



Annual Report 2008

Pakistan

Answers through Innovation

www.siemens.com.pk

SIEMENS

Vision

To remain market leader and technology pace setter in the engineering and electronics industry by utilizing the high-tech engineering expertise of the Siemens Group worldwide. To maintain our strong and prominent local presence.

Mission

To realize our vision by:

- Providing quality to our customers at competitive prices, to their complete satisfaction
- Generating earnings sufficient to ensure a secure future for the company and to protect and increase our shareholders / stakeholders' investment
- To enhance creativity and job satisfaction of our employees by providing opportunities for personal development, limited only by their own ability and drive
- To contribute to the national economy, whilst realizing strong sense of responsibility to society and the environment.
- To enhance the investment of our customers through human excellence, our technology, our processes, our high standards of quality and financial strength
- To support and strive for technology transfer to Pakistan through our global resources and local presence

Contents

6	Corporate Strategies
8	Our Values
10	Code of Conduct and Ethics
12	Corporate Structure
13	Company Information
14	Board of Directors
18	Committees
20	Information for Stakeholders
24	Directors' Report
57	Fit4 2010

66	Innovation at Siemens
68	Power Transmission & Distribution
82	Industry Infrastructure and Power Generation
93	Automation & Drives
100	Medical, OEM Onshore, Transportation
108	Locally manufactured products and services

120	Statement of Compliance
122	Review Report
123	Auditors' Report
124	Balance Sheet
126	Profit & Loss Account
127	Cash Flow Statement
128	Statement of Changes in Equity
129	Notes to the Financial Statements
155	Investors Relations

Corporate Governance

At Siemens the corporate governance framework involve the board in the strategic planning process, defines clear board and management power sharing arrangements, establishes processes for the timely reporting and review of information, not forgetting to allow effective and responsive actions to be made thereon.

page 32

Innovation at Siemens

Our recent breakthrough innovations include Somatom Definition (World's first dual source CT), Combined cycle turbine (World's largest and most powerful turbine; reduces pollutants significantly), Ostar-Lighting (Brightest LED at 1000 lumen) which won the prestigious Deutscher Zukunftspreis 2007 award.

Page 67

Investors Relations

The Board has taken adequate measures to ensure that comprehensive financial information is provided to the shareholders. We provide our shareholders with up-to-the-minute comprehensive financial information not only at the Annual Shareholders' Meeting but also in quarterly, semiannual and annual reports, and announcement after board meetings.

Page 156



Overall Corporate Strategies

People Excellence, Portfolio Expansion, Operational Excellence and Corporate Responsibility as the four pillars of Company's initiative Fit4 2010 are the foundation stones of our strategy to achieve our vision and mission. These include:

- Ensuring management commitment to quality
- Embedding high level of quality in all spheres of our operation through professional tools and methodologies, ensuring that employees at all levels master these tools in carrying out their missions within the company, while observing all safety regimens, environmental preservations and applicable statutory and regulatory compliance
- Measuring and monitoring customer satisfaction, competitiveness and customer focus and benefit, implementing corrective measures where required and ensuring continual improvement
- Focused training and development of the employees for enhancing their technical and managerial expertise, making the company as an employer of choice, monitoring employees satisfaction and implementing measures for its continuous enhancement, continually taking cognizance of managerial practices detrimental to high performance culture
- Competence and knowledge management to focus on enhancing human excellence using professional methodologies with strategic planning and competence management as concurrent processes
- Monitoring performances of processes and taking timely action for their standardization and optimization



We Stand for Our Values

Responsible – Committed to ethical and responsible actions

Excellent – Achieving high performance and excellent results

Innovative – Being innovative to create sustainable value

Our values

Highest performance with the highest ethics

Responsible

Our principles:

- We obey the law
- We respect the dignity of all people
- We foster health and safety
- We conduct business in a truthful and transparent manner
- We are fair in our relationships with competitors and stakeholders
- We honor commitments
- We respect property
- We strive for the protection of the environment
- We are committed to good corporate citizenship
- We are fully engaged and empowered to achieve the best results

Excellent

Our principles:

