

SIEMENS (Pakistan) Engineering Co. Ltd

(Annual Report 1997)

Corporate Objectives

Our prime objective is to offer to our customers quality products and services at competitive prices to their complete satisfaction.

We constantly endeavor to maintain our position as market leaders and technology pace-setters in all areas of our operations and to continuously improve our efficiency and competitive strength.

To enhance their creativity and job satisfaction, we provide our employees, opportunity for personal development, limited only by their own ability and drive; we consider this to be an important means of achieving our corporate goals.

By continually improving our performance, we aim to generate earnings sufficient to ensure a secure future for the Company and to protect and increase shareholders' investment.

Local presence, backed fully by the high-tech engineering expertise of Siemens world wide, is our special strength. We are an integral part of national economy with a strong sense of responsibility to society and the environment.

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Company information

Board of Directors

Syed Babar All, Lahore, Chairman
Martin Sulger, Karachi, Managing Director
Karl Friedrich Hunke, Munich (effective October 1, 1997)
Razi-ur-Rahman Khan, Karachi
Asadullah Khawaja, Karachi (effective September 15, 1997)
Roland Koch, Munich (until September 30, 1997)
Mutiur Rahman, Karachi (until June 13, 1997)
Rolf Schlotfeldt, Munich
Herbert Steffen, Erlangen

Management

Martin Sulger	Managing Director
Hamiduddin Ahmed	Exports and Special Projects Division
Farhat All	Rail-Transportation Systems and Medical Engineering Division
Daud Ansari	Finance & Business Admn. Div.
Pervez Iftikhar	Telecommunication Division
Bakhtiyar Saeed	Power Engineering Division
Sohail Wajahat	Products and Services Division

Auditors

Taseer Hadi Khalid & Company, Karachi

Legal Advisors

Orr Digham & Company, Karachi
Syed Iraran Bokhari, Lahore

Registered Office

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

Corporate Structure

DIVISIONS

Telecommunication Division
Rail Transport Medical Engineering Division
Power Engineering Division
Products & Services Division
Export & Special Projects Division
Finance & Business Administration Division

BUSINESS UNITS

Private Networks
Medical Sales
Transmission & Distribution
Diesel Generating Sets
Telecom Networks
Medical Technical Services
Transformers
Industrial Projects

Special Systems
Rail Transportation
Switchboards
Engg. & Const. Services Traffic Control Systems IT Services
Siemens Nixdorf
Solar
Power Generation
Motors & Alternators
Standard Products

CENTRAL DEPTS

Finance & Accounting
Central Imports
Central Comm. Services

CORPORATE DEPTS

Planning & Development
Security General Services SITE Industrial Relations
Human Resources
Quality
Communication
Audit

Joint Venture Partners of Siemens A. G. with Pakistan Telecommunication Corp.
Telephone Industries of Pakistan (Pvt.) Ltd., Haripur
Carrier TelephOne Industries (Pvt.) Ltd., Islamabad

Regional Offices
Karachi Lahore Islamabad Quetta Peshawar Faisalabad

Directors' Report

Your Directors take pleasure in presenting their report and the audited accounts for the year ended September 30, 1997 alongwith the Auditors' report.

(Rupees in thousand)

Net profit for the year after taxation	220,608
Unappropriated profit brought forward	235
Available for appropriation	220,843
Transfer to asset replacement reserve	55,200
Transfer to revenue reserve - general	142,100
Proposed final dividend @ 30%	23,479
Unappropriated profit carried forward	64

The earning per share (EPS) amounted to Rs. 28.19

Mr. Mutiur Rahman who
joined the Board on
16-Dec-91
expired on June 15, 1997
after a brief illness. The
Board expresses its grief

September 30, 1997. He
has been replaced by
Mr. K.F. Hunke w.e.f.
October 1, 1997. The
Board acknowledges the
valuable services of

Khalid & Company retire
and being eligible, offer
themselves for re-
appointment.

The statement of pattern

on his death and extends its heartfelt condolence to his family. The Board wished to put on record its appreciation for the valuable services rendered by him to the company.

The Board welcomes Mr. Asadullah Khawaja in place of late Mr. Mutiur Rahman.

Mr. Roland Koch, a Director since October 1995 retired w.e.f.

Karachi, November 26, 1997

Mr. Koch and wishes him good health and also welcomes Mr. Hunke.

No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year of the Company to which this Balance Sheet relates and the date of the Directors' Report.

The present auditors, Messrs Taseer Hadi 1995 retired w.e.f.

M. Sulger
Chief Executive Officer

of the shareholding of the Company as at September 30, 1997 is shown on page 35.

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

The Board endorses the contents of the Management report for the year 1996/97.

S.Babar Ali
Chairman

Management Report

General Review

During the whole of the year 96/97, the economic situation was adversely affected by political developments including three changes of Government and also by financial crises in the public sector corporations, some of which are our major customers and business partners.

Consequently our business in general and that with the public sector in particular suffered considerably through postponement and shelving of projects and delays in execution of contracts.

We were however able to compensate to some extent the loss of business due to these reasons by winning orders from the private sector.

the close of the year amounted to Rs. 2.21 billion.

Profit before tax however, declined 22% from last year to Rs. 297 million which was mainly due to persistent default in payment for our goods and services by WAPDA and KESC among other public sector customers. This resulted in the Company having to borrow heavily to meet its operating capital needs leading to incidence of much higher financial charges. Needless to say, in order to reduce the adverse impact of these circumstances on profitability, efforts were intensified to reduce costs through an austerity drive.

A satisfactory development was success in obtaining ISO certification.

an outsider any more but a Company employee who therefore has a stake in the Company. We hope this cooperation and understanding will continue in the future to the mutual benefit of the workers and the Company.

We celebrated in October 1997 the 150 year anniversary of Siemens worldwide and the fifth decade of Siemens operations in Pakistan as well as the inauguration of the extension to our building complex at S.I.T.E. The largely attended function to which important customers, leaders of business and industry and a large number of journalists were invited was presided over by Dr. Juergen Kleiner, Ambassador of Germany. Dr. Guenter Wilhelm, Member Corporate Executive

Nevertheless the value of new orders received during the year fell from Rs. 3.57 billion to Rs. 2.27 billion or by around 36%.

Sales improved 19% to Rs. 3.07 billion from last year due to progressive billing of projects already under construction. Orders in hand at

Capital investment of Rs. 153 million was made mainly for development of infrastructure at our complex at S.I.T.E. Karachi.

Rs. 548 million were paid to Government towards duties and taxes during the year which was 10% higher than in the year before.

