off			
Property, plant and equipment		(101,729)	
Intangible assets (including goodwill of Rs 374.340 million)		(377,321)	
Long-term receivables and prepayments		(6,711)	
Inventories		(226,529)	
Trade receivables		(523,334)	
Other receivables		(47,305)	
Employees' long service bonus		1,103	
Trade and other payables		751,902	
Provisions		205,167	
Net liabilities disposed off		(324,757)	
Profit on sale of discontinued operations		2,125,937	
Income tax on above		(628,309)	
		<u>1,497,628</u>	
28. BASIC AND DILUTED EARNINGS PER SHARE		2007	2006
		(Rupees in '000)	
Profit for the year		<u>2,481,322</u>	<u>727,006</u>
		(No. of shares)	
Weighted average number of ordinary shares		<u>8,247,037</u>	<u>7,769,597</u>
		(Rupees)	
Basic and diluted earnings per share		<u>300.87</u>	<u>93.57</u>
29. CASH GENERATED FROM OPERATIONS		2007	2006
		(Rupees in '000)	
Profit before tax including profit on sale of discontinued operations	Note	4,090,511	1,508,320
Adjustment for non-cash expenses and other items:			
Depreciation and amortisation		225,112	219,846
Amortisation of goodwill		-	5,652
Profit on sale of property, plant and equipment		(15,796)	(15,769)
Profit on sale of discontinued operations		(2,125,937)	-
Employees' long service bonus		2,785	2,864
Long-term receivables and prepayments		(516,717)	(236,294)
Deferred liability		(46,891)	(3,841)
Retention money payable		35,436	31,309
Financial expenses		293,334	198,939
Financial income		(258,878)	(82,222)
Working capital changes	29.1	(2,795,582)	115,893
		<u>(1,112,623)</u>	<u>1,744,697</u>
29.1 Working capital changes			
(Increase) / decrease in current assets			
Inventories		(940,931)	(662,983)
Trade receivables		(1,808,827)	(2,630,651)
Other receivables		(704,729)	247,433
		<u>(3,454,487)</u>	<u>(3,046,201)</u>
Increase in current liabilities			
Trade and other payables		131,561	2,538,493
Provisions		527,344	623,601
		<u>658,905</u>	<u>3,162,094</u>
		<u>(2,795,582)</u>	<u>115,893</u>

30. CASH AND CASH EQUIVALENTS	Note	2007 (Rupees in '000)	2006
Cash and bank balances	19	3,311,908	1,770,289
Short-term running finances	10	(2,357,180)	(784,778)
		<u>954,728</u>	<u>985,511</u>

31 DISCONTINUED OPERATIONS

During the year ended September 30, 2006, Siemens AG announced that globally the Communication (COM) carrier network activities of SAG would be carved out and merged into a new company (with 50:50 stake holding), called Nokia Siemens Networks, with Nokia as the other partner. Further, SAG's COM enterprise network business would also be separated to form a new entity. During the year ended September 30, 2007, the Board of Directors and the shareholders of the Company approved the carve out of COM carrier and enterprise network activities of the Company to Nokia Siemens Networks Pakistan (Private) Limited (NSN) and Siemens Enterprise Communications (Private) Limited (SEN) respectively, at their respective fair market values. The COM carrier activities of the Company, including the COM carrier activities of CTI, have been carved out to NSN effective April 1, 2007 at sale proceeds aggregating Rs 2,294.210 million. The COM enterprise activities of the Company have also been carved out to a separate entity at the sale proceed of Rs 156.484 million, effective August 2, 2007.

The COM carrier and enterprise activities were not discontinued operations or classified as held for sale as at September 30, 2006 and the comparative income statement has been re-presented to show these operations separately from continuing operations.

Profits attributable to the discontinued operations have been disclosed on the face of profit and loss account.