- We set ourselves best-in-class goals and achieve them
- We are passionate
- We are willing to go the extra mile
- We are disciplined and act fast and decisively
- We always strive for improvements and perfect quality
- We deeply understand our customers' needs and challenges
- We systematically develop our personal skills and leverage our full potential
- We interact in an efficient and pragmatic way
- We embrace change to ensure we are competitive in the future

Innovative

Our principles:

- We create innovations that give our customers a unique competitive edge
- We act as entrepreneurs
- We are creative and open to new ideas
- We are ingenious and visionary
- We are trendsetters
- We constantly challenge the status quo



Code of Conduct and Ethics

"Integrity guides our conduct toward our business partners, colleagues, shareholders and the general public." This basic statement of our corporate principles constitutes the foundation of our code of conduct & ethics as follows:

Behavior which abides by the law

Observance of the law and the legal system is a fundamental principle for our company. Every director/employee shall obey the laws and regulations of the legal system within which he/she is acting. Violating the law must be avoided under all circumstances, especially violations punishable by jail, monetary penalties or fines.

Regardless of the sanctions foreseen by the law, any director/employee guilty of a violation will be liable to disciplinary consequences because of the violation and dereliction of his/her duties.

Responsibility for the image of Siemens

To a substantial degree, the image of Siemens is determined by our actions and by the way each and every one of us presents and conducts himself/herself. Inappropriate behavior on the part of even a single director/employee can cause the company considerable damage.

Every director/employee should be concerned with the good reputation of Siemens in each country. In all aspects of performing his/her job, every director/employee must focus on maintaining the good reputation of, and respect for, the company.

Mutual respect, honesty, and integrity

We respect the personal dignity, privacy and personal rights of every individual. We work together with women and men of various nationalities, cultures, religions and races. We tolerate no discrimination, harassment or offence, be it sexual or otherwise personal.

We are open and honest and stand by our responsibility. We are reliable partners who make no promises we cannot keep. These principles shall apply to both internal co-operation and conduct towards external partners.

Management, responsibility and supervision

Every manager bears responsibility for the employees entrusted to him/her. Every manager must earn their respect by exemplary personal behavior, performance, openness and social competence. He/she shall set clear ambitious and realistic goals, lead by trust and confidence and leave the employees as much individual responsibility and leeway as possible. Every manager shall also be accessible in case employees wish to discuss a professional or personal problem.

Every manager must fulfill duties of organization and supervision. It will be the responsibility of every manager to see to it that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented or rendered more difficult. The manager still remains responsible if he/she delegates particular tasks.

The following shall apply in particular:

- a. The manager must carefully select the employees for their personal and professional qualifications. The duty of care increases with the importance of the obligation to be entrusted to the employee (Duty of selection).
- b. The manager must formulate the obligations in a precise, complete and binding manner, especially with a view to compliance with provisions of the law (duty of instruction).
- c. The manager must see to it that compliance with provisions of the law is monitored on a constant basis (duty of monitoring).
- d. The manager must clearly communicate to the employees that violations of the law are disapproved of and will have employment consequences.



Company Information

Board of Directors

Syed Babar Ali	Chairman
Sohail Wajahat H. Siddiqui	Chief Executive Officer
Tajammal Hussain Bokharee	Director
Zahid Hussain	Director
Klaus Stegemann	Director
Stephan Schneider	Director
Dr. Udo Niehage	Director
Gerhard Wilcke	Director

Company Secretary

Mohammad Rafi

Management

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

Bankers

Bank Alfalah Limited
 Citibank NA
 Deutsche Bank AG
 Habib Bank Limited
 Meezan Bank Limited
 MCB Bank Limited
 Royal Bank of Scotland
 Standard Chartered Bank (Pakistan) Limited
 Hongkong & Shanghai Banking Corporation Limited

Auditors

KPMG Taseer Hadi & Co., Karachi

Registrar and Share Transfer Agent

THK Associates (Pvt.) Limited, Karachi

Registered Office

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

Board of Directors



Syed Babar Ali, Esqr.

Chairman

Date of Appointment: December 16, 1991

Other engagements

Chairman

- Acumen Fund
- Babar Ali Foundation
- Coca Cola Beverages Pakistan Ltd.
- Gurmani Foundation
- IGI Insurance Ltd.
- IGI Investment Bank Ltd.
- Industrial Technical & Educational Institute
- Tetra Pak Pakistan Ltd.
- Tri-Pack Films Ltd.
- Sanofi Aventis Pakistan Ltd.

