SIEMENS (PAKISTAN) ENGINEERING COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2011

Ernst & Young Ford Rhodes Sidat Hyder
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SIEMENS (PAKISTAN) ENGINEERING COMPANY LIMITED** (the Company) as at 30 September 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently except for the changes, as discussed in the note 3.20, to the financial statements 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of the profit, total comprehensive income, 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.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner's Name: Pervez Muslim

Date: 24 November 2011

Place: Karachi

Siemens (Pakistan) Engineering Company Limited
Balance Sheet
As at September 30, 2011

	Note	2011	2010
		(Rupees in '000)	
Equity and liabilities			Restated
Share capital and reserves			
Share capital			
- Authorised			
20,000,000 (2010: 20,000,000) Ordinary shares of Rs 10 each		200,000	200,000
- Issued, subscribed and fully paid-up	5	82,470	82,470
Reserves	6		
Capital		624,192	624,192
Revenue		5,902,044	6,326,969
		6,526,236	6,951,161
Total equity		6,608,706	7,033,631
Non-current liabilities			
Retention money		53,384	151,582
Other non-current liabilities		28,959	20,093
		82,343	171,675
Current liabilities			
Trade and other payables	7	6,819,367	8,941,807
Provisions	8	2,130,337	2,206,189
Short-term running finances	9	3,948,627	4,297,231
Taxation - net	10	1,749,572	1,959,407
		14,647,903	17,404,634
Total liabilities		14,730,246	17,576,309
Contingencies and commitments	11		
Total equity and liabilities		21,338,952	24,609,940

Siemens (Pakistan) Engineering Company Limited
Balance Sheet
As at September 30, 2011

	Note	2011	2010
		(Rupees in '000)	
			Restated
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	*12*	1,631,041	1,678,522
Intangible assets	*13*	250	2,747
		1,631,291	1,681,269
Long-term loans and trade receivables	*15*	894,670	854,472
Long-term deposits	*16*	4,006	5,113
Deferred tax asset	*17*	1,420,257	1,322,323
		3,950,224	3,863,177
Current assets			
Inventories	*18*	3,325,075	3,734,297
Trade receivables	*19*	8,883,168	10,318,366
Due against construction work in progress	*20*	3,984,686	4,346,973
Loans and advances	*21*	117,675	384,400
Deposits and short-term prepayments	*22*	118,989	139,194
Other receivables	*23*	239,767	427,267
Cash and bank balances	*24*	719,368	1,396,266
		17,388,728	20,746,763
Total assets		21,338,952	24,609,940

The annexed notes 1 to 47 form an integral part of these financial statements.

Ali Hamdani
Chief Executive Officer

Christian Knie
Director

Siemens (Pakistan) Engineering Company Limited
Profit and Loss Account
For the year ended September 30, 2011

	Note	2011	2010
		(Rupees in '000)	
			Restated
Net sales and services	25	15,059,556	26,248,842
Cost of sales and services	26	(12,943,086)	(22,367,845)
Gross profit		2,116,470	3,880,997
Commission and allowances earned		76,095	67,729
		2,192,565	3,948,726
Marketing and selling expenses	27	(1,328,827)	(1,480,011)
General administrative expenses	28	(580,899)	(625,186)
Other operating income	29	60,002	146,425
		(1,849,724)	(1,958,772)
Operating profit		342,841	1,989,954
Financial income	30	54,708	30,575
Financial expenses	30	(239,371)	(430,462)
Net finance costs		(184,663)	(399,887)
Profit before tax		158,178	1,590,067
Income tax expense	31	(90,770)	(578,788)
Net profit for the year		67,408	1,011,279
Basic and diluted earnings per share (Rupees)	32	8.17	122.62

The annexed notes 1 to 47 form an integral part of these financial statements.

Ali Hamdani
Chief Executive Officer

Christian Knie
Director

Siemens (Pakistan) Engineering Company Limited
Statement of Comprehensive Income
For the year ended September 30, 2011

	2011	2010
	(Rupees in '000)	
		Restated
Net profit for the year	67,408	1,011,279
Other comprehensive income for the year		
Recognition of actuarial gains / (losses)	5,785	(16,944)
Deferred tax on actuarial (gains) / losses	(3,296)	3,636
	2,489	(13,308)
Total comprehensive income for the year	69,897	997,971

The annexed notes 1 to 47 form an integral part of these financial statements.

Ali Hamdani
Chief Executive Officer

Christian Knie
Director

Siemens (Pakistan) Engineering Company Limited
Cash Flow Statement
For the year ended September 30, 2011

	Note	2011	2010
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from / (utilised in) operations	33	1,052,851	(291,146)
Payment to Gratuity Fund		(89,234)	(70,619)
Financial expenses paid		(236,022)	(462,684)
Income tax paid		(401,835)	(748,351)
Payment to Workers' Profit Participation Fund		(85,940)	(116,377)
Net cash flows from operating activities	34	239,820	(1,689,177)
Cash flows from investing activities			
Capital expenditure		(206,497)	(244,434)
Proceeds from sale of property, plant and equipment		80,453	28,973
Financial income received		52,752	17,508
Net cash used in investing activities		(73,292)	(197,953)
Cash flows from financing activities			
Dividends paid		(494,822)	(742,233)
Net cash used in financing activities		(494,822)	(742,233)
Net decrease in cash and cash equivalents		(328,294)	(2,629,363)
Cash and cash equivalents at beginning of the year		(2,900,965)	(271,602)
Cash and cash equivalents at end of the year	35	(3,229,259)	(2,900,965)

The annexed notes 1 to 47 form an integral part of these financial statements.

Ali Hamdani
Chief Executive Officer

Christian Knie
Director

Siemens (Pakistan) Engineering Company Limited
Statement of Changes in Equity
For the year ended September 30, 2011

	Issued, subscribed and paid-up share capital	Capital reserves			Revenue reserves			Total
		Share premium	Capital repurchase reserve account	Other capital reserve	General reserve	Actuarial losses	Unappropriated profit	
	(Rupees in '000)							
Balance as at September 30, 2009 - as previously reported	82,470	619,325	567	4,300	3,523,026	-	2,681,505	6,911,193
Effect of change in accounting policy resulting from early adoption of IAS - 19 [note 3.20(1)] - net of deferred tax	-	-	-	-	-	(133,300)	-	(133,300)
Balance as at September 30, 2009 - as restated	82,470	619,325	567	4,300	3,523,026	(133,300)	2,681,505	6,777,893
Final dividend @ Rs 60 per Ordinary share of Rs 10 each for the year ended September 30, 2009	-	-	-	-	-	-	(494,822)	(494,822)
Transfer to general reserve	-	-	-	-	500,000	-	(500,000)	-
Net profit for the year ended September 30, 2010	-	-	-	-	-	-	1,011,279	1,011,279
Other comprehensive income for the year	-	-	-	-	-	(13,308)	-	(13,308)
Total comprehensive income for the year	-	-	-	-	-	(13,308)	1,011,279	997,971
Interim dividend @ Rs 30 per Ordinary share of Rs 10 each for the six months period ended March 31, 2010	-	-	-	-	-	-	(247,411)	(247,411)
Balance as at September 30, 2010 - as restated	82,470	619,325	567	4,300	4,023,026	(146,608)	2,450,551	7,033,631
Final dividend @ Rs 60 per Ordinary share of Rs 10 each for the year ended September 30, 2010	-	-	-	-	-	-	(494,822)	(494,822)
Transfer to general reserve	-	-	-	-	500,000	-	(500,000)	-
Net profit for the year ended September 30, 2011	-	-	-	-	-	-	67,408	67,408
Other comprehensive income for the year	-	-	-	-	-	2,489	-	2,489
Total comprehensive income for the year	-	-	-	-	-	2,489	67,408	69,897
Balance as at September 30, 2011	**82,470**	**619,325**	**567**	**4,300**	**4,523,026**	**(144,119)**	**1,523,137**	**6,608,706**

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

Ali Hamdani
Chief Executive Officer

Christian Knie
Director

Siemens (Pakistan) Engineering Company Limited
Notes to the Financial Statements
For the year ended September 30, 2011

1. LEGAL STATUS AND OPERATIONS

Siemens (Pakistan) Engineering Company Limited (the Company) was 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 the execution of projects under contracts and in manufacturing, sale and installation of electronic and electrical capital goods. The Company's registered office is situated at B-72, Estate Avenue, S.I.T.E., Karachi.

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 (IASB) 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.

2.2 Basis of measurement

These financial statements have been prepared under the 'historical cost' convention except for derivative financial instruments which are valued at fair value.

2.3 Functional and presentation currency

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

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 (note 3.2)
- Useful lives of property, plant and equipment (note 3.4)
- Provisions against inventories, doubtful receivables and construction work in progress (notes 3.9, 3.10 and 3.11 respectively)
- Actuarial assumptions for the gratuity scheme and provision thereagainst (note 7.2)
- Provision for taxation and deferred taxation (note 3.7 and 31.2)
- Cost of completion of contracts in progress and their results (note 37)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CHANGE THEREIN

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

3.1 Employees' retirement benefits

The Company's retirement benefit plans comprise of a defined benefit plan and a defined contribution plan.

3.1.1 *Defined Benefit Plan*

The Company operates a funded gratuity scheme for all 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. Uptil September 30, 2010, actuarial gains / losses were being amortised over the expected future service of the employees. With effect from the current year, the Company has changed its accounting policy in this regard due to early adoption of amendments in IAS-19 "Employee benefits", whereby actuarial gains / losses are now being recognised directly to equity through statement of comprehensive income. The description and the impacts of the change in accounting policy have been detailed in note 3.20(1).