I am glad to report that after long and difficult negotiations with the CBA, we were able to conclude a new, mutually beneficial agreement. This has already paved the way for new employment of workers. One of the reasons for the responsible and cooperative attitude of the Workers Union is that the present CBA president is not

Committee, Siemens AG,

responsible for Asia Pacific Region, was present for the occasion.

The Chief guest gave away 5 Gold Medals to students who topped in the Electrical and Electronics Engineering faculties in major engineering universities of the country. This award, instituted on this occasion will now be a regular annual feature.

In the end I would like to thank all our managers, officers and workers without whose devotion and efforts the positive results achieved despite difficulties would not have been possible.

Telecommunication Division

Sales Rs. 253 million (+ 24%)
New Orders Rs. 275 million (+ 38%)

Telecom Networks

Apart from strengthening our presence in the business areas of narrowband switching and transport networks, new areas including broadband networks, access networks, mobile networks, telecom management networks, intelligent networks and internet solutions are being entered into.

Our indirect business in narrowband switching and transport networks was below target due to unfavourable financial situation of Pakistan Telecommunication Co. Ltd.,

great success. We got orders from reputed organizations for HICOM 300 system where for the first time ISDN trunks were used for a PABX. All ISDN systems are capable of providing video conferencing and data transmission at high speeds. The medium and small systems of HICOM-100 series continued to be marketed successfully. We plan to introduce Hicom-150 and Hicom-1182-2 in this series in the near future. Our emphasis will be on added-features product business where auto attendant answering, voice mail

messaging, call logging and hotel solutions will be marketed.

We have entered the growing mobile telephone market with the launch of world renowned GSM mobile phones S6 & S10.

Special Systems

We continued to provide logistics support to a number of hi-tech systems already supplied by Siemens to various Government organizations in addition to providing new systems and technologies. The prevalent economic crunch affected the sale of new systems. However, the business in logistics support area continued steadily. Ground work for induction of new systems is being done.

(PTCL). Production capacities at factories of both joint venture companies, (TIP and CTI) were underutilized due to lack of orders.

We exported the services of our engineers for Siemens projects in Germany, France, Netherlands, Hungary, Bosnia, UAE, Qatar, Kuwait, Nepal, Indonesia and Philippines where they executed several projects.

Private Networks

Introduction of the state-of-the-art technology ISDN PABX HICOM-300 System was a

Rail-Transportation Systems and Medical Engineering

Division

Sales Rs. 296 million (+ 7%)

New Orders Rs. 133 million (- 40%)

Medical Engineering

Business volume decreased substantially from last year due to lack of funds in the health sector. During the year, we have supplied state-of-the-art digital filmless cardiac angiography equipment to Punjab Institute of Cardiology, Lahore. This is the first system in Pakistan which, in addition to archiving coronary images on traditional cine-film media, also provides loss-less digital archiving of examination results on cost effective leading edge optical media (i.e. C.D).

We have handed over three major projects, i.e. Ayub Medical College, Abbottabad, Hayatabad Medical Complex,

Siemens Nixdorf Information Systems

We offer the entire range of Siemens Nixdorf Computer Systems which includes notebooks, personal computers & PC Servers, mini & super mini class machines, related software solutions & services. Since its inception in October, 1996 its operations remained satisfactory. This business is expected to grow steadily

equipment is increasing every year. Our Medical Technical Services Unit is fully equipped to meet the challenge of the growing requirements.

Rail-Transportation Systems

The activity in the transport section remained dull during the year. There has not been any new investment by the Railways in signalling and related fields. Of the large signalling contract for 94 Stations, 36 Stations have so far been completed and handed over to the Railways and another 6 Stations are ready for handing over.

SOLAR

Solar Power System has also been introduced for domestic applications during the year. One System of 2 kW has been installed in a village 30 KM from District Okara for electrification of Women Art Centre. A number of similar systems of 250 Watts have also been installed recently in remote areas of Hyderabad, Sukkur and Rahim Yar Khan. Several orders for solar products have been obtained from Pakistan Telecommunication Company (PTCL) and Sui Southern Gas Company.

Peshawar and National Institute of Handicapped, Islamabad which have been equipped with hi-tech diagnostic medical equipment. We have also supplied and installed a gamma camera at Dr. Ziauddin University Hospital, Karachi. Another major project, Children's Hospital, Quetta, inclusive of civil work, engineering services and medical equipment with commitment of three years after-sales support is nearing completion.

The installed volume of state-of-the-art highly sophisticated

Power Engineering Division

Sales Rs.1,600 million (+ 9%)
New Orders Rs. 991 million (-40%)

This is reflected in overall lower new orders figure for the division.

Power Generation

We continue to play an active role in enhancing the power generation capacity of the country. After completing Tarbela Extension, Guddu Power and Kot Addu Extension plants previously, we received a new order for execution of the 412 MW Combined Cycle Private Power Project (IPP) for Rousch Power Pakistan Limited near Multan. Including this order, we will have contributed approximately 15% to Pakistan's installed thermal power capacity.

Relay and control panels for WAPDA and 132 kV switchyard and relay control panels for IPP Saba Power were among major orders for the year. Along with execution of old public sector orders, new projects from the

private sector were undertaken. Completion of Bin Qasim 220 kV Substation and of the major portion of GIS 5th Power Project of KESC accounted for the bulk of the total sales during the year. A substation for BOC Limited was completed in record time of 7 months.

The construction of a new industrial power plant for the National Refinery in Karachi has been completed. This is a co-generation project consisting of a 7.5 MW steam

turbine generator and a 4 MW diesel generator. The Rousch Power Plant is expected to go into commercial operation in 1998.

Transmission & Distribution

This Unit specializes in the engineering, supply and construction of high voltage substations and protection and control systems.

Due to problems mentioned already in respect of delay in WAPDA and KESC projects, it was a difficult year with decline in business volume, since these two public sector organizations account for nearly 90% of this business.

Switchboards

The capacity utilization remained satisfactory as orders were received from WAPDA and KESC as well as from the private sector. Major sales related to supplies for Japan Power Project, for cement plants (Maple Leaf, DG Khan and Bestway) and relay and control panels. Several rationalization measures were introduced to make the unit more efficient.

Export business is expected to increase with intensified efforts, currently being made in the Middle East, Sri Lanka and Bangladesh. An export order for package stations was executed for a customer from Saudi Arabia.

Transformers

During the year, various steps

were taken to improve productivity, quality and delivery. New orders and sales Persistent default in receipt of payments from WAPDA and KESC posed severe liquidity problems and adversely affected profitability.

We are the only manufacturer of power transformers in the private sector. We were unable to utilize the production capacity fully due to delay in various projects. We have intensified our efforts in the export market and were successful in getting orders from Saudi Arabia and Bangladesh.