Director

- Bayer Cropsience Pakistan (Pvt) Ltd.
- Mitchells Fruit Farms Ltd.
- Nestle Milkpak Ltd.



Mr. Sohail Wajahat H. Siddiqui

Chief Executive Officer

Date of Appointment: October 01, 1999

Other engagements

Chief Executive Officer

- Cluster West Asia

Chairman

- Task Force on Investment Sindh
- Pakistan Red Crescent Society - Sindh

Director

- KASB Bank Ltd.
- Atlas Engineering Ltd. (Formerly Allwin Industries Ltd)
- Export Processing Zone
- Karachi Shipyard & Engineering Works Ltd.

Member

- Governing body, Institute of Business Administration, Karachi
- Governing body, Lahore University of Management Sciences
- Board of Management, Engineering Development Board, Government of Pakistan



Mr. Tajammal Hussain Bokharee

Director

Date of Appointment: December 01, 2003

Other engagements

Director

- Escort Investment Bank
- National Bank Modarba Company
- Pakistan PTA Ltd.



Mr. Zahid Hussain

Director

Date of Appointment: December 14, 2007

Other engagements

Managing Director

- Oil and Gas Development Company Ltd.

Director

- Gandhara Nissan Ltd.
- K.S.B Pumps Ltd.
- Mari Gas Company Ltd.
- Service Industries Ltd.
- Sui Southern Gas Company Ltd.
- Pirkoh Gas Company Ltd.



Mr. Klaus Stegemann

Director

Date of Appointment: August 15, 2008

Other engagements

Chief Financial Officer

Health Care Sector
Siemens AG, Germany

Mr. Stephan Schneider

Director

Date of Appointment: July 27, 2006

Other engagements

Senior Vice President Corporate Strategies

Asia / Australia
Siemens AG, Germany



Dr. Udo Niehage

Director

Date of Appointment: April 10, 2008

Other engagements

Chief Executive Officer

Power Transmission Division
Energy Sector
Siemens AG, Germany

Director

Siemens Ltd. Australia



Mr. Gerhard Wilcke

Director

Date of Appointment: November 15, 2002

Other engagements

Chief Financial Officer

Siemens Pakistan and Cluster West Asia

Sector Cluster Controller
Energy Sector
Cluster West Asia

Board Committees

Audit Committee

Mr. Tajammal Hussain Bokharee
Chairman

Mr. Klaus Stegemann
Member

Mr. Zahid Hussain
Member

Mr. Stephan Schneider
Member

Compliance Committee

Mr. Klaus Stegemann
Chairman

Mr. Sohail Wajahat H. Siddiqui
Member

Mr. Gerhard Wilcke
Member

Dr. Udo Niehage
Member

Enterprise Risk Management Committee

Mr. Klaus Stegemann
Chairman

Mr. Gerhard Wilcke
Member

Management Committees

Executive Management Committee

Mr. Sohail Wajahat H. Siddiqui	Chairman
Mr. Gerhard Wilcke	Member
Mr. Mohammad Ilyas	Member
Mr. Nasim A. Siddiqui	Member
Mr. Nadeem Ali Kazmi	Member
Syed Asadullah, Esqr.	Member

Corporate Committee

Mr. Sohail Wajahat H. Siddiqui	CEO & MD
Mr. Gerhard Wilcke	Member
Mr. Rahim Dawood	Member
Mr. Amin Bandhani	Member
Mr. Mohammad Rafi	Member
Major (Retd.) A.A. Zuberi	Member
Mr. Zia ul Islam Zuberi	Member
Mr. Zaman Najmi	Member
Mr. Mansoor Farooqui	Member
Mr. Mansoor Iqbal Khan	Member
Mr. Shaheen Ahmed	Member
Mr. Muhammad Sohail	Member
Mr. Naveed I. Ansari	Member
Mr. Asad Ahmed	Member

Human Resource Council

Mr. Sohail Wajahat H. Siddiqui	Chairman
Mr. Gerhard Wilcke	Member
Mr. Amin Bandhani	Member
Mr. Mansoor Iqbal Khan	Member
Mr. Asad Ahmed	Member
Mr. Naukhez Arslan	Member
Mr. Rashid Iftikhar	Member