3.1.2 *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 the aggregate 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.

Various contracts entered into by the Company include provisions whereby liquidated damages may be imposed in case of estimated delay in completion of the sales and construction contracts. 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.

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

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, whichever is applicable.

3.3 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying capital asset under construction are capitalised and added to the project cost until such time the assets are substantially ready for their intended use, i.e., when they are capable of commercial production. All other borrowing costs are recognised as an expense in the income statement 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 accumulated impairment losses, if any, except for freehold land and capital work in progress which are stated at cost less accumulated impairment losses, if any. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. If the cost of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately.

Capital work in progress are transferred to the respective items of property, plant and equipment on becoming available for intended use.

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 useful life. Depreciation on additions is charged from the month in which the asset is available to use and on disposals upto the month of deletion. Leased assets are depreciated over the shorter of lease term and their useful lives. The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each reporting date.

3.5 **Intangible assets**

Intangible assets having definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method over the estimated useful lives.

3.6 Impairment

3.6.1 *Financial assets*

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment, if any. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

3.6.2 *Non-Financial assets*

The carrying values of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds its recoverable amount.

3.7 Taxation

3.7.1 *Current*

Provision for current taxation is based on taxability of certain income streams of the Company under Normal Tax Regime after taking into account tax credits and tax rebates available, if any and the remaining income streams under Final Tax Regime at the applicable tax rates. The charge for current tax includes adjustments to charge for prior years, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance, 2001 and whichever is higher is provided in the financial statements.

3.7.2 *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 measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and the tax laws that have been enacted or substantively enacted by 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.

3.8 Long-term receivables

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

3.9 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.

3.10 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for any uncollectible amounts.

3.11 Due against construction work in progress

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 and any related provision thereagainst. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, deposits held with banks and highly liquid investments with less than three months maturity from the date of acquisition. Running finance facilities availed by the Company, which are repayable on demand and form an integral part of the Company's cash management are considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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 and related revenue, loans and borrowings and related expenses, corporate assets, cash and bank balances and 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 in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account currently. Derivative financial instruments are translated at the fair market values as at the balance sheet date.

3.15 Revenue recognition

Revenue from sale of goods are recognised when significant risks and rewards of ownership are transferred to the buyer. Service revenue is recognised over the contractual period or as and when services are rendered to customers. Commission income is recognised on receipt basis. 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' 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 / or duration upto six months is recognised using completed contract method. When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have agreed with the customer and are capable of being measured reliably.

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 contractual provisions of such 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 in cash to employees in respect of Stock Appreciation Rights, Siemens Stock Awards and Phantom Stock Awards 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 employee welfare expense in the profit and loss account.

3.20 Changes in accounting policies resulting from adoption of standards, amendments and interpretations during the year

3.20 (1) Early adoption of amendments in IAS-19

IAS 19, 'Employee Benefits (Amendments)' has been adopted early by the Company. The effective date of this amendment is from annual periods beginning on or after January 2013, but the Company has decided to apply this amendment from the current year. The amendment requires an entity to recognise actuarial gains or losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortised over the expected future service of the employees. Comparative information for the year ended September 30, 2010 have been restated. The balance sheet as at the beginning of the comparative period has been presented in note 42. Had the Company not changed its accounting policy, the net profit of the Company would have reduced by Rs 4.233 million (2010: 11.486 million) and the 'Basic and diluted earnings per share' would have reduced by Rs 0.51 (2010: Rs 1.43). Further, 'Trade and other payables' would have reduced by Rs 193.581 million (2010: Rs 203.599 million), 'Deferred tax asset' would have been reduced by Rs 65.509 million (2010: Rs 68.805 million) and 'Equity' would have increased by Rs 128.072 million (2010: Rs 134.794 million).

3.20 (2) Standards effective in 2011 but not relevant or do not have any material effect

Other amendments to the following IFRSs did not have any material effect on the accounting policies, financial position or performance of the Company:

- IFRS 2, 'Share-based Payment'
- IFRS 3, (Amendments) 'Business Combinations'
- IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'
- IFRS 8, 'Operating Segments'
- IAS 1, 'Presentation of Financial Statements'
- IAS 7, 'Statement of Cash Flows'
- IAS 17, 'Leases'
- IAS 27, 'Consolidated and Separate Financial Statements'
- IAS 28, 'Investments in Associates'
- IAS 31, 'Investments in Joint Ventures'
- IAS 32, 'Financial Instruments: Presentation'
- IAS 36, 'Impairment of Assets'
- IAS 39, 'Financial Instruments: Recognition and Measurement'
- IFRIC 9, 'Reassessment of Embedded Derivatives'
- IFRIC 15, 'Agreements for the Construction of Real Estate'
- IFRIC 16, 'Hedges of a Net Investment in a foreign Operation'
- IFRIC 17, 'Distribution of Non-cash Assets to Owners'
- IFRIC 18, 'Transfers of Assets from Customers'
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'

3.21 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 Company's financial periods beginning on or after October 1, 2011 and, except for additional disclosures (if any), are not expected to have a significant effect on the Company's financial statements or are not relevant to the Company:

- IFRS 7, (Amendments) 'Financial Instruments: Disclosures' (effective from annual periods beginning on or after January 1, 2011). The amendments add an explicit statement that qualitative disclosures should be made in line with the quantitative disclosures to better understand users to evaluate an entity's exposure to risks arising from financial instruments and amend the existing disclosure requirements. It also introduce new disclosure requirement about transfers of financial assets, including disclosures for financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

- IAS 1, (Amendments) 'Presentation of Financial Statements' (effective from annual periods beginning on or after January 1, 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statements of changes in equity or in the notes.

- IAS 24, 'Related Party Disclosures' (effective from annual periods beginning on or after January 1, 2011). It simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarifies the definition of a related party.

- IAS 34, (Amendment) 'Interim Financial Reporting' (effective from annual periods beginning on or after January 1, 2011). It adds further examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality that describe other minimum disclosures.

- IFRIC 13, (Amendment) 'Customer Loyalty Programmes' (effective from annual periods beginning on or after January 1, 2011). The amendment clarifies that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

- IFRIC 14, (Amendment) 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective from annual periods beginning on or after January 1, 2011). The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- IAS 12, (Amendments) 'Income Taxes' (effective from annual periods beginning on or after January 1, 2012). The amendments introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.

- IAS 1, (Amendments) 'Presentation of Financial Statements' (effective from annual periods beginning on or after January 1, 2012). The amendments:
• require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; and
•change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.
The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

- IFRS 27, 'Separate Financial Statements' (effective from annual periods beginning on or after January 1, 2013). It carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IFRS 28, 'Investment in Joint Ventures' (effective from annual periods beginning on or after January 1, 2013). It makes the following amendments:
• IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
• on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

- IFRS 9 'Financial Instruments: Classification and Measurement' (effective from annual periods beginning on or after January 1, 2013). It applies to classification and measurement of financial assets as defined in IAS 39 in the first phase. In the second phase, it will address classification and measurement of financial liabilities, hedge accounting and depreciation.

- IFRS 10 'Consolidated Financial Statements' (effective from annual periods beginning on or after January 1, 2013). IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when:
• it is exposed or has rights to variable returns from its involvement with that investee;
• it has the ability to affect those returns through its power over that investee; and
• there is a link between power and returns.
Control is re-assessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation – Special Purpose Entities.

- IFRS 11 'Joint Arrangements' (effective from annual periods beginning on or after January 1, 2013). IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It:
• distinguishes joint arrangements between joint operations and joint ventures; and
• always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.
IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

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- IFRS 12 'Disclosure of Interests in Other Entities' (effective from annual periods beginning on or after January 1, 2013). IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:
• the nature of, and risks associated with, an entity's interests in other entities; and
• the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13 ' Fair Value Measurement' (effective from annual periods beginning on or after January 1, 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

4. OPERATIONS IN UNITED ARAB EMIRATES

The Board of Directors of the Company in their meeting held on January 22, 2010 decided that the Company will cease to participate in further bidding in the United Arab Emirates (UAE) due to prevalent market situation. The shareholders of the Company, in their Extra-ordinary General Meeting held on March 4, 2010, also approved the decision. However, the Company continues to execute existing orders in hand which are valued at Rs 3,063 million (2010: Rs 5,812 million) as at September 30, 2011.

4.1 Results of the UAE Operations

The following are the results of the UAE operations:	2011	2010
	(Rupees in '000)	
Net sales and services	2,524,828	9,721,649
Cost of sales and services	(2,218,425)	(8,605,643)
Gross profit	306,403	1,116,006
Marketing and selling expenses	(259,219)	(418,786)
General administrative expenses	(22,922)	(119,172)
Other operating loss	(430)	(680)
	(282,571)	(538,638)
Operating profit	23,832	577,368
Financial income	402	68
Financial expenses	(116,652)	(237,231)
Net finance costs	(116,250)	(237,163)
(Loss) / profit before tax	(92,418)	340,205

4.2 Cash flows from the UAE Operations

	2011	2010
Net cash flows from operating activities	441,869	(2,630,826)
Net cash flows from investing activities	1,508	(2,570)
Net cash flows from UAE Operations	443,377	(2,633,396)

4.3 Assets of the UAE Operations

	2011	2010
Fixed assets		
Property, plant and equipment	5,846	29,456
Intangible assets	45	1,722
	5,891	31,178
Long-term loans and trade receivables	873,601	740,471
Inventories	20	26,046
Trade receivables - current	4,782,941	5,873,767
Due against construction work in progress	2,526,642	2,731,476
Loans and advances	66,507	191,664
Deposits and short-term prepayments	6,902	27,820
Other receivables	6,240	20,284
	8,268,744	9,642,706

4.4 **Liabilities of the UAE Operations**

Long term retention money	51,823	149,959
Other non-current liabilities	898	566
Trade and other payables	2,224,236	3,225,596
Provisions	1,219,437	1,316,737
Short-term running finances	3,839,254	4,281,123
	7,335,648	8,973,981

4.5 For segment reporting, the results of the UAE Operations have been reported as part of the 'Energy Segment' (note 46).