Products & Services Division

Sales Rs. 916 million (+ 440/0)
New Orders Rs. 875 million (- 42%)

**Engineering and
Construction Services /
Information Technology
Services**

Already a proven name in electrical and I & C works, Siemens Pakistan has now begun to undertake mechanical works as well. Recently, at BOC, we successfully erected a 140 ton 45 meter high cold box, one of the tallest mechanical structures in Pakistan, along with 4 vessels, each weighing 90 tons and measuring 25 meters. Another major accomplishment in the area of mechanical works is the successful installation and erection of assembled boiler modules, for Liberty Power Plant having a total weight of 1,265 tons at 30 meter height.

The ISO certification gives this business a distinct edge over competition in Pakistan.

The unit offers testing and calibration facility for electrical and mechanical instruments conforming to international standards. On site calibration in its mobile laboratory is also offered.

In the Information Technology Services area, we offer networking solutions complete with hardware / software integration, Groupware solution, development of application software and training of customer personnel

Motors and Alternators

We faced sluggish market conditions due to reduced investment in the industrial sector. However, export orders were received from U.A.E. and Bangladesh. This unit is contributing to the country's environmental cause by developing and supplying special hollow shaft motors for the national agricultural drainage schemes which will reduce salinity and improve yields.

Industrial Projects (IP)

IP is catering to market demands for project management, engineering, procurement & construction, software engineering & commissioning, testing, customer training and consultancy services for local and international industrial and building projects.

Standard Products

This business unit is responsible for sales and marketing of all low voltage products of Siemens. A newly formed but growing unit, it offers a vast range of drives, components, accessories and other standard items, especially UPS & lighting. It has shown considerable growth during the

reduced investment in industrial sector of the country. However, we were able to achieve our sales targets. We remain the main producer of diesel generating sets in the country with capability of offering necessary technical know-how and tailor-made solutions to our customers for various

Bestway Cement's 3300 tons per day plant, is among the notable projects under execution. The significance of this project lies in the fact that complete process automation and instrumentation engineering and software development was done by us. We are also executing a 135 MW Diesel Power Plant of Japan Power Generation Limited as an engineering, procurement and construction contractor.

This year, we successfully executed upgrading of Gizan cement project of 6600 tons per day capacity, in Saudi Arabia. Upgradation was furnished through ergonomically designed Human Machine Interface (HMI) integrated with management information systems (MIS) resulting in higher plant efficiency. Orders were secured for the revamping of Gulf Cement in U.A.E. and providing engineering support for Cat Lai Cement, Vietnam, Pahang Cement, Malaysia and Walls Ice Cream, Sri Lanka.

year.

Diesel Generating Sets

Demand of diesel generating sets remained sluggish due to growth in power sector and

applications. We are able to compete against imported sets due to better quality, engineering support and after sales service. We are now exploring export possibilities.

Notice of meeting

Notice is hereby given that the Fortyfifth Annual General Meeting of the shareholders of Siemens (Pakistan) Engineering Company Limited will be held on Saturday, January 24, 1998 at B-72, Estate Avenue, S.I.T.E., Karachi at 9:30 a.m. to transact the following business:

1. To confirm the minutes of the Extra-ordinary General

Notes:

1. The Share Transfer Books of the Company will remain closed from January 14,1998 to January 25, 1998 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him/her.

Meeting of the shareholders
of the Company held on
December 08, 1997.

2. To receive and adopt the
audited accounts for the year
ended September 30, 1997
and reports of the directors
and auditors thereon.

3. To declare the dividend.

4. To appoint auditors and to fix
their remuneration.

5. To transact such other
ordinary business as may be
placed before the meeting
with the permission of the
Chair.

Special Business:

6. To approve the remuneration
of the Managing Director of
the Company.

By order of the Board

M. Haleem Khan
Company Secretary

Karachi: January 2, 1998.

Auditors' report to the members

We have audited the annexed
balance sheet of Siemens
(Pakistan) Engineering Company
Limited as at September 30, 1997
and the related profit and loss
account and cash flow
statement together with the
notes forming parts 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

Proxy forms must be
deposited at the Company's
Registered Office not less
than 48 hours before the
time for holding the meeting.
A member shall not be
entitled to appoint more than
one proxy.

If a member appoints more
than one proxy and more
than one instruments of
proxy are deposited by a
member with the Company,
all such instruments of proxy
shall be rendered invalid.

Every proxy shall have the
right to attend, speak and
vote in the place of the
member appointing him/her
at the meeting.

A proxy must be a member.

3. Statement in regard to
Special Business is
annexed.

(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 and the cash
flow statement together
with the notes forming
part thereof, give the information
required by the Companies
Ordinance, 1984 in the manner

the purpose of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 1997 and of the profit and the cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

TASEER HADI KHALID & COMPANY

Chartered Accountants

Karachi, November 26, 1997

Balance Sheet as at September 30, 1997

		Rupees in thousand	
	Note	1997	1996
Share capital and reserves			
Authorised Capital			
20,000,000 ordinary shares of Rs. 10 each.		200,000	200,000
		=====	=====
Issued, subscribed and fully paid-up capital	3	78,263	78,263
Reserves	4	891,569	694,269
Unappropriated profit		64	235
		-----	-----

		969,896	772,767
Redeemable capital	5	81,513	102,096
Long-term liabilities	6	5,572	2,174
Deferred liabilities			
Provisions for employees			
- retirement gratuities	2.2	4,557	1,937
- long service bonus	2.3	7,633	7,182
		-----	-----
		12,190	9,119
Current liabilities			
Short-term loans	7	203,106	--
Current maturity of redeemable capital & long-term liabilities	5 & 6	310,583	17,970
Short-term finances	8	48,476	420,945
Creditors, accrued expenses and other liabilities	9	718,746	613,431
Provision for taxation	2.6 & 31	39,039	82,030
Unclaimed dividend		633	766
Proposed dividend		23,479	23,479
		-----	-----
		1,344,062	1,158,621
Contingency and commitments	11		
		-----	-----
		2,413,233	2,044,777
		=====	=====
Tangible fixed assets	2.70		
Operating assets	12	249,421	173,609
Capital work-in-progress	13	8,200	61,472
		-----	-----
		337,621	235,081
Deferred taxation	2.6 & 14	4,116	7,386
Long-term trade debts, deposits, prepayments and other receivables	2.8 & 15	58,080	32,572
Current assets			
Stocks	2.9 & 16	332,506	465,199
Trade debts	2.10 & 17	1,422,189	999,212
Loans	18	19	31
Advances	19	92,537	50,668
Trade deposits and short-term prepayments	20	13,813	33,587
Marketable Securities	21	10,000	10,000
Other receivables	22	31,200	16,981

Cash and bank balances	23	111,152	194,060
		-----	-----
		2,013,416	1,769,738
		-----	-----
		2,413,233	2,044,777
		=====	=====

The annexed notes form an integral part of these accounts.