Cash flows from discontinued operations	Note	2007 (Rupees in '000)	2006
Net cash flows from operating activities		872,619	1,323,184
Net cash flows from investing activities		(5,817)	(8,000)
Net cash flows from discontinued operations		<u>866,802</u>	<u>1,315,184</u>
32. AUDITORS' REMUNERATION			
Audit fee		1,303	1,741
Tax representation and advisory services		500	1,285
Special reports and certifications, review of half yearly accounts, audits of workers' profits participation fund and gratuity fund		1,112	485
Out of pocket expenses		171	179
		<u>3,086</u>	<u>3,690</u>
33. LONG-TERM CONSTRUCTION CONTRACTS			
Contract revenue for the year		12,410,030	11,398,120
Contract costs incurred to date		30,838,676	19,875,849
Gross profit realised to date		2,939,339	1,492,337
Balance of advances received		1,120,306	1,605,587
Retention money receivable		3,500,623	1,588,082
Gross amount due from customers		3,742,678	2,142,332
Estimated future costs to complete projects in progress	33.1	2,911,430	3,134,967

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

34. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts charged in the financial statements in respect of remuneration and fringe benefits of the chief executive, director and executives of the Company are as follows:

	2007			2006		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	(Rupees in '000)					
Managerial remuneration	44,694	38,252	352,180	19,156	12,170	258,340
Retirement benefits and Company's contribution to provident fund	1,390	-	17,764	669	-	9,644
Perquisites and benefits:						
- Group insurance and medical	104	31	3,264	85	22	3,245
- Share based payments / accruals	28,026	7,810	3,392	5,218	4,399	691
- Long service bonus	-	-	957	218	560	1,301
- Rent and others	3,576	2,501	-	470	739	2,791
	77,790	48,594	377,557	25,816	17,890	276,012
Number of persons	1	1	109	1	1	81

- 34.1 In addition to the above, remuneration and fringe benefits of one expatriate executive (2006: five) hired for a project amounted to Rs 2.200 million (2006: Rs 37.900 million).
- 34.2 The aggregate amount charged in these financial statements in respect of directors' fee paid to six directors (2006: six) was Rs 114,000 (2006: Rs 6,500). In addition to this, fee paid to one alternate director amounted to Rs 10,000 (2006: no fee was paid to any alternate director).
- 34.3 The chief executive, director and ninety two executives (2006: seventy four) have been provided with free use of Company's cars and a director has also been provided with the Company's owned and maintained furnished accommodation.
- 34.4 The chief executive and a director have been provided with telephone facility at their residences.
- 34.5 The above balances include an amount of Rs 194.584 million (2006: Rs 89.730 million) on account of compensation to key management personnel, the details of which are as follows:

	Note	2007 (Rupees in '000)	2006
Short-term employee benefits		151,774	76,465
Post-employment benefits		3,442	2,072
Other long-term benefits		140	885
Share based payments / accruals	34.5.1	39,228	10,308
		194,584	89,730

34.5.1 Share based payments

Certain key management employees are entitled to participate in the share based payment plans of SAG. Under the arrangements, Stock Appreciation Rights (SARs) and / or phantom stocks are granted to these employees. Both these plans are cash settled plans. On exercising, the related share based payments are made by the Company.

Stock appreciation rights

The grant of SARs to employees are subject to a two year vesting period, after which they may be exercised for a period of upto three years and are settled in cash only. Compensation in cash shall be equal to the difference between the exercise price and the opening market price of the SAG's stock on the day of exercising the stock option.

The number and weighted average exercise prices of SARs are as follows:

	2007		2006	
	Weighted average exercise price Euro	Number of SARs	Weighted average exercise price Euro	Number of SARs
Outstanding at beginning of the year	73.55	24,415	72.88	14,770
Granted during the year	-	-	74.59	9,645
Exercised during the year	72.86	(6,625)	-	-
Outstanding at end of the year	<u>73.81</u>	<u>17,790</u>	<u>73.55</u>	<u>24,415</u>
Exercisable at end of year	<u>72.89</u>	<u>8,145</u>	<u>73.25</u>	<u>7,000</u>

The options outstanding at September 30, 2007 have an exercise price in the range of Euro 72.54 to Euro 74.59 and a weighted average contractual life of 2 years and 5 months approximately.

The weighted average share price at the date of exercise for SARs exercised during the year ended September 30, 2007 was Euro 89.97.