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

Ordinary shares of Rs 10 each 2011	2010		2011 (Rupees in '000)	2010
6,217,780	6,217,780	Issued for cash	62,178	62,178
81,700	81,700	Issued for consideration other than cash	817	817
1,526,800	1,526,800	Issued as bonus shares	15,268	15,268
(56,683)	(56,683)	Shares bought back	(567)	(567)
477,440	477,440	Issued under a scheme of amalgamation	4,774	4,774
8,247,037	8,247,037		82,470	82,470

5.1 Siemens Aktiengesellschaft (Siemens AG, the Parent Company), held 5,451,120 Ordinary shares (2010: 5,451,120 Ordinary shares) of Rs 10 each of the Company as at September 30, 2011.

5.2 **Dividends and other appropriations**

The Board of Directors have, in their meeting held on November 24, 2011, proposed a final cash dividend of Rs 10 per Ordinary share of Rs 10 each (2010: Rs 60 per share), amounting to Rs 82.470 million (2010: Rs 494.822 million). The Board also proposed to transfer an amount of Nil (2010: Rs 500 million) from unappropriated profit to general reserve.

6. **RESERVES**

		2011 (Rupees in '000)	2010 Restated
Capital			
Share premium	6.1	619,325	619,325
Capital repurchase reserve account	6.2	567	567
Other capital reserve		4,300	4,300
		624,192	624,192
Revenue			
General reserve		4,523,026	4,023,026
Actuarial losses - net of deferred taxes		(144,119)	(146,608)
Unappropriated profit		1,523,137	2,450,551
		5,902,044	6,326,969

6.1 This represents premium of Rs 50 per share on the issue of 186,340 Ordinary shares of Rs 10 each and Rs 70 per share on the issue of 223,608 Ordinary shares of Rs 10 each during the years ended September 30, 1988 and 1990, respectively, and premium of Rs 1,277 per share on the issue of 477,440 Ordinary shares of Rs 10 each under the scheme of amalgamation during the year ended September 30, 2007. This amount was reduced by Rs 15.334 million on account of 56,683 Ordinary shares of Rs 10 each 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 reduced on the buy back of 56,683 Ordinary 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. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in '000)	
			Restated
Trade creditors [including retention money of Rs 1,168.356 million (2010: Rs 1,397.591 million)]	7.1	3,197,245	4,680,953
Accrued liabilities		1,283,482	1,528,797
Advances from customers			
For goods		483,743	554,331
For projects and services		1,114,408	1,320,101
Staff retirement benefits - gratuity	7.2	203,956	224,707
Accrued mark-up on running finances		3,578	8,990
Unearned portion of revenue and maintenance contracts		78,021	102,220
Workers' Profit Participation Fund	7.3	11,981	88,991
Workers' Welfare Fund		77,100	71,307
Unclaimed dividend		14,844	12,717
Derivative financial instruments		21,431	1,270
Withholding tax payable		12,008	18,089
Other liabilities	7.1	317,570	329,334
		6,819,367	8,941,807

7.1 These include a sum, aggregating Rs 247.677 million (2010: Rs 373.581 million), due to related parties.

7.2 Staff retirement benefits - Gratuity

The actuarial valuation of gratuity scheme was carried out at September 30, 2011. The Projected Unit Credit Method, using the following significant financial assumptions has been used for the actuarial valuation:

- Discount rate 13.00% per annum compound (2010: 14.00%).
- Expected rate of increase in salaries 10.75% per annum (2010: 11.80%).
- Expected rate of return on plan assets 13.00% per annum (2010: 14.00%).

The amounts recognised in the balance sheet are as follows:

	Note	2011	2010
		(Rupees in '000)	
Fair value of plan assets	7.2.1	375,936	402,338
Present value of defined benefit obligation	7.2.2	(579,892)	(627,045)
Deficit - recognised in the balance sheet	7.2.3	(203,956)	(224,707)

7.2.1 Movement in the fair value of plan assets

	2011	2010
Opening balance	402,338	338,082
Expected return	53,407	35,025
Contributions made by the Company	89,234	70,619
Benefits paid	(216,401)	(52,874)
Actuarial gain	47,358	11,486
	375,936	402,338

7.2.2 Movement in the present value of defined benefit obligation

	2011	2010
Opening balance	627,045	545,577
Current service expense	47,240	40,922
Interest expense	80,435	64,990
Benefits paid	(216,401)	(52,874)
Actuarial loss	41,573	28,430
	579,892	627,045

7.2.3 Movement in net liability in the balance sheet is as follows:

	Note	2011	2010
		(Rupees in '000)	
			Restated
Opening balance of liability		(224,707)	(207,495)
Expense recognised for the year	7.2.4	(74,268)	(70,887)
Contributions made by the Company		89,234	70,619
Net actuarial gains / (losses) for the year		5,785	(16,944)
		(203,956)	(224,707)

7.2.4 The following amounts have been charged in the profit and loss account in respect of these benefits:

	2011	2010
Current service expense	47,240	40,922
Interest expense	80,435	64,990
Expected return on plan assets	(53,407)	(35,025)
	74,268	70,887

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

	2011	2010
	-----%-----	
Debt instruments	70	42
Mixed funds	-	13
Cash and cash equivalents	30	45
	100	100

7.2.6 Historical information

As at September 30,	2011	2010	2009	2008	2007
	(Rupees in '000)				
Fair value of plan assets	375,936	402,338	338,082	348,671	368,633
Present value of defined benefit obligation	(579,892)	(627,045)	(545,577)	(441,555)	(377,690)
Deficit	(203,956)	(224,707)	(207,495)	(92,884)	(9,057)
Experience adjustment on plan liabilities	7%	5%	7%	11%	7%
Experience adjustment on plan assets	13%	3%	-16%	-12%	-1%

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

7.2.8 Actual profit on plan assets for the year ended September 30, 2011 was Rs 100.756 million (2010: Rs 46.511 million).

7.2.9 As per the recommendation of the actuary, the Company plans to contribute Rs 99 million to the gratuity fund during the year 2012.

7.3 Workers' Profits Participation Fund

	2011	2010
	(Rupees in '000)	
Balance at beginning of the year	88,991	119,428
Interest on funds utilised in Company's business	4,855	11,464
Amount allocated for the year	8,930	85,940
Amount paid to the Fund including interest	(90,795)	(127,841)
Balance at end of the year	11,981	88,991

8. PROVISIONS

	Warranties	Liquidated damages	Losses on sales contracts	Total
	(Rupees in '000)			
Balance at beginning of the year	524,381	1,665,850	15,958	2,206,189
Additional provision	352,974	357,764	45,789	756,527
Reversal of utilised and unutilised amounts	(241,906)	(566,777)	(23,696)	(832,379)
Balance at end of the year	635,449	1,456,837	38,051	2,130,337

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9. SHORT-TERM RUNNING FINANCES

	Note	2011	2010
		(Rupees in '000)	
From an associate - unsecured	9.1	3,716,440	4,281,123
From others - secured	9.2	109,373	16,108
- unsecured	9.3	122,814	-
		232,187	16,108
		3,948,627	4,297,231

9.1 This facility is available from Siemens Financial Services (SFS), amounting to Rs 3,716 million (2010: Rs 4,281 million), to be utilised in the UAE. The mark-up on this facility ranges between 0.64% and 1.33% per annum (2010: 0.64% and 1.50% per annum).

9.2 These facilities available from various banks aggregated to Rs 1,770 million (2010: Rs 1,608 million). The mark-up on these facilities ranges between 13.56% and 15.34% per annum (2010: 13.00% and 16.00% per annum). These facilities are secured against the joint hypothecation of inventories of finished goods, work-in-process, raw materials and components and present and future trade receivables.

9.3 These facilities available from various banks aggregated to Rs 714 million (2010: Rs 1,191 million) in the UAE at mark-up rates ranging between 4.10% and 5.54% (2010: 2.36% and 5.56%) per annum.

9.4 Other facilities granted by the banks and amounts remaining unutilised thereof as at September 30, 2011 are as follows:

	2011	2010
	(Rupees in '000)	
Letters of credit		
- limit	2,113,000	9,091,865
- unutilised portion	1,221,050	8,204,048
Guarantees		
- limit	10,034,365	14,165,891
- unutilised portion	4,188,434	8,118,698

10. TAXATION - Net

	2011	2010
Provision for taxation	2,667,648	2,535,935
Advance tax	(918,076)	(576,528)
	1,749,572	1,959,407

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies:

11.1.1 During the year ended September 30, 2007, the Company served a notice of termination of the Operation and Maintenance Contract (O & M Contract) to Karachi Electric Supply Company Limited (KESC) on account of material default by KESC on payments against the O & M Contract and hiring of the Company's officials without the Company's consent. The Company filed suits on October 8, 2007 against KESC for recovery of outstanding payments in respect of fixed and variable fee of US$ 3.160 million and Rs 1,792.905 million respectively, and termination charges of US$ 16 million, plus mark-up accrued thereon and against unauthorized access to the Company's intellectual property (i.e. SAP system) by KESC.