Members of various committees



Sohail Wajahat H. Siddiqui



Gerhard Wilcke



Rahim Dawood



Mohammad Rafi



Zia ul Islam Zuberi



Amin Bandhavi



Mansoor Iqbal Khan



Major (Retd.) A.A. Zuberi



Naveed I. Ansari



Zaman Najmi



Mansoor Farooqui



Shaheen Ahmed



Muhammad Sohail



Asad Ahmed



Naukhez Arslan



Rashid Iftikhar

Key Operating and Financial Data

Six Years Summary	2008	2007	2006	2005	2004	2003
	Rupees in '000					
Trading Results						
New orders	52,236,070	32,039,600	25,337,253	17,715,216	11,514,501	6,049,459
Net turnover	26,880,742	21,901,752	20,795,847	13,132,819	7,110,456	5,812,128
Export of goods and services	444,267	105,427	131,623	517,676	412,471	472,290
Contracts executed outside Pakistan	12,374,212	5,610,671	4,657,654	3,271,416	-	-
Gross profit	4,013,861	3,218,529	2,451,757	1,764,595	1,252,137	1,002,054
Operating profit	2,691,173	2,022,635	1,675,351	1,383,165	786,631	622,884
Profit before tax excluding profit on sale of discontinued operations	2,564,203	1,964,574	1,508,320	1,232,899	760,716	616,919
Profit before tax from discontinued operations	-	2,125,937	-	-	-	-
Profit after tax from continuing operations	1,679,068	680,286	735,390	778,876	412,562	649,971
Profit after tax from discontinued operations	-	1,801,036	-	-	-	-
Earnings before interest, taxes, depreciation and amortisation	2,887,222	2,359,850	1,787,943	1,411,864	884,648	724,859
Interim dividend	247,411	233,088	279,706	233,088	155,392	101,005
Final dividend	494,822	494,822	233,088	186,470	233,088	101,005
Financial Position						
Share capital	82,470	82,470	77,696	77,696	77,696	77,696
Reserves and Retained Earnings	6,205,787	5,268,952	2,644,116	2,383,286	2,070,616	1,813,446
Property, plant and equipment	1,589,664	1,532,620	1,477,252	602,876	525,462	496,694
Net current assets	2,767,305	2,368,659	565,110	1,333,299	1,411,527	1,242,416
Long-term / deferred liabilities	106,091	113,680	124,290	45,536	10,256	6,786
Investors Information						
Gross profit in percent of sales	15%	14%	12%	13%	18%	17%
Earnings per share (Rs)	203.06	300.87*	93.57	100.24	53.10	44.89
Profit before tax in percent of sales	10%	19%*	7%	9%	11%	11%
Profit after tax in percent of sales	6%	11%*	4%	6%	6%	6%
Inventory turnover (times)	5.90	6.65	9.28	8.91	5.38	4.09
Debtor turnover (times)	3.03	3.66	5.24	6.43	4.59	4.98
Creditor turnover (times)	2.17	2.54	2.89	2.96	2.43	2.51
Total assets turnover (times)	1.08	1.25	1.61	1.66	1.42	1.33
Fixed assets turnover (times)	16.85	14.23	12.86	19.98	12.50	11.68
Break-up value per share (Rs)	762.49	648.89	350.30	316.73	276.49	243.39
Market value per share (Rs)	1,210	1,689	980	671	480	355
High / low during the year (Rs)	2,054 / 1,209	1,869 / 975	1,365 / 650	719 / 480	579 / 341	449 / 196
EBITDA Margin	11%	11%	9%	11%	12%	12%
Price earning ratio	5.96	5.61*	10.47	6.69	9.04	7.91
Cash dividend per share (Rs)	90	90	66	54	50	26
Dividend cover ratio	2.26	3.34	1.42	1.86	1.06	1.73
Dividend yield ratio	0.07	0.05	0.07	0.08	0.10	0.07
Dividend pay out ratio	44%	29%	70%	54%	94%	58%
Return on equity / capital employed	27%	46%*	27%	32%	19%	19%
Current ratio	1.15	1.20	1.06	1.25	1.50	1.50
Quick ratio	0.90	0.93	0.81	0.97	1.13	1.05
Interest cover (times)	23.94	25.04*	14.74	43.00	103.49	68.18
*Includes profit on sale of discontinued operations						
Cash Flows						
Net cash flow from operating activities	2,725,707	(2,247,614)	726,384	959,010	909,240	621,356
Net cash flow from investing activities	(109,946)	2,351,293	(709,136)	(192,549)	(128,509)	(41,410)
Net cash flow from financing activities	(1,071,159)	(134,462)	(464,982)	(464,946)	(255,796)	(218,458)
Net change in cash and cash equivalents	1,544,602	(30,783)	(447,734)	301,515	524,935	361,488