The determination of the fair value of grants is based on a Black-Scholes option pricing model, which was developed for use in estimating the fair values of options that have no vesting restrictions. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Assumptions made in estimating the fair value of grants made are as follows:

	Assumption at grant date	
	2007	2006
Risk-free interest rate	-	2.99%
Expected dividend yield	-	2.41%
Expected volatility	-	18.30%
Expected option life	-	3.5 years
Estimated weighted average fair value per option	-	Euro 4.06
Fair value of total options granted during the year	-	Euro 11

The expected volatility is based on historical volatility of SAG shares, implied volatility of traded options with similar terms and features and certain other factors. The expected term is derived by applying the simplified method and is determined as the average of the vesting term and the contractual term. The risk-free interest is based on the applicable government bonds. Changes in subjective assumptions can materially affect the fair value of the option.

Phantom stocks

Phantom stocks are subject to a four year vesting period and the grantees receive the share prices equivalent value in cash at the end of four year vesting period. Details of phantom stocks rights are as follows:

	2007	2006
	Number of phantom stocks	
Balance as at beginning of the year	2,034	638
Granted during the year	1,755	1,396
Expired during the year	(150)	-
Balance as at end of the year	<u>3,639</u>	<u>2,034</u>

Phantom stock rights are remeasured to their fair value at each reporting date until the award is settled.

Total expense for share based payments recognised during the year ended September 30, 2007 was Rs 39.228 million (2006: Rs 10.306 million). The liability for cash settled arrangements as of September 30, 2007 was Rs 50 million (2006: Rs 10.772 million).

35. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of a subsidiary of the Company, Siemens AG, its subsidiaries and associates and other companies with common directorship with significant influence on other companies, employees retirement benefit funds and key management employees. Transactions with related parties can be summarised as follows:

	Note	2007 (Rupees in '000)	2006
Parent company			
Sales of goods and rendering of services		2,261,081	4,211,482
Purchases of goods and receipt of services		2,964,281	2,299,418
Commission and allowances earned		184,196	379,109
Dividends		298,420	298,420
Issuance of shares under a scheme of amalgamation		614,465	-
Associated companies			
Sales of goods and rendering of services		441,937	294,231
Purchases of goods and receipt of services		1,318,637	1,324,928
Proceeds from sales of discontinued operations		2,450,694	-
Commission and allowances earned		53,471	225,569
Commission paid		1,834	2,483
Financial expenses		111,932	51,037
Financial income		23,375	-
Donations		1,655	35
Rental income		7,982	-
Others			
Dividends		30	30
Contribution to employees retirement benefits		27,398	32,376
Compensation to key management personnel	34.5	194,584	89,730

35.1 Transactions with related parties were carried out on commercial terms and conditions and at prices agreed based on inter company prices. Shared services are charged at uniform rates to all locations in the region.

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity	Actual Production 2007	Actual Production 2006
Electric motors	300,000 HP	74,948 HP	152,459 HP
Motors controlgears and controlboards	150,000 HP	3,220 HP	3,210 HP
Electric transformers	2,000 MVA	2,430 MVA	2,520 MVA
Generating sets	40,000 KVA	105,949 KVA	62,957 KVA
Switchgears and distribution boards	4,500 Nos.	3,442 Nos.	5,559 Nos.

36.1 The under utilisation of capacity is mainly attributed to reduced demand owing to imports by private and public sectors.

36.2 Due to increased demand, the production of Electric transformers and Generating sets, is above their normal capacity, which was achieved through extra shift working.

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities is estimated to approximate their fair value.

38. FINANCIAL ASSETS AND LIABILITIES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company is exposed to interest / mark-up rate risk in respect of following:

	Effective interest / mark-up rates %	Total	Interest / mark-up Bearing		Non-interest / mark-up bearing
			Maturity upto 1 year	Maturity 1 to 2 years	
(Rupees in '000)					
2007					
Financial Assets					
Loans to employees	-	9,621	-	-	9,621
Trade deposits	8.50	132,109	48,000	-	84,109
Trade receivables	-	7,754,325	-	-	7,754,325
Other receivables	9.00	374,800	158,637	-	216,163
Cash and bank balances	9.97	3,311,908	3,007,305	-	304,603
		11,582,763	3,213,942	-	8,368,821
Financial liabilities					
Retention money payable	-	104,279	-	-	104,279
Trade and other payables	10.00	4,697,107	183,441	-	4,513,666
Short-term loans	5.33	330,646	330,646	-	-
Short-term running finances	5.58 - 10.80	2,357,180	2,357,180	-	-
		7,489,212	2,871,267	-	4,617,945
Net financial assets		4,093,551	342,675	-	3,750,876
2006					
Financial assets					
Loans to employees	-	18,606	-	-	18,606
Trade deposits	8.00	169,052	-	48,000	121,052
Trade receivables	-	5,909,609	-	-	5,909,609
Other receivables	-	54,356	-	-	54,356
Cash and bank balances	9.29	1,770,289	1,617,264	-	153,025
		7,921,912	1,617,264	48,000	6,256,648
Financial liabilities					
Retention money payable	-	68,843	-	-	68,843
Trade and other payables	10.00	4,921,244	229,301	-	4,691,943
Short-term loans	-	-	-	-	-
Short-term running finances	9.30	784,778	784,778	-	-
		5,774,865	1,014,079	-	4,760,786
Net financial assets		2,147,047	603,185	48,000	1,495,862

39. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. To mitigate the credit risk, the Company has a system of assigning credit limits to its customers. The Company endeavors to cover the credit risks on government sector trade receivables by restricting credit facility to the projects which are financed by multilateral financial institutions and / or financed by special allocation of funds by the provincial / federal governments. Business with government sector customers is also secured by way of inland letters of credit where possible. Credit risk on private sector is covered to the maximum extent possible through letters of credit or legally binding contracts with availability of adequate finance for the project from the sponsors and lenders.

The sector wise analysis of receivables including trade receivables, advances to suppliers and trade deposits is given below:

	2007		2006	
	(Rupees in '000)	%	(Rupees in '000)	%
Government sector				
Energy	5,687,562	68	2,735,364	42
Communication	293,869	3	607,712	9
Health	37,301	-	31,741	-
Aviation	6,476	-	8,617	-
Others	537,131	6	690,636	11
Sub-total	6,562,339	77	4,074,070	62
Private sector				
Construction companies				
Energy	415,985	5	540,818	8
Communication	22,685	-	292,475	5
Cement Industry	16,855	-	62,111	1
Dealers and agents	49,266	1	42,621	1
Aviation	51,326	1	32,327	-
Others	1,323,779	16	660,520	10
Sub-total	1,879,896	23	2,472,019	38
Total	8,442,235	100	6,546,089	100

40. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings, especially group companies. In respect of anticipated future transactions, the following forward exchange contracts have been taken at the balance sheet date to hedge the foreign currency liabilities to group companies and others.

	2007	2006
	(Rupees in '000)	
Forward exchange contracts		
- Purchased value	5,103,222	2,093,321
- Fair value	5,208,535	2,079,682