KESC filed a counter suit in the High Court of Sindh against the Company and Siemens AG, for the recovery of an aggregate sum of Rs 56.986 billion on account of losses incurred by KESC under the O&M Contract executed by the Company. The maximum liability clause included in the O&M Contract restricts the total exposure of the Company up to the sum equal to the fixed fee for the year to which the claim relates, which amounts to US$ 16.538 million, equivalent to Rs 1,445.587 million. However, the Company strictly maintains that if at all, its liability would be restricted to US$ 14 million, equivalent to Rs 1,223.740 million, representing the total fixed fee received by the Company during the tenancy of the O&M Contract. The Company's management, based on the advice of its legal advisor, is confident that the suit filed by KESC is not maintainable and will be decided in its favour. Accordingly, no provision for any liability that may arise from this law suit has been made in these financial statements, pending a final decision by the above referred court.

11.1.2 The Company has received a show cause notice, dated September 21, 2011, from the Competition Commission of Pakistan under section 30 of the Competition Act, 2010, which is currently under evaluation. The financial implications thereof, if any, on these financial statements cannot be determined at this stage.

11.1.3 The Company is defending various suits filed against it in various courts in Pakistan for sums, aggregating to Rs 159.980 million, related to its business operations. The Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in its favour and, accordingly, no provision has been made for any liability against these law suits in these financial statements.

11.2 Commitments:

As at September 30, 2011 capital expenditure contracted for but not incurred amounted to Rs 78.254 million (2010: Rs 120.999 million).

12. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		(Rupees in '000)	
Operating assets	12.1	1,553,469	1,616,513
Capital work in progress	12.2	77,572	62,009
		1,631,041	1,678,522

12.1 Operating assets

2011	As at October 1, 2010 Cost	Accumulated depreciation	Net book value	During the year ended September 30, 2011 Additions / (deletions)	Depreciation / (on deletions)	Net book value of disposals	As at September 30, 2011 Cost	Accumulated depreciation	Net book value	Depreciation rates as a % of cost
	(Rupees in '000)									
Leasehold land	53,149	25,995	27,154	-	1,321	-	53,149	27,316	25,833	2.5
Freehold land	544,011	-	544,011	-	-	-	544,011	-	544,011	-
Buildings on leasehold / freehold land	428,855	112,859	315,996	12,290	11,514	-	441,145	124,373	316,772	2.5 & 10
Plant and machinery	919,557	466,246	453,311	116,572 (6,437)	80,149 (6,420)	17	1,029,692	539,975	489,717	10,20,25 & 100
Tools and patterns	237,101	184,152	52,949	12,312 (2,920)	24,610 (2,850)	70	246,493	205,912	40,581	50
Furniture and equipment	399,143	309,374	89,769	24,489 (25,449)	53,746 (23,077)	2,372	398,183	340,043	58,140	20,25,33.33 & 100
Vehicles	459,414	326,091	133,323	25,271 (149,433)	55,100 (124,354)	25,079	335,252	256,837	78,415	25 & 50
	3,041,230	1,424,717	1,616,513	190,934 (184,239)	226,440 (156,701)	27,538	3,047,925	1,494,456	1,553,469	

2010	As at October 1, 2009 Cost	Accumulated depreciation	Net book value	During the year ended September 30, 2010 Additions / (deletions) /	Depreciation / (on deletion) /	Net book value of disposals	As at September 30, 2010 Cost	Accumulated depreciation	Net book value	Depreciation rates as a % of cost
	(Rupees in '000)									
Leasehold land	53,149	24,674	28,475	-	1,321	-	53,149	25,995	27,154	2.5
Freehold land	544,011	-	544,011	-	-	-	544,011	-	544,011	-
Buildings on leasehold / freehold land	424,534	102,338	322,196	4,321	10,521	-	428,855	112,859	315,996	2.5 & 10
Plant and machinery	897,753	403,407	494,346	30,244 (8,440)	71,115 (8,276)	164	919,557	466,246	453,311	10,20,25 & 100
Tools and patterns	219,023	159,136	59,887	18,880 (802)	25,795 (779)	23	237,101	184,152	52,949	50
Furniture and equipment	372,865	276,834	96,031	42,592 (16,314)	47,680 (15,140)	1,174	399,143	309,374	89,769	20,25,33.33 & 100
Vehicles	414,758	305,890	108,868	94,900 (50,244)	70,143 (49,942)	302	459,414	326,091	133,323	25 & 50
	2,926,093	1,272,279	1,653,814	190,937 (75,800)	226,575 (74,137)	1,663	3,041,230	1,424,717	1,616,513	

12.2 Capital work in progress

	2011	2010
	(Rupees in '000)	
Plant, machinery and equipment under installation	71,352	55,734
Advances to suppliers	6,220	6,275
	77,572	62,009

12.3 The fair value of property, plant and equipment as at September 30, 2011 approximated to Rs 5,961 million (2010: Rs 5,835 million).

12.4 Property, plant and equipment include items, having an aggregate cost of Rs 864.043 million (2010: Rs 766.276 million), which have been fully depreciated and are still in use of the Company.

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12.5 Details of property, plant and equipment disposed off during the year

	Original cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Name and address of purchaser
	-----------------------	----------(Rupees in '000)	-----------------------	-----------------------		
Plant and machinery						
Items with book value below Rs 50,000 each	6,437	6,420	17	-	Various	Various
	6,437	**6,420**	**17**	**-**		
Tools and patterns						
Items with book value below Rs 50,000 each	2,920	2,850	70	-	Various	Various
	2,920	**2,850**	**70**	**-**		
Furniture and equipment						
Porta cabin	545	227	318	82	Negotiation	Essa Engineering & Marine Services - UAE, Dubai
Porta cabin	545	227	318	82	Negotiation	------------do------------
Porta cabin	369	111	258	50	Negotiation	------------do------------
Porta cabin	369	111	258	50	Negotiation	------------do------------
Porta cabin	605	474	131	47	Tender	Tanja used Machinery - UAE, Dubai
Porta cabin	603	523	80	84	Tender	Dewar Al Matafi Metal Scrap - UAE, Dubai
Porta cabin	603	523	80	83	Tender	------------do------------
Porta cabin	788	525	263	84	Tender	------------do------------
Porta cabin	335	223	112	42	Tender	------------do------------
Laptop	92	15	77	-	Company policy	Mr. Rahim Dawood - Ex employee
Laptop	84	19	65	-	Scrapped	
Items with book value below Rs 50,000 each	20,511	20,099	412	961	Various	Various
	25,449	**23,077**	**2,372**	**1,565**		
Vehicles						
Car	652	571	81	585	Auction	Mr. Amir Sajjad House # 231-A Ferozpur Road, Lahore
Car	1,869	273	1,596	1,854	Insurance claim	
Car	1,200	825	375	1,225	Insurance claim	
Car	772	386	386	765	Insurance claim	
Car	1,269	264	1,005	1,304	Insurance claim	
Car	1,869	389	1,480	1,558	Company policy	Mr. Shahid Ahmed - Ex employee, Karachi
Car	1,879	431	1,448	940	Company policy	Mr. Aijaz Saleem - Employee, Karachi (*)
Car	1,849	501	1,348	924	Company policy	Mr. Mansoor Farooqui - Employee, Karachi (*)
Car	1,869	545	1,324	934	Company policy	Mr. Mansoor Iqbal Khan - Employee, Karachi (*)
Car	1,869	545	1,324	935	Company policy	Mr. Mohammad Rafi - Employee, Karachi (*)
Car	1,848	539	1,309	924	Company policy	Mr. Syed Asadullah - Employee, Islamabad (*)
Car	1,414	354	1,060	707	Company policy	Mr. Safdar Ibrahim - Employee, Karachi (*)
Car	1,414	383	1,031	707	Company policy	Mr. Suhail Anwer - Employee, Karachi (*)
Car	1,239	310	929	981	Company policy	Mr. Khalid Jamal - Ex employee, Karachi
Car	827	172	655	414	Company policy	Mr. Khalil ur Rehman - Employee, Karachi (*)
Car	810	203	607	405	Company policy	Mr. Sabih Hasan - Employee, Karachi (*)
Car	810	203	607	405	Company policy	Mr. Kashif Hussain - Employee, Karachi (*)
Car	795	248	547	398	Company policy	Mr. Khurram Iqbal - Employee, Karachi (*)
Car	795	248	547	398	Company policy	Mr. Asifullah - Employee, Karachi (*)
Car	770	241	529	385	Company policy	Ms. Wajeeha Rafat - Ex employee, Karachi (*)
Car	1,200	775	425	600	Company policy	Mr. Irfan Ahmed - Ex employee, Karachi (*)
Car	755	346	409	340	Company policy	Mr. Asim Hashmi - Employee, Karachi (*)
Total carried forward to next page	27,774	8,752	19,022	17,686		

(*) Vehicles disposed off as per one time policy as part of cost saving measures, approved by the Board of Directors of the Company in its meeting held on April 28, 2011.