Horizontal Analysis of Financial Statements

	2008	2007	2006	% change	% change
		Rupees in '000		w.r.t. 2007	w.r.t. 2006
Balance Sheet					
Total equity and minority interest	6,288,257	5,351,422	3,069,316	17.51	104.87
Total non-current liabilities	106,091	113,680	124,290	(6.68)	(14.64)
Total current liabilities	18,381,034	12,115,914	9,693,190	51.17	89.63
Total equity and liabilities	24,775,382	17,581,016	12,886,796	40.92	92.25
Total non-current assets	3,627,043	3,096,443	2,628,496	17.14	37.99
Total current assets	21,148,339	14,484,573	10,258,300	46.01	106.16
Total assets	24,775,382	17,581,016	12,866,796	40.92	92.25
Profit and Loss Account					
Net sales	26,880,742	21,901,752	20,795,847	22.73	29.66
Cost of sales	(22,866,881)	(18,776,623)	(18,344,090)	22.39	24.66
Gross profit	4,013,861	3,125,129	2,451,757	24.71	63.71
Commission and allowances earned	161,395	248,133	615,347	(34.96)	(73.77)
Marketing and selling expenses	(1,132,642)	(986,460)	(1,003,475)	14.82	12.87
General administration expenses	(535,643)	(570,943)	(440,988)	(6.18)	21.46
Other operating income	184,202	206,776	52,170	62.47	249.46
Profit from operations	2,691,173	2,022,635	1,675,351	33.05	60.63
Financial income	126,822	258,878	82,222	(51.01)	54.24
Financial expenses	(253,792)	(316,939)	(249,253)	(19.92)	1.82
Net finance costs	(126,970)	(58,061)	(167,031)	118.68	(23.98)
Profit before tax and sale of discontinued Operations	2,564,203	1,964,574	1,508,320	30.52	70.00
Income tax expense	(885,135)	(980,880)	(783,784)	(9.76)	12.93
Profit before sale of discontinued operations	1,679,068	983,694	724,536	70.69	131.74
Profit on sale of discontinued operations – net of income tax	-	1,497,628	-	-	-
Profit for the year	1,679,068	2,481,322	724,536	(32.33)	131.74