**Profit and Loss account for the year ended
September 30, 1997**

Rupees in thousand

	Note	1997	1996
Net sales	24	3,065,315	2,579,836
Less: Cost of goods sold	25	2,343,398	1,923,249
		-----	-----
Gross profit		721,917	656,587
Commission and allowances earned		76,742	83,282
		-----	-----
		798,659	739,869
Less: Selling and administration expenses	27	338,156	298,241
		-----	-----
Operating profit		460,503	441,628
Other income	28	8,963	1,330
		-----	-----
		469,466	442,958
Less:			
Financial charges (net)	29	144,301	36,552
Other charges	30	28,066	26,122
		-----	-----
		172,367	62,674
		-----	-----
Profit before taxation		297,099	380,284
Less: Taxation	31	76,491	151,619
		-----	-----
Profit after taxation		220,608	228,665
Unappropriated profit brought forward		235	49
Available for appropriation		220,843	228,714
Appropriations			
Transfer to asset replacement reserve		55,200	58,000

Transfer to revenue reserve- general	142,100	147,000
Proposed final dividend @ 30% (1996: @ 30%)	23,479	23,479
	220,779	228,479
	-----	-----
Unappropriated profit carried forward	64	235

The annexed notes form an integral part of these accounts.

M. Sulger	S. Babar All
Chief Executive Officer	Director

**Cash Flow Statement
for the year ended September 30, 1997**

	Note	1997	1996
Cash flow from operating activities	32	267,031	(90,539)
Payments to employees gratuity fund		(10,437)	(28,915)
Payments to employees for long service bonus		(208)	(571)
Financial charges paid-(net)		(141,753)	(32,273)
Taxes paid		(116,212)	(88,720)
Long-term trade debts, deposits, prepayments and other receivables-(net)		(25,508)	7,648
		-----	-----
Net cash inflow/(outflow) from operating activities		(27,087)	(233,370)
Cash flow from investing activities			
Capital expenditure		(153,445)	(115,628)
Proceeds from sale of fixed assets		5,199	1,926
Investments made		--	(10,000)
		-----	-----
Net cash (outflow) from investing activities		(148,246)	(123,702)
Cash flow from financing activities			
Proceeds from redeemable capital less repayments		172,030	(15,689)
Proceeds from long-term loans/liabilities		103,398	(31,284)
Short-term loans		203,106	--
Dividends paid		(23,612)	(23,362)
Net cash (outflow)/inflow from financing activities		454,922	(70,335)
Net increase/(decrease) in cash and cash equivalents		279,589	(427,407)
Cash and cash equivalents at the beginning of the year		-215,440	211,967
		-----	-----
Cash and cash equivalents at the end of the year	33	64,149	(215,440)
		=====	=====

The annexed notes form an integral part of these accounts

Notes to and forming part of the accounts for the year ended September 30, 1997

1. Legal Status and Operations

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

2. Significant Accounting Policies

2.1 Accounting convention

These accounts are prepared under the 'historical cost' convention, except that certain long term local trade debts, deposits and other receivables are discounted to their present values.

2.2 Employees retirement benefits

The Company operates a defined benefit plan i.e. funded gratuity scheme for its all regular permanent employees except expatriates. Contributions are made annually to the fund on the basis of actuarial recommendations at the rate of 8.33% of basic salary and dearness allowance and additionally a book provision of 1.86% is also made as per actuarial recommendation. An actuarial valuation is performed once

actuarial valuation were as under;

Expected rate of increase in salaries 10% per annum.

Expected rate of interest on investment 12% per annum.

Withdrawal from service at 2% per annum upto age of 40 years.

In addition, the Company also operates a defined contribution plan i.e. Provident Fund for all its regular permanent employees. Contributions are made equally by the company and the employees at the rate of 10% of basic salary and dearness allowance to the fund.

2.3 Provision for employees

long service bonus
The Company accounts on accrual basis its obligations towards long service bonus payable to its employees who are expected to complete twenty five years of service.

2.4 Warranty obligations

The Company accounts for its warranty obligations on accrual basis.

2.5 Borrowing costs

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

Major timing differences using the liability method.

2.7 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Cost in relation to self manufactured fixed assets includes direct cost of materials, labour and applicable manufacturing overheads. Capital work-in-progress is stated at cost. Items costing Rs. 10,000 or less individually are not capitalized and charged off in the year of purchase.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated service life.

The full annual rate of depreciation is applied on the cost of additions while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as incurred.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit or loss on sale or retirement of fixed assets is included in income currently.

every three years and the most recent actuarial valuation of the scheme was carried out at September 30, 1995, which reflected the fair value of the fund's assets and the liabilities at Rs. 113.264 million and Rs. 133.501 million respectively. The actuarial valuation was carried out using "Attained Age Method". Main valuation assumptions used for actu-

2.6 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates available, if any.

Deferred

The Company accounts for deferred taxation on all ma-

2.8 Long-term trade debts, deposits, and other receivables

Long-term trade debts, deposits and other receivables, except those on which mark-up is earned by the Company and utility deposits, are discounted to their present values. Consistent with prior years utility deposits are charged off over a period of five years.

2.9 Stocks

Stocks are valued at the lower of cost and net realisable value. Finished goods, both manufactured and purchased, are valued at average cost.

Cost in relation to raw materials is arrived at on a moving average basis except components which are valued at average cost. The cost of supply and erection contracts-in-progress, work-in-process, and finished goods includes direct materials, labour and applicable production overheads. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.

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

The cost of stores and spares is charged to income in the year of purchase.

2.10 Trade debts

Debts considered irrecover-

cally for this purpose are charged to current year' contracts, the price differentials are accounted for in the year in which they are finally determined.

2.12 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date. Foreign Exchange gains and losses are included in income currently.

2.13 Revenue recognition

Sales are recognized when deliveries are made, goods are specifically contractually appropriated or services are rendered to the customers. In case of export, sales are recorded when goods have been shipped. Commission income is recognized on receipt of credit.

Revenue from long term construction contracts is recognized on the percentage of completion method. Contract revenue and contract costs relating to construction contracts are recognized as revenue and expenses respectively by reference to

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

Refunds of customs duty and sales tax for goods sold to the government specified areas and projects are accounted for on receipt basis and credited to purchases.