	Original cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	
	-----------	(Rupees in '000)	-----------			
Total brought forward from previous page	27,774	8,752	19,022	17,686		
Car	755	346	409	340	Company policy	Mr. Sajid Rizvi - Employee, Islamabad (*)
Car	792	413	379	356	Company policy	Mr. Tahir Nazir - Employee, Karachi (*)
Car	792	413	379	356	Company policy	Mr. Shahzad Yaseen - Employee, Karachi (*)
Car	755	378	377	340	Company policy	Mr. Mostafa Ali - Employee, Karachi (*)
Car	2,750	2,406	344	688	Company policy	Mr. Rahim Dawood - Ex employee, Karachi
Car	772	450	322	347	Company policy	Ms. Salma Kamal - Ex employee, Karachi
Car	772	466	306	309	Company policy	Mr. Siraj Alamzeb - Employee, Karachi (*)
Car	772	466	306	309	Company policy	Mr. Zaid Hanif - Employee, Karachi (*)
Car	772	483	289	309	Company policy	Mr. Iqbal Ahmed - Employee, Karachi (*)
Car	772	483	289	309	Company policy	Mr. Syed Muhammad Rizwan - Employee, Karachi
Car	772	483	289	309	Company policy	Mr. Khurram Khan - Employee, Karachi (*)
Car	772	483	289	309	Company policy	Mr. Rizwan Ali - Employee, Karachi (*)
Car	767	479	288	309	Company policy	Mr. Najmus Saqib Khan - Ex employee, Karachi (*)
Car	2,750	2,464	286	688	Company policy	Mr. Amin Bandhani - Ex employee, Karachi
Car	772	499	273	309	Company policy	Mr. Majid Jameel - Employee, Karachi (*)
Car	662	469	193	265	Company policy	Mr. Ahsan Raza - Employee, Lahore (*)
Car	651	529	122	260	Company policy	Mr. Faisal Yaqub - Employee, Islamabad (*)
Car	652	557	95	261	Company policy	Mr. Wasiul Haq - Employee, Karachi (*)
Car	360	278	82	110	Company policy	Mr. Tahir Naushahi - Employee, Lahore (*)
Car	652	571	81	228	Company policy	Mr. Syed Nasiruddin - Employee, Karachi (*)
Car	652	571	81	228	Company policy	Mr. Zafar Javed - Employee, Karachi (*)
Car	652	584	68	228	Company policy	Mr. Sarfaraz Awan - Employee, Karachi (*)
Car	694	636	58	228	Company policy	Mr. Asadullah Shaikh - Employee, Karachi (*)
Car	652	598	54	228	Company policy	Mr. Muhammad Adnan - Employee, Karachi (*)
Car	652	598	54	228	Company policy	Mr. Yousuf Mubarak - Employee, Karachi (*)
Items with book value below Rs 50,000 each	99,843	99,499	344	53,351	Various	Various
	149,433	124,354	25,079	78,888		
September 30, 2011	**184,239**	**156,701**	**27,538**	**80,453**		
September 30, 2010	75,800	74,137	1,663	28,973		

(*) Vehicles disposed off as per one time policy as part of cost saving measures, approved by the Board of Directors of the Company in its meeting held on April 28, 2011.

13. INTANGIBLE ASSETS

2011	As at October 1, 2010			During the year ended September 30, 2011			As at September 30, 2011			Amortisation rate as a % of cost
	Cost	Accumulated amortisation	Net book value	Additions / (write off)	Amortisation / (on write off)	Net book value of write off	Cost	Accumulated amortisation	Net book value	
	-----------	-----------	-----------	-----------	(Rupees in '000)	-----------	-----------	-----------	-----------	
Software	87,305	84,558	2,747	- (312)	2,497 (312)	-	86,993	86,743	250	33.33
	87,305	**84,558**	**2,747**	**- (312)**	**2,497 (312)**	**-**	**86,993**	**86,743**	**250**	
2010	87,131	81,099	6,032	174	3,459	-	87,305	84,558	2,747	33.33

13.1 Intangible assets include items, having an aggregate cost of Rs 84.102 million (2010: Rs 79.095 million), which have been fully amortised and are still in use of the Company.

14. Depreciation and amortisation have been allocated as follows:

	Note	Depreciation	Amortisation	2011 Total	2010 Total
		-----------	(Rupees in '000)	-----------	-----------
Cost of sales	26.1	164,702	1,816	166,518	162,915
Marketing and selling expenses	27	51,928	573	52,501	53,421
General administrative expenses	28	9,810	108	9,918	13,698
		226,440	2,497	228,937	230,034

15. LONG-TERM LOANS AND TRADE RECEIVABLES

	Note	2011	2010
		(Rupees in '000)	
Loans			
Considered good - secured			
Due from executives	*15.1 & 15.2*	1,438	2,490
Due from other employees	*15.1*	910	1,324
		2,348	3,814
Receivable within one year shown under current assets	*21*	(1,456)	(1,765)
Long term portion		892	2,049
Discounting to present value		(170)	(488)
		722	1,561
Trade receivables			
Considered good		973,005	922,890
Considered doubtful		55,037	6,094
		1,028,042	928,984
Provision for doubtful trade receivables		(55,037)	(6,094)
Discounting to present value		(79,057)	(69,979)
		893,948	852,911
		894,670	854,472

15.1 These represent interest free housing loans provided to the executives and other employees 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 periods ranging between one and ten years in equal monthly installments.

15.2 Reconciliation of carrying amount of loans to executives

	2011	2010
	(Rupees in '000)	
Balance at the beginning of the year	2,490	3,887
Repayments	(1,052)	(1,397)
	1,438	2,490
Maximum amount outstanding at end of any month during the year against loans to executives	2,420	3,409

16. LONG-TERM DEPOSITS

	2011	2010
Security deposits	4,006	5,113

EAD

17. DEFERRED TAX ASSET

	Note	2011	2010
		(Rupees in '000)	
			Restated
Debit / (credit) balances arising in respect of:			
Provision for doubtful trade receivables, deposits and other receivables		467,617	329,287
Provision for obsolete and slow moving items of inventories		93,853	105,911
Provision for liquidated damages		493,004	562,959
Provision for warranties		272,185	251,693
Actuarial losses		65,509	68,805
Discounting of long-term receivables		26,811	23,813
Minimum tax		8,848	-
Other short-term provisions		76,612	71,680
Accelerated tax depreciation and amortisation		(84,182)	(91,825)
		1,420,257	1,322,323

18. INVENTORIES

	Note	2011	2010
Raw materials and components		1,266,499	1,259,337
Work-in-process		1,476,900	1,478,625
Finished goods	18.1	814,287	955,618
		3,557,686	3,693,580
Provision for slow moving and obsolete items		(552,095)	(626,805)
		3,005,591	3,066,775
Goods-in-transit		319,484	667,522
		3,325,075	3,734,297

18.1 These include items, costing Rs 2.347 million (2010: Rs 3.586 million), valued at their net realisable value of Rs 1.891 million (2010: Rs 3.046 million).

19. TRADE RECEIVABLES

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Due from related parties	19.1	593,137	702,147
Due from others [including retention money of Rs 4,185.347 million (2010: Rs 6,481.868 million)]		8,290,031	9,616,219
		8,883,168	10,318,366
Considered doubtful - others		1,106,970	892,472
		9,990,138	11,210,838
Provision for doubtful receivables		(1,106,970)	(892,472)
		8,883,168	10,318,366

19.1 These represent amounts due from the associates of the Company.

19.2 For ageing analysis and movement of provision, refer note 43.2.

20. DUE AGAINST CONSTRUCTION WORK IN PROGRESS

	Note	2011	2010
		(Rupees in '000)	
Considered good		3,984,686	4,346,973
Considered doubtful		97,138	16,040
		4,081,824	4,363,013
Provision for doubtful construction work in progress		(97,138)	(16,040)
		3,984,686	4,346,973

21. LOANS AND ADVANCES

	Note	2011	2010
Considered good			
Current portion of loans due from:			
Executives		848	1,110
Other employees		608	655
	15	1,456	1,765
Advances to:			
Executives		902	1,003
Suppliers		110,708	374,712
Other employees		4,609	6,920
		116,219	382,635
		117,675	384,400

22. DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2011	2010
Deposits			
Considered good		110,369	131,174
Considered doubtful		49,862	30,786
		160,231	161,960
Provision for doubtful deposits		(49,862)	(30,786)
		110,369	131,174
Prepayments		8,620	8,020
		118,989	139,194

23. OTHER RECEIVABLES

	Note	2011	2010
Considered good			
Sales tax refundable		190,771	331,537
Accrued mark-up		4,880	9,304
Derivative financial instruments		6,325	20,284
Others		37,791	66,142
		239,767	427,267
Considered doubtful			
Sales tax refundable		34,574	-
Others		38,237	29,000
		72,811	29,000
		312,578	456,267
Provision against doubtful other receivables		(72,811)	(29,000)
		239,767	427,267

24. CASH AND BANK BALANCES

	Note	2011	2010
With banks in			
Current accounts	24.1	300,940	980,436
Deposit accounts	24.2	290,470	205,693
Cheques in hand		123,978	202,234
Cash in hand		3,980	7,903
		719,368	1,396,266

24.1 Included herein is a sum of Rs 0.088 million, representing balance in a bank account in Afghanistan not in the Company's control as it has been confiscated by the Ministry of Finance, Afghanistan.