Vertical Analysis of Financial Statements

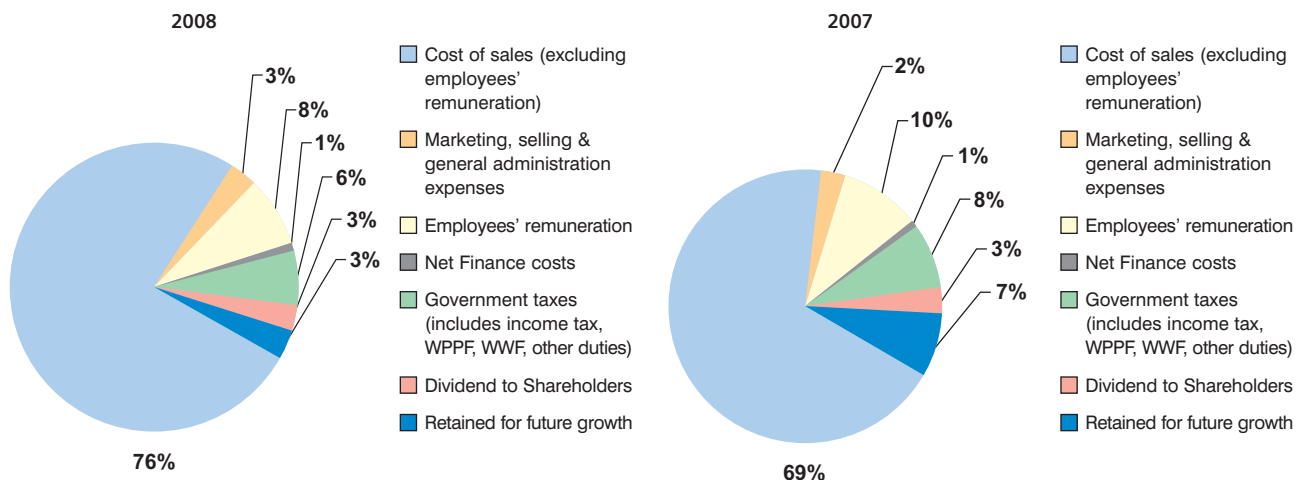
	2008		2007		2006	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Balance Sheet						
Total equity and minority interest	6,288,257	25.38	5,351,422	30.44	3,069,316	23.82
Total non-current liabilities	106,091	0.43	113,680	0.65	124,290	0.96
Total current liabilities	18,381,034	74.19	12,115,914	68.91	9,693,190	75.22
Total equity and liabilities	24,775,382	100.00	17,581,016	100.00	12,886,796	100.00
Total non-current assets	3,627,043	14.64	3,096,443	17.61	2,628,496	20.43
Total current assets	21,148,339	85.36	14,484,573	82.39	10,258,300	79.73
Total assets	24,775,382	100.00	17,581,016	100.00	12,866,796	100.00
Profit and Loss Account						
Net sales	26,880,742	100.00	21,901,752	100.00	20,795,847	100.00
Cost of sales	(22,866,881)	(85.07)	(18,776,623)	(85.30)	(18,344,090)	(88.21)
Gross profit	4,013,861	14.93	3,218,529	14.70	2,451,757	11.79
Commission and allowances earned	161,395	0.60	248,133	1.13	615,347	2.96
Marketing and selling expenses	(1,132,642)	(4.21)	(986,460)	(4.50)	(1,003,475)	(4.83)
General administration expenses	(535,643)	(1.99)	(570,943)	(2.61)	(440,988)	(2.12)
Other operating income	184,202	0.68	113,376	0.52	52,170	0.26
Profit from operations	2,691,173	10.01	2,022,635	9.24	1,675,351	8.06
Financial income	126,822	0.47	258,878	1.18	82,222	0.40
Financial expenses	(253,792)	(0.94)	(316,939)	(1.45)	(249,253)	(1.20)
Net finance costs	(126,970)	(0.47)	(58,061)	(0.27)	(167,031)	(0.80)
Profit before tax and sale of discontinued Operations	2,564,203	9.54	1,964,574	8.97	1,508,320	7.25
Income tax expenses	(885,135)	(3.29)	(980,880)	(4.48)	(783,784)	(3.77)
Profit before sale of discontinued operations	1,679,068	6.25	983,694	4.49	724,536	3.48
Profit on sale of discontinued operations – net of income tax	-	-	1,497,628	6.84	-	-
Profit for the year	1,679,068	6.25	2,481,322	11.33	724,536	3.48

Distribution of Wealth

	2008		2007	
	Rupees in '000	%	Rupees in '000	%
Wealth Generated				
Net sales	26,880,742	98.73	21,901,752	92.18
Commission and allowances earned	161,395	0.59	248,133	1.04
Other operating income	184,202	0.68	113,376	0.48
Profit on sale of discontinued operations - net of income tax	-	-	1,497,628	6.30
	<u>27,226,339</u>	<u>100.00</u>	<u>23,760,889</u>	<u>100.00</u>

Distribution of wealth

Cost of sales (excluding employees' remuneration)	20,668,294	75.91	16,306,224	68.63
Marketing, selling and general administration expenses	808,021	2.97	654,814	2.76
Employees' remuneration	2,169,252	7.97	2,302,759	9.69
Financial charges	126,970	0.47	58,061	0.24
Government taxes (includes income tax, WPPF, WWF, other duties)	1,774,734	6.52	1,957,709	8.24
Dividend to Shareholders including proposed final dividend	742,233	2.73	727,910	3.06
Retained for future growth	936,835	3.44	1,753,412	7.38
	<u>27,226,339</u>	<u>100.00</u>	<u>23,760,889</u>	<u>100.00</u>



Dear Shareholders

The directors are pleased to present the Annual Report and the audited financial statements for the year ended September 30, 2008 together with Auditors' report thereon.