2.14 Marketable Securities

Marketable securities are valued at lower of cost or market value.

able are written off and provision is made against those considered doubtful of recovery.

stage of completion of contract activity at the balance sheet date. Stage of completion is determined on the basis of evaluation made by the customer, consultant or engineer. Expected losses on contracts are recognized as an expense immediately.

2.11 Research and development

Expenditure incurred on research and development and fixed assets acquired specifi-

Issued, Subscribed and fully paid-up capital

Ordinary shares of Rs. 10 each

	1997	1996
	Rupees in thousand	
2,118,300 issued for cash	21,183	21,183
81,700 issued for consideration other than cash	817	817
4,099,480 issued for cash as right shares	40,995	40,995
1,526,800 issued as bonus shares	15,268	15,268
-----	-----	-----
7,826,280	78,263	78,263
=====	=====	=====

Siemens Aktiengesellschaft, Germany held 4,973,680 ordinary shares (1996: 4,973,680 ordinary shares) of Rs. 10 each of the Company as at September 30, 1997.

Reserves

Note

1997

1996

Movement in and composition of reserves is as follows:

Capital reserves

Share premium

At the beginning and end of the year

24,969 24,969

Other

At the beginning and end of the year

4,300 4,300

29,269 29,269

Revenue reserves

Asset replacement reserve

At the beginning of the year

208,000 150,000

Transfer from profit and loss appropriation account

55,200 58,000

263,200 208,000

General

At the beginning of the year

457,000 310,000

Transfer from profit and loss appropriation account

142,100 147,000

At the end of the year

599,100 457,000

862,300 665,000

		891,569	694,269
		=====	=====
5. Redeemable capital (non-participatory)			
Secured			
National Investment Trust Limited	5.1	102,096	120,066
ABN AMRO Bank	5.2	190,000	--
		-----	-----
		292,096	120,066
Less: Current maturity of redeemable Capital shown under current liabilities		210,583	17,970
		-----	-----
		81,513	102,096
		=====	=====

5.1 The Company has entered into an Investment Agreement with National Investment Trust Limited (NIT) for the sale and repurchase of 'investment property' under which the Company has issued in favour of NIT or their nominee 'term finance certificates' (TFCs) of the amount of purchase price payable to NIT as referred to in paragraph 5.1.2 below.

5.1.1 Under the Investment Agreement, the Company has agreed to sell the 'investment property', when acquired, to NIT for a sum of Rs. 150 million.

5.1.2 The Company has also agreed to purchase the 'investment property' from NIT for a sum of Rs. 307.569 million which amount is redeemable in eight semi-annual instalments.

5.1.3 The TFCs are secured by an unconditional guarantee issued by Deutsche Bank, Karachi, which is in turn secured by the Company's counter guarantee and equitable mortgage of Company's immovable properties.

5.2 The Company has entered into a Finance Agreement with ABN AMRO Bank, for the sale and repurchase of immovable property under which Company has issued in favour of ABN AMRO Bank "Term Finance Certificates" (TFCs) of the amount of purchase price payable to ABN AMRO Bank as referred to in paragraph 5.2.2 below.

5.2.1 Under the Finance Agreement, the Company has agreed to sell the property to ABN AMRO Bank for a sum of Rs. 190 million.

5.2.2 The Company has also agreed to purchase the property from ABN AMRO Bank for a sum of Rs. 228.591 million which amount is redeemable in three quarterly instalments.

5.2.3 The TFCs are secured by an equitable mortgage on Company's immovable properties.

5.3 In view of the substance of the transactions, sale and repurchase of assets referred to above and in note 8 below have not been recorded in these accounts.

Rupees in thousand

6. Long-term liabilities

Long-term loan-secured			
from Mashreq Bank		100,000	-
Less: Current maturity of long term loan			
shown under current liabilities		100,000	-
Long-term retention money		5,572	2,174
		-----	-----
		5,572	2,174
		=====	=====

7. Short-term loans

Un-Secured	7.1	203,106	-
		-----	-----
		203,106	-
		=====	=====

7.1 Foreign currency loan of USD 5 million has been obtained from The Sakura Bank Limited, Dusseldorf, Germany at 1% above six months Libor payable on December 02, 1997.

Note **1997** **1996**
Rupees in thousand

8. Short-term finances

(Under mark-up arrangements and accrued mark-up and central excise duty thereon)

From banking companies			
Running finances including export refinance	8.1 & 8.2	47,003	409,500
Accrued mark-up		1,473	11,117
Accrued central excise duty		-	328
		-----	-----
		48,476	420,945
		=====	=====

8.1 Running finances-Secured

The Company has arranged short-term running finances from various banks. Under these arrangements the aggregate sale price of Rs 772.767 million (1996 : Rs. 543.600 million) represents funds made available from different banks against which the aggregate purchase price (net of prompt payment rebates) eventually payable to those banks on or before September 30, 1997 has been determined to be Rs. 794.588 million (1996 : Rs. 619.752 million). The mark-up on these short-term running finances ranges between Rs. 0.3836 to Rs. 0.4384 per Rs. 1,000 per diem or part thereof on the price outstanding. If the Company makes default in repaying the above aggregate purchase price by their respective due dates then the aggregate purchase price will increase to Rs. 895.987 million (1996 : Rs. 678.537 million). Finances under mark-up arrangements are secured by the joint hypothecation of stocks of finished goods, work-in-process, raw materials, components and present and future trade debts.

8.2 Other facilities granted by the banks and amounts remaining unutilized thereof as at September 30, 1997 are as follows:

1997 **1996**

Export refinance (including for supplies against international tenders)		
-- limit	20,000	95,000
-- unutilized portion	20,000	95,000
Letters of credit		
-- limit	926,718	1,000,312
-- unutilized portion	794,207	854,360
	=====	=====
Guarantees		
-- limit	3,072,745	3,432,159
-- unutilized portion	1,476,386	1,688,714
	=====	=====

	1997	1996
9. Creditors, accrued expenses and other liabilities		
Creditors	269,192	195,049
Accruals		
For contract obligations	122,627	115,259
Others	183,916	163,055
Unexpired portion of maintenance contracts	2,869	2,122
Bills payable	17,772	19,077
Accrued interest on un-secured loan	4,958	-
Accrued interest on secured loan	4,693	1,048
Accrued mark-up on redeemable capital	4,599	4,217
Warranty obligations and other contingencies	52,345	48,050
Sales tax	10,367	24,245
Provision for penalty	1,000	1,000
Workers' profits participation fund - note 10	16,033	20,400
Workers' welfare fund	5,932	6,163
Other liabilities	22,223	13,746
Central excise duty	220	-
	-----	-----
	718,746	613,431
	=====	=====

Amount payable to associated undertakings included in creditors, accrued expenses and other liabilities	44,476	20,810
	=====	=====

10. Workers' profits participation fund		
Balance at the beginning of the year	20,400	14,685
Add: Interest paid on funds utilized in Company's business	1,874	1,652
	-----	-----
	22,274	16,337
Less: Amount paid to fund's trustees	22,274	16,337
	-----	-----
	-	-
Add: Amount allocated for the year	16,033	20,400
	-----	-----
Balance at the end of the year	16,033	20,400

=====

11. Contingency and commitments

11.1 There existed at September 30, 1997 contingent liability amounting to Rs. 1.586 million in respect of guarantees to a financial institution against loans given to the Company's executives.