24.2 The rate of mark-up on these accounts ranges between 9.00% and 10.75% (2010: 9.00% and 10.05%) per annum.

25. NET SALES AND SERVICES

		Note	2011 (Rupees in '000)	2010 (Rupees in '000)
Execution of contracts	- outside Pakistan		3,774,444	10,674,064
	- local		2,513,480	3,897,562
			6,287,924	14,571,626
Sale of goods	- outside Pakistan		176,460	367,393
	- local		8,502,432	11,297,741
			8,678,892	11,665,134
Rendering of services	- outside Pakistan		334,404	120,566
	- local		426,241	462,078
			760,645	582,644
Gross sales and services			15,727,461	26,819,404
Commission paid			(28,379)	(80,693)
Sales tax			(639,526)	(489,869)
			15,059,556	26,248,842

26. COST OF SALES AND SERVICES

	Note	2011	2010
Opening inventory of finished goods		955,618	1,198,627
Cost of goods manufactured and services rendered	*26.1*	12,329,742	21,738,701
Finished goods purchased		472,013	386,135
		13,757,373	23,323,463
Closing inventory of finished goods	*18*	(814,287)	(955,618)
		12,943,086	22,367,845

26.1 Cost of goods manufactured and services rendered

	Note	2011	2010 Restated
Opening inventories			
Raw materials and components		1,259,337	1,151,734
Goods-in-transit		667,522	892,223
Work-in-process		1,478,625	1,629,687
		3,405,484	3,673,644
Purchase of goods and services		8,458,592	16,329,922
Salaries, wages and employees welfare expenses		1,735,513	1,938,320
Gratuity		38,652	34,321
Provident fund contribution		26,301	19,304
Fuel, power and water		346,869	378,853
Repairs and maintenance		91,592	154,790
Rent, rates and taxes		276,488	410,177
Liquidated damages		(81,078)	358,296
Warranty		208,570	24,752
Other contractual obligations		(31,322)	(27,117)
Inventories written off		-	418
(Reversal of provision) / provision for slow moving and obsolete items of inventories		(74,710)	121,965
IT, networking and data communication		75,579	79,439
Insurance		65,805	71,161
Depreciation and amortisation	*14*	166,518	162,915
Transportation		44,106	70,990
Travelling and conveyance		416,326	502,163
Exchange loss		44,395	588,863
Stationery, telex and telephone		88,534	114,856
Others		141,086	245,336
		15,443,300	25,253,368
Closing inventories			
Raw materials and components		(1,266,499)	(1,259,337)
Goods-in-transit		(319,484)	(667,522)
Work-in-process		(1,476,900)	(1,478,625)
		(3,062,883)	(3,405,484)
		12,380,417	21,847,884
Sale of scrap		(50,675)	(109,183)
		12,329,742	21,738,701

27. MARKETING AND SELLING EXPENSES

	Note	2011	2010
		(Rupees in '000)	
			Restated
Salaries and employees welfare expenses		428,455	445,350
Gratuity		23,981	18,416
Provident fund contribution		15,502	19,475
Fuel, power and water		74,905	58,463
Repairs and maintenance		34,999	32,217
Advertising and sales promotion		21,357	34,636
Rent, rates and taxes		26,902	37,617
Insurance		13,813	11,971
Provision for doubtful advances		2,579	-
Provision for doubtful trade receivables		263,441	372,565
Provision for doubtful construction work in progress		81,098	412
Provision for doubtful deposits		19,076	2,310
Provision for doubtful other receivables		43,811	10,783
Factoring of trade receivables		-	122,860
Bad debts written off		4,623	14,551
Depreciation and amortisation	*14*	52,501	53,421
Travelling and conveyance		62,757	72,280
Transportation		78,494	85,164
Stationery, telex and telephone		24,360	26,497
IT, networking and data communication		40,958	42,334
Others		15,215	18,689
		1,328,827	1,480,011

28. GENERAL ADMINISTRATIVE EXPENSES

	Note	2011	2010
Salaries and employees welfare expenses		181,384	315,067
Gratuity		11,635	18,150
Provident fund contribution		6,607	7,868
Fuel, power and water		13,318	15,481
Repairs and maintenance		6,530	16,477
Rent, rates and taxes		4,192	2,824
Insurance		1,668	1,930
Auditors' remuneration	*36*	4,293	3,158
Depreciation and amortisation	*14*	9,918	13,698
Travelling and conveyance		22,943	17,533
Stationery, telex and telephone		8,300	7,782
IT, networking and data communication		10,686	12,725
Legal and professional charges		235,710	13,605
Donations	*28.1*	-	31,250
Workers' Profit Participation Fund		8,930	85,940
Workers' Welfare Fund		5,792	43,133
Others		48,993	18,565
		580,899	625,186

28.1 Donations included the following in which a director or spouse of a director were interested:

Name and address of donee	Interested director or his spouse	Interest in donee	Note	2011	2010
				(Rupees in '000)	
Red Crescent Society PRCS Sindh Provincial Branch Hilal-e-Ahmar House, Main Clifton Road, Karachi.	Mr. Sohail Wajahat H. Siddiqui - Ex CEO	Chairman	*28.1.1*	-	30,000
Aga Khan Hospital & Medical College Foundation Stadium Road, Karachi.	Spouse of Mr. Sohail Wajahat H. Siddiqui	Member of annual giving committee		-	1,000
				-	31,000

28.1.1 This represented generating sets, costing Rs 30 million, donated by the Company to the Flood Relief Fund.

29. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in '000)	
Profit on sale of property, plant and equipment		52,915	27,310
Liabilities no longer payable written back		4,730	115,131
Rental income		2,357	3,984
		60,002	146,425

30. FINANCIAL INCOME AND EXPENSES

	Note	2011	2010
Mark-up from trade and other receivables		6,675	2,799
Income on amounts placed with banks under deposit accounts		41,653	16,867
Exchange gain		6,380	10,909
Financial income		54,708	30,575
Interest on Workers' Profit Participation Fund		4,855	11,464
Mark-up on short-term running finances		54,595	67,598
Mark-up on trade and other payables		13,758	10,805
Commission on guarantees		90,590	124,941
Bank charges for services		66,812	256,441
Provision / (reversal of provision) for discounting on long-term receivables		8,761	(40,787)
Financial expenses		239,371	430,462
Net finance costs		184,663	399,887

31. INCOME TAX EXPENSE

	Note	2011	2010
Current		191,999	819,640
Deferred		(101,229)	(240,852)
	31.1	90,770	578,788

31.1 Reconciliation of income tax expense for the year

	2011	2010 Restated
Accounting profit	158,178	1,590,067
Enacted tax rate	35%	35%
Tax on accounting profit at enacted rate	55,362	556,523
Tax effect of income assessed under Final Tax Regime	(27,115)	(31,267)
Tax effect of expenses that are not allowable in determining taxable income	450	1,327
Foreign tax	62,073	52,205
	90,770	578,788

31.2 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 consultant. These provisions may require change in case these laws and regulations are interpreted differently by tax authorities and the Company's appeals are not accepted at various forums.

32. BASIC AND DILUTED EARNINGS PER SHARE

	2011	2010
	(Rupees in '000)	
		Restated
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Net profit for the year	67,408	1,011,279
	(No. of shares)	
Weighted average number of Ordinary shares	8,247,037	8,247,037
	(Rupees)	
Basic and diluted earnings per share	8.17	122.62

33. CASH GENERATED FROM / (UTILISED IN) OPERATIONS

	Note	2011	2010
		(Rupees in '000)	
			Restated
Profit before tax		158,178	1,590,067
Adjustment for non-cash expenses and other items:			
Depreciation and amortisation		228,937	230,034
(Reversal of provision) / provision for slow moving and obsolete inventories		(74,710)	121,965
Provision for doubtful trade receivables		263,441	372,565
Provision for doubtful construction work in progress		81,098	412
Provision for doubtful deposits		19,076	2,310
Provision for doubtful other receivables		43,811	10,783
Provision for Workers' Profit Participation Fund		8,930	85,940
Profit on sale of property, plant and equipment		(52,915)	(27,310)
Gratuity		74,268	70,887
Long-term loans and trade receivables		(89,141)	334,313
Long-term deposits		1,107	973
Retention money payable		(98,198)	(24,137)
Other non-current liabilities		8,866	(2,045)
Financial expenses		230,610	471,249
Financial income		(48,328)	(19,666)
Working capital changes	*33.1*	297,821	(3,509,486)
		1,052,851	(291,146)

33.1 Working capital changes

	2011	2010
(Increase) / decrease in current assets		
Inventories	483,932	511,169
Trade receivables	1,220,700	(1,029,336)
Due against construction work in progress	281,189	(423,475)
Loans and advances	266,725	81,461
Deposits and short-term prepayments	1,129	6,741
Other receivables	139,265	(23,652)
	2,392,940	(877,092)
Increase / (decrease) in current liabilities		
Trade and other payables	(2,019,267)	(2,745,648)
Provisions	(75,852)	113,254
	(2,095,119)	(2,632,394)
	297,821	(3,509,486)

34. CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)

	Note	2011	2010
		(Rupees in '000)	
Cash receipts from customers		17,784,662	26,033,578
Cash paid to suppliers, service providers and employees		(16,731,811)	(26,324,724)
Payment to Gratuity Fund		(89,234)	(70,619)
Financial expenses paid		(236,022)	(462,684)
Income tax paid		(401,835)	(748,351)
Payment to Workers' Profit Participation Fund		(85,940)	(116,377)
		239,820	(1,689,177)

35. CASH AND CASH EQUIVALENTS

	Note	2011	2010
Cash and bank balances	24	719,368	1,396,266
Short-term running finances	9	(3,948,627)	(4,297,231)
		(3,229,259)	(2,900,965)

36. AUDITORS' REMUNERATION

	Note	2011	2010
Audit fee		3,011	1,615
Special reports and certifications, review of half yearly accounts, audits of Workers' Profits Participation Fund and Gratuity Fund		680	875
Out of pocket expenses		602	668
		4,293	3,158

37. LONG-TERM CONSTRUCTION CONTRACTS

	Note	2011	2010
Contract revenue for the year		6,287,924	14,571,626
Contract revenue to date		87,358,203	81,070,279
Contract costs incurred to date		77,592,810	72,396,304
Gross profit realised to date		9,765,393	8,673,975
Balance of advances received		826,762	634,797
Retention money receivable		4,119,250	7,244,118
Gross amount due from customers		6,960,703	7,718,914
Estimated future costs to complete projects in progress	37.1	8,448,569	9,947,131

37.1 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.

38. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	78,555	4,400	661,037	70,926	52,611	685,533
Retirement benefits and Company's contribution to provident fund	10,559	-	81,967	9,586	-	72,545
Perquisites and benefits:						
- Group insurance and medical	3,169		9,357	370	87	10,578
- (Reversal of accrual) / accrual for share based benefits	(7,597)	-	(5,361)	11,220	4,679	4,812
- Long service bonus	-	-	8,906	-	-	8,229
- Rent and others	3,817		2,470	7,612	5,866	3,363
	88,503	4,400	758,376	99,714	63,243	785,060
Number of persons	1	2	285	1	4	265

38.1 In addition to the above, remuneration and fringe benefits of one expatriate executive (2010: two executives) hired for projects amounted to Rs 14.900 million (2010: Rs 23.000 million).

38.2 The aggregate amount charged in these financial statements in respect of directors' fee paid to seven directors (2010: seven) was Rs 0.270 million (2010: Rs 0.160 million).

38.3 The Chief Executive and one hundred executives (2010: one hundred and ninety three) have been provided with free use of Company's cars. The Chief Executive was provided with free maintenance and furnishing of accommodation.

38.4 The Chief Executive was also provided with telephone facility at his residence.

38.5 The above balances include an amount of Rs 146.097 million (2010: Rs 217.681 million) on account of compensation to key management personnel, the details of which are as follows:

	Note	2011	2010
		(Rupees in '000)	
Short-term employee benefits		135,783	180,310
Post-employment benefits		17,747	15,825
Other long-term benefits		1,062	835
(Reversal of accrual) / accrual for share based benefits		(8,495)	20,711
		146,097	217,681

39. SHARE BASED PAYMENTS

Certain key management employees are entitled to participate in the share based payment plans of Siemens AG. Under the arrangements, Stock Appreciation Rights (SARs), Phantom Stock Awards (PSA) and / or Siemens Stock Awards (SSA) are granted to these employees. 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 employeesare subject to a two year vesting period, after which they may be exercised for a period of up to 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 Siemens AG's stocks on the day of exercising the stock option.

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

	2011		2010	
	Weighted average exercise price Euro	**Number of SARs**	Weighted average exercise price Euro	Number of SARs
Outstanding at beginning of the year	74.59	9,645	74.59	9,645
Exercised during the year	84.50	(5,145)	-	-
Forfeited during the year	-	(4,500)	-	-
Outstanding at end of the year	-	-	74.59	9,645
Exercisable at end of year	-	-	74.59	9,645

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 at the grant date in estimating the fair value of grants made are as follows:

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

No SARs were granted during the years ended September 30, 2010 and 2011.

The expected volatility is based on historical volatility of Siemens AG 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 Stock Awards and Siemens Stock Awards

PSA and SSA are subject to a three year vesting period and the grantees receive the share price equivalent value in cash at the end of three year vesting period. Details of PSA and SSA are as follows:

	2011	2010
	Number of Awards	
Balance as at beginning of the year	8,315	7,994
Granted during the year	515	1,567
Paid during the year	(3,021)	(1,246)
Expired during the year	(113)	-
Balance as at end of the year	5,696	8,315

PSA and SSA are remeasured to their fair value at each reporting date.

Total expense for share based payments during the year ended September 30, 2011 was Rs 12.306 million (2010: Rs 20.711 million). The liabilities for cash settled arrangements as of September 30, 2011 aggregated to Rs 36.262 million (2010: Rs 57.500 million).

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of 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	2011	2010
		(Rupees in '000)	
Parent company			
Sales of goods and rendering of services		149,815	56,291
Purchases of goods and receipt of services		1,990,498	4,228,640
Commission and allowances earned		40,438	47,966
Dividends		326,632	490,601
Associated companies			
Sales of goods and rendering of services		150,656	102,055
Purchases of goods and receipt of services		1,256,525	1,209,441
Commission and allowances earned		34,339	15,321
Liabilities no longer payable written back		-	72,685
Financial expenses		30,514	21,208
Financial income		402	68
Others			
Dividends		30	45
Contribution to employees' retirement benefits		122,679	117,532
Compensation to key management personnel	38.5	146,097	212,854

40.1 Amounts due from and due to related parties, amounts due from executives and remuneration of the Chief Executive, directors and executives are disclosed in the relevant notes.

40.2 Transactions with related parties were carried out on commercial terms and conditions and at prices agreed based on inter company prices.

41. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity	Actual Production 2011	Actual Production 2010
Electric motors and alternators	150,000 HP	118,463 HP	116,044 HP
Motors control gears and control boards	1,000 Nos.	24 Nos.	33 Nos.
Electric transformers	2,800 MVA	1,777 MVA	2,608 MVA
Generating sets	95,000 KVA	38,734 KVA	10,000 KVA
Switchgears and distribution boards	4,500 Nos.	1,087 Nos.	3,613 Nos.

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

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42. BALANCE SHEET AS AT BEGINNING OF THE COMPARATIVE YEAR

The balance sheet as at the beginning of the comparative year (i.e., as of October 1, 2009) as referred to in note 3.20(1) has been presented as follows;

	2009	
	(Rupees in '000)	
Equity and liabilities	**Restated**	**Original**
Share capital and reserves		
Share capital		
- Authorised		
20,000,000 Ordinary shares of Rs 10 each	200,000	200,000
- Issued, subscribed and fully paid-up	82,470	82,470
Reserves		
Capital	624,192	624,192
Revenue	6,071,231	6,204,531
	6,695,423	6,828,723
Total equity	6,777,893	6,911,193
Non-current liabilities		
Retention money	175,719	175,719
Other non-current liabilities	22,138	22,138
	197,857	197,857
Current liabilities		
Trade and other payables	11,692,115	11,493,646
Provisions	2,092,935	2,092,935
Short-term running finances	1,674,696	1,674,696
Taxation - net	1,888,118	1,888,118
	17,347,864	17,149,395
Total liabilities	17,545,721	17,347,252
Total equity and liabilities	24,323,614	24,258,445
Assets		
Non-current assets		
Fixed assets		
Property, plant and equipment	1,662,500	1,662,500
Intangible assets	6,032	6,032
	1,668,532	1,668,532
Long-term loans and trade receivables	1,190,898	1,190,898
Long-term deposits and prepayments	6,086	6,086
Deferred tax asset	1,077,835	1,012,666
	3,943,351	3,878,182
Current assets		
Inventories	4,367,431	4,367,431
Trade receivables	9,659,481	9,659,481
Due against construction work in progress	3,923,911	3,923,911
Loans and advances	465,861	465,861
Deposits and short-term prepayments	119,245	119,245
Other receivables	441,240	441,240
Cash and bank balances	1,403,094	1,403,094
	20,380,263	20,380,263
Total assets	24,323,614	24,258,445

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities mainly comprise trade and other payables and short-term running finances. The main purpose of financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise loans to employees, deposits, trade and other receivables and cash and bank balances. The Company is exposed to market risk, credit risk and liquidity risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

43.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity price risks. The objective of market risk management is to manage and control market risk exposures within an acceptable range.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities in Pakistan and the UAE.

The Company manages its foreign currency risk by hedging its exposure to fluctuations on the translations into Rupees by obtaining forward cover, swap transactions and options against its foreign currency denominated payables and receivables. In respect of anticipated future transactions, the following have been taken at the balance sheet date to hedge the foreign currency liabilities and receivables.

	2011	2010
	(Rupees in '000)	
Forward exchange contracts		
- Purchased value	1,130,512	964,608
- Fair value	1,128,272	983,404
Swaps		
- Purchased value	1,329	3,404
- Fair value	1,330	3,622
Options		
- Purchased value	185,007	-
- Fair value	172,140	-

The Company's exposure to foreign currency risk in major currencies at their gross values is as follows:

	2011	2010
	(AED in '000)	
Trade and other receivables	263,486	305,692
Cash and bank balances	45	27,358
Trade and other payables	(96,081)	(156,810)
Short-term running finances	(161,301)	(182,099)
	6,149	(5,859)

	2011	2010
	(EUR in '000)	
Trade and other receivables	7,086	12,713
Cash and bank balances	-	1,655
Trade and other payables	(2,784)	(7,855)
	4,302	6,513

	2011	2010
	(USD in '000)	
Trade and other receivables	6,560	4,370
Cash and bank balances	3,301	-
Trade and other payables	(3,515)	(5,607)
	6,346	(1,237)

	2011	2010
	(JPY in '000)	
Trade and other receivables	31,701	-

The following is the demonstration of the sensitivity to a reasonably possible change in exchange rate of all currencies applied to assets and liabilities as at September 30, 2011 represented in foreign currencies, with all other variables held constant, of the Company's profit before tax.

		2011	2010
Change in exchange rate	±	1%	1%
Effect on Profit before tax (Rs '000)	±	10,701	3,053

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's short-term deposits and running finances.