41. INFORMATION ABOUT BUSINESS SEGMENTS

	Energy	Rotary machines and products	Industry automation and services	Other operations	Total for continuing operations	Communication (Discontinued)	Eliminations	Company as a whole
2007								
REVENUE	----- (Rupees in '000) -----							
External sales	13,043,980	1,613,043	3,263,117	687,665	18,607,805	3,293,947	-	21,901,752
Inter-segment sales	<u>929,325</u>	<u>530,309</u>	<u>249,805</u>	<u>8,895</u>	<u>1,718,334</u>	<u>98,634</u>	<u>(1,816,968)</u>	<u>-</u>
Total revenue	<u>13,973,305</u>	<u>2,143,352</u>	<u>3,512,922</u>	<u>696,560</u>	<u>20,326,139</u>	<u>3,392,581</u>	<u>(1,816,968)</u>	<u>21,901,752</u>
RESULT								
Segment result	<u>1,168,158</u>	<u>127,356</u>	<u>366,963</u>	<u>(108,674)</u>	<u>1,553,803</u>	<u>1,801,036</u>	<u>-</u>	3,354,839
Unallocated corporate expenses								<u>(198,492)</u>
								3,156,347
Interest expense								<u>(170,164)</u>
Interest income								<u>258,878</u>
Income tax								<u>(763,739)</u>
Profit for the year								2,481,322
Profit on sale of discontinued operations - net of income tax								<u>(1,497,628)</u>
Profit for the year from discontinued operations								<u>(303,408)</u>
Profit for the year from continuing operations								<u>680,286</u>
OTHER INFORMATION								
Capital expenditure	200,519	25,080	34,628	10,438	270,665	18,590	-	
Depreciation and amortisation	69,715	13,787	28,903	15,399	127,804	29,849	-	
Non-cash expenses other than depreciation and amortisation	(473)	(249)	(448)	(443)	(1,613)	1,048	-	
ASSETS AND LIABILITIES								
Segment assets	8,545,980	1,388,023	1,541,925	1,581,097	13,057,025	-	-	13,057,025
Unallocated corporate assets								<u>4,523,991</u>
Consolidated total assets								<u>17,581,016</u>
Segment liabilities	4,869,636	1,068,448	1,428,378	242,639	7,609,101	-	-	7,609,101
Unallocated corporate liabilities								<u>4,620,493</u>
Consolidated total liabilities								<u>12,229,594</u>
2006								
REVENUE								
External sales	9,443,137	1,202,889	2,483,604	719,435	13,849,065	6,946,782	-	20,795,847
Inter-segment sales	<u>476,349</u>	<u>557,787</u>	<u>243,859</u>	<u>1,190</u>	<u>1,279,185</u>	<u>226,364</u>	<u>(1,505,549)</u>	<u>-</u>
Total revenue	<u>9,919,486</u>	<u>1,760,676</u>	<u>2,727,463</u>	<u>720,625</u>	<u>15,128,250</u>	<u>7,173,146</u>	<u>(1,505,549)</u>	<u>20,795,847</u>
RESULT								
Segment result	<u>58,503</u>	<u>83,776</u>	<u>247,464</u>	<u>47,431</u>	<u>437,174</u>	<u>574,765</u>	<u>-</u>	1,011,939
Unallocated corporate expenses								<u>(118,913)</u>
								893,026
Interest expense								<u>(109,738)</u>
Interest income								<u>82,222</u>
Income tax								<u>(140,974)</u>
Profit for the year								724,536
Profit on sale of discontinued operations - net of income tax								<u>-</u>
Profit for the year from discontinued operations								<u>(574,765)</u>
Profit for the year from continuing operations								<u>149,771</u>
OTHER INFORMATION								
Capital expenditure	130,399	16,341	41,545	8,092	196,377	27,998	-	
Depreciation and amortisation	49,287	11,282	22,840	5,228	88,637	75,112	-	
Non-cash expenses other than depreciation and amortisation	59,533	24,610	16,064	1,668	101,875	31,462	-	
ASSETS AND LIABILITIES								
Segment assets	5,197,501	675,539	966,284	251,301	7,090,625	2,707,125	-	9,797,750
Unallocated corporate assets								<u>3,089,046</u>
Consolidated total assets								<u>12,886,796</u>
Segment liabilities	3,968,901	593,888	893,346	103,926	5,560,061	1,071,344	-	6,631,405
Unallocated corporate liabilities								<u>3,186,075</u>
Consolidated total liabilities								<u>9,817,480</u>

- 41.1** Included in total sales is an amount of Rs 5,610.671 million (2006: Rs 4,657.654 million) in respect of sales made in the region of United Arab Emirates. The carrying value of segment assets in that region as at September 30, 2007 was Rs 4,470.834 million (2006: Rs 2,964.430 million). The cost to acquire property, plant and equipment during the year in that region was Rs 26.827 million (2006: Rs 9.702 million).
- 41.2** In order to comply with the requirements of International Accounting Standard 14 "Segment Reporting" the activities of Company have been grouped into five segments of related products and services. The energy segment mainly relates to supply and installation of transformers, switchboards, and other related power generation, transmission, and distribution equipment and related services. Rotary machines and product segment includes diesel generating sets, motors, alternators and drives etc. Industry automation and services segment includes designing, engineering and construction services in electrical field, mechanical field and information technology services. Communication segment covers supply and installation of telecommunication and other related equipment and services. Other operations include supply and services of health care equipment and home appliances.
- 41.3** The above mentioned segments do not necessarily match with the organisational structure of the Company.

41.4 Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of allowances and provisions but do not include deferred income taxes. Segment liabilities include all operating liabilities and consist principally of accounts payable, advances and accrued and other liabilities.

42. GENERAL

- 42.1** The financial statements were authorised for issue by the Board of Directors in their meeting held on November 15, 2007.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Responsibility

Clean business, every time,
every where: Highest
performance with highest
ethics.



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