11.2 At September 30, 1997 capital expenditure contracted for but not incurred amounted to Rs. 43.115 million (1996: Rs. 26.379 million).

11.3 The Company has acquired certain plant and machinery, equipment and vehicles on lease.

Commitments for minimum lease payments under such non-cancellable operating leases entered into by the Company are as follows:

Years

1997-98	7,236	7,859
1998-99	1,564	1,564
	-----	-----
	8,800	9,423
	=====	=====

11.4 The Company has entered into forward exchange contracts with principal sums amounting to Rs. 341.384 million (1996: Rs. 113.663 million) to hedge foreign currency payables which are due within the next 12 months. Unamortised premium at balance sheet date arising from these contracts which will be charged to profit and loss account in the subsequent period amounted to Rs. 3.765 million (1996: Rs. Nil).

23

12. Operating assets

	Cost at October 1, 1996	Additions/ (deletions)	Cost at September 30, 1997	Accumulated depreciation October 1, 1996	Accumulated depreciation at September 30, 1997	Net book value at September 30, 1997	Depreciation for the year Rates as a % of cost	Amount
Leasehold lands	53,149	--	53,149	7,407	8,737	44,412	2.5	1,330
Buildings on leasehold lands	72,038	72,573	144,611	17,263	20,897	123,714	2.5 & 10	3,637
Plant and machinery	117,083	15,515 (1,164)	131,434	82,881	94,051	37,383	10, 20 & 25	12,320
Tools and patterns	59,959	5,394 (2,456)	62,897	58,385	60,769	2,128	50	4,839
Furniture and equipment	107,117	20,604 (6,078)	121,643	79,862	93,036	28,607	20 & 33.3	18,693
Transport	29,797	12,631 (3,813)	38,615	19,736	25,438	13,177	25 & 50	7,496
	-----	-----	-----	-----	-----	-----		

1997	439,143 (13,511)	126,717	552,349	265,534	302,928	249,421	48,315
1996	387,487	56,468 (4,812)	439,143	229,882	265,534	173,609	39,539
=====							

12.1 Details of disposal of some operating assets during the year:

Original Cost	Net Book Value	Sale Proceeds	Mode of Disposal	Name and address of purchaser
Furniture & Equipment				
138	48	0	Scrapped	
195	142	188	Insurance Claim	EFU General Insurance Karachi House, Karachi.
79	53	79	Trade-In	Computer & Office Products University Road, Karachi.
47	36	20	Negotiation	Mr. Muneeruddin, Quetta
341	207	165	Negotiation	Mr. Fiaz Ahmed, 131-L, Shah Ruqn-e-Alam, Multan
28	4	9	Negotiation	Mr. Kamal Ahmed Abbasi Executive
13	0	0	Company Policy	Mr. Zakir, Former Executive
20	0	0	Company Policy	Mr. Khalid Jamal Executive
20	0	0	Company Policy	Mr. Mumtaz Rizvi Executive
20	0	0	Company Policy	Mr. Kamal Rizvi Executive
20	0	0	Company Policy	Mr. Amin Bandhani Executive
20	0	0	Company Policy	Mr. Akram Executive
72	14	10	Negotiation	Mrs. N. Shafique 66-A, Model Town, Lahore
20	4	4	Company Policy	Mr. Aqil Qureshi Executive
20	8	8	Company Policy	Mr. Akram Hussain Former Executive
20	18	16	Company Policy	Mr. Ahmed All Former Executive
8	0	4	Negotiation	Mr. Shahbaz Executive
45	0	15	Negotiation	Mr. Zubair Minto Executive

10	0	1	Negotiation	Mr. M. Mir Executive
10	0	2	Negotiation	Mr. Naveed Iqbal Executive
19	0	9	Negotiation	Mr. Tahir Javed Executive
18	0	9	Negotiation	Mr. Imtiaz Ahmed Raja Executive
6	0	1	Negotiation	Mr. J. Helweg Former Executive

Transport

2,365	1,887	2,325	Insurance Claim	EFU General Insurance Karachi House, Karachi.
132	132	132	Negotiation	Mr. Ghulam Hussain, 3rd Floor, GK. 2/33, Zainab Manzil.
59	0	235	Negotiation	Mr. Pervez Iftikhar, Executive

Plant & Machinery

25	15	0	Scrapped	--
----	----	---	----------	----

Rupees in thousand
1997 1996

13. Capital work-in-progress

Building under construction	79,912	38,253
Plant and machinery under installation	7,790	6,472
Others	498	16,747
	-----	-----
	88,200	61,472
	=====	=====

14. Deferred taxation

This is composed of the following:

Debit balances arising in respect of provisions for

-- employees retirement gratuities	137	109
-- employees long service bonus	229	403
-- other liabilities and accruals	1,700	2,936
-- doubtful debts and trade deposits	1,541	3,058
Discounting of long-term trade debts and security deposits	394	400
Balance arising due to accelerated tax depreciation allowances	115	480
	-----	-----
	4,116	7,386
	=====	=====

**15. Long-term trade debts, deposits,
prepayments and other receivables**

Trade debts		
Considered good - un-secured		
Associated undertaking	--	365
Others	69,414	37,387
Less: Discounting	13,126	7,139
	-----	-----
	56,288	30,613
Security deposits	1,758	1,959
Non-current portion of prepaid rentals.	34	-
	-----	-----
	58,080	32,572
	=====	=====
16. Stocks		
Raw materials and components	291,147	310,912
Goods-in-transit	97,614	115,528
Work-in-process	118,609	124,617
Supply and erection contracts-in-progress	372,112	368,329
Finished goods	141,853	85,389
	-----	-----
	1,021,335	1,004,775
Less: Advances from customers	688,829	539,576
	-----	-----
	332,506	465,199
	=====	=====
17. Trade debts		
Considered good		
Secured	77,174	30,583
Unsecured		
Due from associated undertakings	117,173	12,860
Others	1,227,842	955,769
	-----	-----
	1,345,015	968,629
	-----	-----
	1,422,189	999,212
Considered doubtful - others	49,638	52,730
	-----	-----
	1,471,827	1,051,942
Less: Provision for doubtful debts	49,638	52,730
	-----	-----
	1,422,189	999,212
	=====	=====
The maximum amount due at the end of any month during the year from associated undertakings	117,173	125,204
	=====	=====