The Company's policy is to keep its short-term running finances at the lowest level by effectively utilising the positive cash and bank balances. Further, the Company also minimises the interest rate risk by investing in fixed rate investments like Term Deposit Receipts.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2011	2010	2011	2010
	Effective rates (%)		(Rupees in '000)	
Financial Assets				
Cash and bank balances	9.96	9.50	290,470	205,693
Financial Liabilities				
Short-term running finances (AED)	2.87	0.84	3,839,254	4,281,123
Short-term running finances (Rs)	14.71	14.17	109,373	16,108
			3,948,627	4,297,231

A change of 100 basis points (1%) in interest rates at the reporting date would have changed Company's profit before tax for the year by the amount shown below, with all other variables held constant.

		2011	2010
Change in interest rate	±	1%	1%
Effect on Profit before tax (Rs '000)	±	15,967	17,981

Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

43.2 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. It mainly comprise of trade receivables, advances to suppliers, trade deposits and bank balances. The Company's maximum exposure to credit risk at the reporting date is as follows:

	2011	2010
	(Rupees in '000)	
Loans to employees	2,178	3,326
Advances to employees	5,511	7,923
Advances to suppliers	110,708	374,712
Trade deposits	114,375	107,287
Trade receivables	9,777,116	11,171,277
Due against construction work in progress	3,984,686	4,346,973
Other receivables	48,996	95,730
Bank balances	715,388	1,388,363
	14,758,958	17,495,591

Concentration of credit risk

The sector wise analysis of receivables including trade receivables, due against construction work in progress, advances to suppliers and trade deposits based on their gross values is given below:

	2011		2010	
	(Rupees in '000)	%	(Rupees in '000)	%
Government sector				
Energy	7,860,275	53	9,701,022	59
Communication	185,283	1	339,564	2
Health	105,237	1	106,587	1
Aviation	266,498	2	47,671	-
Others	1,034,713	7	1,363,518	8
Sub-total	9,452,006	64	11,558,362	70
Private sector				
Energy	3,324,803	22	3,993,180	24
Communication	18,237	-	39,173	-
Health	26,285	-	42,861	-
Cement Industry	11,813	-	13,696	-
Dealers and agents	82,671	1	82,716	1
Aviation	13,829	-	3,981	-
Others	1,946,362	13	743,595	5
Sub-total	5,424,000	36	4,919,202	30
Total	14,876,006	100	16,477,564	100

Trade receivables

To mitigate the credit risk against trade receivables, the Company has a system of assigning credit limits to its customers based on an extensive credit rating scorecards. Outstanding customer receivables are regularly monitored. The Company endeavors to cover the credit risks on government sector trade receivables, where possible, 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.

The ageing of trade receivables at the reporting date is as follows:

	Note	2011	2010
		(Rupees in '000)	
Not yet due		6,738,626	6,310,998
Past due 1-180 days		964,464	2,271,740
Past due 181-360 days		565,156	819,807
Past due 361-720 days		776,643	1,355,603
Past due 721-1080 days		1,189,464	522,321
Over 1080 days		783,827	859,353
		11,018,180	12,139,822
Less: Provision for impairment	*15 & 19*	(1,162,007)	(898,566)
Less: Discounting on long-term receivables	*15*	(79,057)	(69,979)
		9,777,116	11,171,277

E-ans

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2011	2010
	(Rupees in '000)	
Balance at beginning of the year	898,566	526,001
Additional provision	420,700	495,856
Provision utilised against write offs	(4,623)	(14,551)
Reversals of provision	(152,636)	(108,740)
Balance at end of the year	1,162,007	898,566

Trade deposits and other receivables

The movement in the provision for impairment in respect of trade deposits and other receivables during the year was as follows:

	2011	2010
	(Rupees in '000)	
Balance at beginning of the year	59,786	46,693
Additional provision	69,012	21,683
Reversals of provision	(6,125)	(8,590)
Balance at end of the year	122,673	59,786

Cash and bank balances

The Company keeps its surplus funds with the banks having good credit rating. Currently the surplus funds are kept with banks having rating A1+.

43.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the Company's business, the treasury maintains flexibility in funding by maintaining availability under control committed credit lines. The facilities available to the Company have been detailed in notes 9.1 to 9.4.

The table below summarises the maturity profile of the Company's financial liabilities as at the reporting date:

	Carrying amount	Less than 12 months	1 to 2 years	2 to 5 years
	(Rupees in '000)			
Financial liabilities				
2011				
Long-term retention money	53,384	-	47,483	5,901
Trade and other payables	4,816,719	4,816,719	-	-
Short-term running finances	3,948,627	3,948,627	-	-
	8,818,730	8,765,346	47,483	5,901
2010				
Long-term retention money	151,582	-	124,235	27,347
Trade and other payables	6,560,791	6,560,791	-	-
Short-term running finances	4,297,231	4,297,231	-	-
	11,009,604	10,858,022	124,235	27,347

44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities are estimated to approximate their fair values.

45. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base.

The Company manages its capital structure by monitoring return on net assets and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company is not subject to externally imposed capital requirements.

46. INFORMATION ABOUT BUSINESS SEGMENTS

	Energy	Industry	Healthcare	Eliminations	Total
2011					
REVENUE					
	(Rupees in '000)				
Sales to external customers	9,758,129	5,010,710	290,717	-	**15,059,556**
Inter-segment sales	778,790	335,422	6,227	(1,120,439)	**-**
Total revenue	10,536,919	5,346,132	296,944	(1,120,439)	**15,059,556**
RESULT					
Segment result	112,952	199,499	(124,111)	-	**188,340**
Unallocated expenses					**(14,722)**
					173,618
Interest expense					**(59,450)**
Other operating income					**2,357**
Interest income					**41,653**
Income tax expense					**(90,770)**
Net profit for the year					**67,408**
OTHER INFORMATION					
Capital expenditure	139,982	43,209	395	-	
Depreciation and amortisation	111,761	56,207	12,099	-	
Non-cash expenses other than depreciation and amortisation	195	825	(53)	-	
ASSETS AND LIABILITIES					
Segment assets	14,089,689	3,065,855	300,623	-	**17,456,167**
Segment liabilities	10,337,150	1,680,990	134,215	-	**12,152,355**
2010					Restated
REVENUE					
Sales to external customers	19,227,202	6,444,430	577,210	-	26,248,842
Inter-segment sales	1,201,364	307,205	-	(1,508,569)	-
Total revenue	20,428,566	6,751,635	577,210	(1,508,569)	26,248,842
RESULT					
Segment result	1,390,821	373,865	12,665	-	1,777,351
Unallocated expenses					(129,073)
					1,648,278
Interest expense					(79,062)
Other operating income					3,984
Interest income					16,867
Income tax expense					(578,788)
Net profit for the year					1,011,279
OTHER INFORMATION					
Capital expenditure	101,248	81,182	5,862	-	
Depreciation and amortisation	103,236	56,935	8,151	-	
Non-cash expenses other than depreciation and amortisation	(323)	(380)	38	-	
ASSETS AND LIABILITIES					
Segment assets	15,579,948	3,815,814	501,253	-	19,897,015
Segment liabilities	12,530,215	1,983,480	232,474	-	14,746,169

Excno

46.1 The Company is operating through three business segments, namely Energy, Industry and Healthcare. The energy segment mainly relates to supply and installation of transformers, switchboards, and other related power generation, transmission, and distribution equipment and related services. Industry segment includes designing, engineering and construction services in electrical field, mechanical field, information technology services, diesel generating sets, motors, alternators and drives etc. Healthcare segment include supply and services of health care and related equipment.

46.2 **Geographical information**

Revenues from external customers

	2011	2010
	(Rupees in '000)	
Pakistan	10,442,682	14,406,078
United Arab Emirates	2,572,187	9,895,137
Afghanistan	1,247,950	895,752
Germany	272,223	568,214
Others	524,514	483,661
	15,059,556	26,248,842

The revenue information above is based on the location of customers.

Sales in the year 2010 included an amount of Rs 8,364.238 million and Rs 5,670.583 million derived from two external customers exceeding 10% of total sales of the Company. These revenues were attributable to the Energy segment of the Company.

Non-current assets	2011	2010
	(Rupees in '000)	
Pakistan	1,692,727	1,753,598
United Arab Emirates	835,229	771,649
Afghanistan	2,011	15,607
	2,529,967	2,540,854

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and other long-term receivables except for deferred tax asset.

46.3 Transfer prices between operating segments are on commercial terms and conditions.

46.4 **Segment assets and liabilities**

Reportable segments' assets are reconciled to total assets as follows:

	2011	2010
	(Rupees in '000)	
		Restated
Segment assets for reportable segments	17,456,167	19,897,015
Corporate assets	972,177	1,002,822
Unallocated		
Deferred tax asset	1,420,257	1,322,323
Cash and bank balances	719,368	1,396,266
Others	770,983	991,514
Total assets as per balance sheet	21,338,952	24,609,940

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2011	2010
	(Rupees in '000)	
		Restated
Segment liabilities for reportable segments	12,152,355	14,746,169
Corporate liabilities	167,451	190,626
Unallocated		
Trade and other payables	551,495	663,999
Short-term running finances	109,373	16,108
Taxation - net	1,749,572	1,959,407
Total liabilities as per balance sheet	14,730,246	17,576,309

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

46.5 Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

46.6 Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Company.

47. GENERAL

47.1 The following major corresponding figures have been reclassified for the purposes of better presentation:

From	To	(Rupees in '000)
Trade receivables	Due against construction work in progress	4,346,973
Deposits, short-term prepayments and other receivables	Other receivables	427,267

The related amounts in the cash flow statement and in other notes in these financial statements have also been reclassified.

47.2 These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on November 24, 2011.

Ali Hamdani
Chief Executive Officer

Christian Knie
Director