18. Loans
 Considered good

This amount represents loans given to Company's employees other than executives

19	31
=====	=====

19. Advances

Considered good

Advances to

Associated undertakings

Suppliers

Others

212	-
86,441	44,946
3,481	3,054

Advances to

Executives

Other employees

197	1,812
2,206	856
-----	-----
2,403	2,668
-----	-----
92,537	50,668
=====	=====

The maximum amount due at the end of any month during the year from

Executives

4,122	2,361
=====	=====

20. Trade deposits and short-term prepayments

Trade deposits

Short-term prepayments

11,110	21,099
4,306	14,257

-----	-----
15,416	35,356

Less: Provision for doubtful trade deposits

1,603	1,769
-----	-----
13,813	33,587
=====	=====

21. Marketable securities - Listed

Japan Power Generation Limited.

1,000,000 ordinary shares of Rs. 10 each.

Market price of the above mentioned securities

as at September 30, 1997 was Rs. 10.450 million.

10,000	10,000
--------	--------

22. Other Receivables

Due from

Associated undertakings

WAPDA

Others

Interest receivable

20,956	8,288
-	1,530
9,083	2,687
1,161	4,476
-----	-----
31,200	16,981
=====	=====

The maximum amount due at the end of any

month during the year from associated undertakings	31,990	8,288
	=====	=====

23. Cash and bank balances

Cheques in hand	54,199	8,156
Balances with banks		
Current accounts	22,520	51,581
Deposit accounts	34,433	134,323
	-----	-----
	111,152	194,060
	=====	=====

24. Net Sales

Gross sales		
Local	3,019,391	2,569,346
Export	47,530	11,529
	-----	-----
	3,066,921	2,580,875
Less: Commission	1,606	1,039
	-----	-----
	3,065,315	2,579,836
	=====	=====

23. Cost of Goods Sold

Opening stock of finished goods	85,389	85,518
Cost of goods manufactured and services rendered Note 26	2,223,166	1,878,041
Finished goods purchased	176,696	45,079
	-----	-----
	2,485,251	2,008,638
Less: Closing stock of finished goods	141,853	85,389
	-----	-----
Cost of goods sold	2,343,398	1,923,249
	=====	=====

26. Cost of goods manufactured and services rendered

Opening stock		
Raw materials and components	310,912	239,350
Goods-in-transit	115,528	28,333
Work-in-process	124,617	119,863
Supply and erection contracts-in-progress	368,329	181,697
	-----	-----
	919,386	569,243
Purchases	1,640,705	1,731,262
Salaries, wages and employees welfare cost	270,029	247,134

Fuel, power and water	47,597	34,682
Repairs and maintenance	29,599	24,365
Stores and spares	10,595	14,042
Rent, rates and taxes	5,933	5,591
Rentals of non - cancellable operating leases	11,790	20,136
Insurance	17,886	32,719
Depreciation	34,348	26,624
Travelling and conveyance	58,920	48,210
Stationery, telex and telephone	32,620	26,935
Other manufacturing expenses	44,776	31,472
	-----	-----
	3,124,184	2,812,415

Less: Closing stock		
Raw materials and components	291,147	310,912
Goods-in-transit	97,614	115,528
Work-in-process	118,609	124,617
Supply and erection contracts-in-progress	372,112	368,329
	-----	-----
	879,482	919,386
	-----	-----
	2,244,702	1,893,029

Less:		
Transfers to fixed assets	4,786	1,418
Services charged and expenses allocated to selling and administration	998	893
Sale of scrap net of sales tax	15,187	11,306
Services charged and expenses allocated to research and development	565	1,371
	-----	-----
	21,536	14,988
	-----	-----
	2,223,166	1,878,041
	=====	=====

17. Selling and administration expenses

Salaries, wages and employees welfare cost - note 27.1	133,185	127,045
Fuel, power and water	11,271	8,581
Repairs and maintenance	10,183	7,202
Advertising and sales promotion	2,922	3,813
Rent, rates and taxes	11,826	8,959
Rentals of non-cancellable operating leases	6,132	7,128
Insurance	4,056	3,333
Auditors' remuneration - note 34	772	670
Liquidated damages for late deliveries net of recoveries	9,508	18,322
Provision for doubtful debts, trade deposits and other receivables	(3,258)	576
Depreciation	13,967	12,915
Travelling and conveyance	32,474	26,791

Transportation charges	58,012	35,896
Stationery, telex and telephone	31,701	24,392
Donations - note 36	143	579
Other expenses	20,237	11,735
Recovered expenditure	(5,973)	(589)
Services charged and expenses allocated by manufacturing units	998	893

-----	-----
338,156	298,241
=====	=====

27.1 Salaries, wages and employees welfare cost shown under cost of goods manufactured and services rendered (note 26) and selling and administration expenses (note 27) includes:

- Gratuity	13,057	(14,196)
- Provident fund	10,379	9,708

28. Other income

Profit on sale of fixed assets	2,609	1,001
Balances no longer payable written back	4,019	--
Others	2,335	329
-----	-----	
8,963	1,330	
=====	=====	

29. Financial Charges (net)

Interest

- on long-term loan	12,117	--
- on workers' profits participation fund	1,874	1,652
-----	-----	
13,991	1,652	

Mark-up on redeemable capital	32,177	17,987
Mark-up on short-term finances	67,866	26,931
Charges on finances under export refinancing scheme	--	(1,785)
Exchange loss/(gain)	35,923	(6,111)
Commission on guarantees	5,234	4,820
Bank charges for services	4,160	3,055
Excise duty on short-term finances	6,151	2,156
-----	-----	
Gross financial charges	165,502	48,705

Less: Financial income

Mark-up from trade debtors		
- associated undertakings	14,352	5,851
- others	2,489	765
Income on amounts placed with banks		
- under special arrangements	--	1,100
- under deposit account	4,360	4,402
Interest on other receivables	--	35
-----	-----	

Total financial income	21,201	12,153
	-----	-----
Net financial charges	144,301	36,552
	=====	=====
30. Other charges		
Research and development	386	1,827
Discounting of long-term trade debts and deposits	5,987	(1,778)
Workers' profits participation fund	16,033	20,400
Workers' welfare fund	5,660	5,673
	-----	-----
	28,066	26,122
	=====	=====
31. Taxation		
Current		
Forth year	82,662	101,638
For prior years	(9,441)	(2,218)
	-----	-----
	73,221	99,420
Deferred		
Forth year		
For prior years	(166)	2,743
	3,436	49,456
	-----	-----
	3,270	52,199
	-----	-----
	76,491	151,619
	=====	=====

31.1 The income tax assessment of the company has been finalised upto and including assessment year 1996~97 (Income year 1994-95). Appeals for income years from 1986-87 to 1994-95 mainly relating to disallowances are pending before various Appellate Authorities against which full tax provisions have been made.

32. Cash generated from operations

Profit before taxation	297,099	380,284
Adjustment for non cash charges and other items :		
Depreciation	48,315	39,539
(Profit) on sale of fixed assets	(2,609)	(1,001)
Provision for employees retirement gratuities	13,057	(14,196)
Provision for employees long service bonus	659	1,950
Financial charges (net)	144,301	36,552
Working capital changes - note 32.1	(233,791)	(533,667)
	-----	-----
	267,031	(90,539)
	=====	=====
32.1 Working capital changes		
Decrease/(increase) in current assets		
Stocks	132,693	(376,413)

Trade debts	(422,977)	(208,954)
Loans	12	12
Advances	(41,869)	(10,292)
Trade deposits and short-term prepayments	19,774	3,722
Other receivables	(17,534)	3,876
	-----	-----
	(329,901)	(588,049)

(Decrease)/increase in current liabilities

Creditors, accrued expenses and other liabilities	96 110	54 382
	-----	-----
	(233,791)	(533,667)
	=====	=====

33. Cash and Cash equivalents

Cash and bank balances-note 23	111,152	194,060
Short-term finances under mark-up arrangements-note 8	(47,003)	(409,500)
	-----	-----
	64,149	(215,440)
	=====	=====

34. Auditors' remuneration

Audit fee	328	328
Tax representation and advisory services	135	-
Special reports and certifications, audits of workers' profits participation/gratuity funds and other services - note 34.1	200	280
Out of pocket expenses	75	62
Central excise duty and provincial levy	34	-
	-----	-----
	772	670
	=====	=====

34.1 The 1996 figures relate to previous auditors.

35. Long term construction contracts

Contract revenue for the year	564,786	504,253
Contract costs incurred	473,667	1,691,481
Recognized profit to date	71,486	70,257
Advances received	128,993	194,717
Retention money receivable	5,876	128,867
Unbilled Cost	38,517	119,381
Receivables against contract revenue	100,635	189,106

36. Donations

No director or his spouse has any interest in the donee's fund.

37. Penalties

The Company has paid no amount as penalty during the financial year (1996: twenty seven thousand four hundred and twenty seven only).

38. Remuneration of Chief Executive and Executives

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

	1997		1996	
	Chief Executives	Chief Executives	Chief Executive	Executives
	(Rupees in thousand)			
Managerial remuneration	2,416	145,902	2,265	109,544
Retirement benefits and Company's Contribution to provident fund	-	6,583	-	4,973
Perquisites and benefits:				
Rent, utilities and maintenance	198	7,436	205	5,737
Group insurance		481		520
Club subscriptions	21	88	25	79
Long service bonus	-	785	-	635
Medical expenses and leave fares	10	4,348	2	2,828
	-----	-----	-----	-----
	2,645	165,623	2,497	124,316
	=====	=====	=====	=====
Number of persons	1	366	1	281

38.1 In addition to the above remuneration and fringe benefits of thirty nine (1996: Fifty One) expatriate executives hired for certain projects amounted to Rs. 8 million (1996: 14.891 million).

38.2 The aggregate amount charged in these accounts in respect of directors' fee paid to eight directors (1996: six directors) was Rs. eight Thousand (1996: five thousand). It includes fees paid to three alternate directors (1996: two alternate directors) Rs. three thousand five hundred (1996: Rs. two thousand)

38.3 The Chief Executive and forty six executives (1996 :thirty-nine) have been provided with free use of Company's cars and Chief Executive has also been provided with Company's owned and maintained unfurnished accommodation.

38.4 The Chief Executive and one hundred and twenty eight executives (1996: one hundred and twelve) have been provided with telephone facility at their residences.

1997 1996
Rupees in thousand

39. Transactions with associated undertakings

Sales	287,448	237,562
Purchases	133,776	151,135
Commission earned	66,634	73,379
Interest income	14,352	5,851
Recovered expenditures	5,300	559
Commission paid	691	599

40. Plant capacity and actual production

	Sanctioned/ Installed Capacity	Actual Production 1997	Actual Production 1996
Electric motors	300,000 HP	129,411 HP	163,213 HP
Motors controlgears and controlboards	150,000 HP	12,650 HP	16,998 HP
Electric transformers	2,000 MVA	1,298 MVA	1,226 MVA
Generating sets	40,000 KVA	11,400 KVA	6,060 KVA
Switchgears and distribution boards	4,500 Nos.	2,335 Nos.	2,348 Nos.
Electro-medical equipment	350 Nos.	15 Nos.	7 Nos.

The under utilization of capacity is mainly attributed to reduced demand and imports by the private and public sectors.

41. Comparative figures

Prior year figures have been reclassified, wherever necessary, for the purposes of comparison.

M. Sulger
Chief Executive Officer

S.Babar All
Director

Pattern of Holdings of the Shares as at September 30, 1997

Number of Shareholders	Shareholding		Total Shares held
	From	To	
339	1	100	shares 13 840
571	101	500	shares 125 690
56	501	1,000	shares 40 210
44	1,001	5,000	shares 91 850
6	5,001	10,000	shares 39 420
2	10,001	15,000	shares 22 660
2	25,001	30,000	shares 57 420
1	30,001	35,000	shares 32 000
1	270,001	275,000	shares 273 330
1	2,155,001	2,160,000	shares 2,156,180
1	4,970,001	4,975,000	shares 4,973,680
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1,024			7,826,280
=====	=====	=====	=====

Categories of Shareholders	Number	Shares held	Percentage
Individuals	1,011	299,700	3.80
investment companies	2	2,162,920	27.60
Insurance companies	5	334,260	4.20

Joint stock companies	3	5,012,610	64.00
Financial institutions	1	3,800	0.10
Modaraba companies	1	1,200	0.10
Others			
1) Habib Bank Limited	1	11,790	0.20
A/c. Mohammad Amin			
Wakf Estate			
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	1,024	7,826,280	100 %
	=====	=====	=====