Despite adverse economic conditions globally and locally throughout the year, your company remained innovative and achieved outstanding business successes. The performance of your company was once again the best ever and the targets set by the board were over achieved. Apart from focus on our business, the board kept a close look and remained deeply involved in the formulation and implementation of Siemens Compliance Program and Enterprise Risk Management. For this purpose the board established board committees on both the subjects and getting quarterly feedback on the status of these programs. All the business segments continued to focus on profitable growth keeping the momentum which the company has achieved through operational excellence and good corporate governance.

The company experienced tremendous growth in its high voltage sub station business in Dubai, UAE. The branch operations in Afghanistan have also been successfully started with main focus on energy and medical sector. The recent reorganization in the Siemens world would most probably result in more opportunities for the company.

Overview of National Economy

Fiscal year 2007-08 has been a difficult year for Pakistan's economy. Several political and economic events, both on domestic and external front, occurred unexpectedly. These events include: disturbed political conditions; an unstable law and order situation; supply shocks; soaring oil, food and other commodity prices; softening of external demand; and turmoil in the international financial market. All these events have adversely affected the key macroeconomic fundamentals of Pakistan during the fiscal year 2007-08.

According to the Economic Survey of Pakistan, country's manufacturing sector recorded the weakest growth in a decade during the fiscal year 2007-08. Overall manufacturing posted a growth of 5.4% during the first nine months of the current fiscal year against the target of 10.9% and 8.1% of last year. Large scale manufacturing, accounting for 70% of overall manufacturing, registered a growth of 4.8% in the current fiscal year 2007-08 against the target of 12.5% and year's achievement of 8.6%.

The new democratically elected government has inherited an economy which after a few years of continuing high growth of around 6 to 7 percent is being threatened by domestic and global market issues.

Business Review

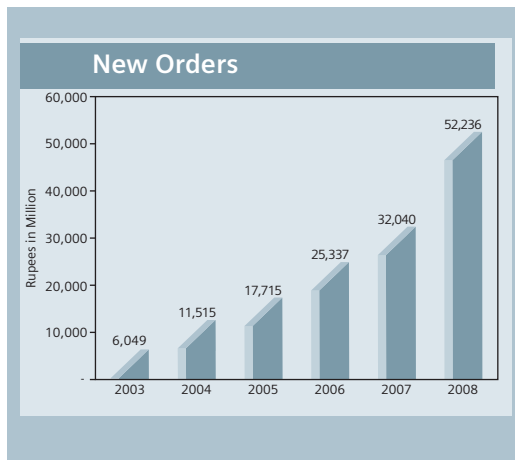
Even with the carve out of communications segments last year and the adverse economic conditions, this year proved one of the best years in the history of Siemens Pakistan for which the entire team deserves applause. All our businesses continue to prosper and established a distinctive character, and continue to provide an exceptional combination of value, convenience and service. And we are confident that by moving forward with the market, we will build further on our successes over the coming years.



Siemens Pakistan, through its portfolio of technology solutions, was able to optimally tap not only the local markets but was able to achieve success into the regional market opportunities. The performance and business growth in UAE is factually a success of our business strategy to tap the regional market initially at low margins and to curtail dependency on local markets. Our first level strategy remained to ensure that our base businesses grew healthily.

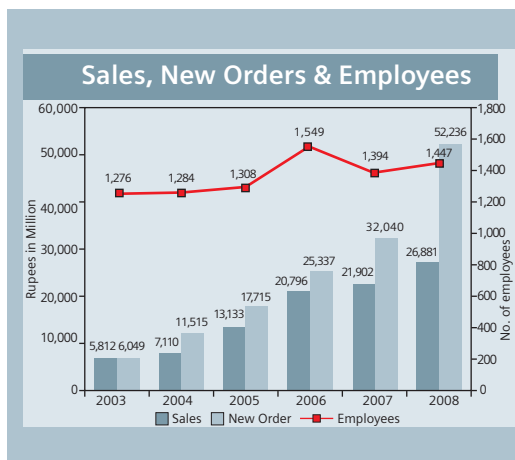
Performance Highlights

During the year under review, our company has grown rapidly and profitably, as evidenced by a strong financial performance.



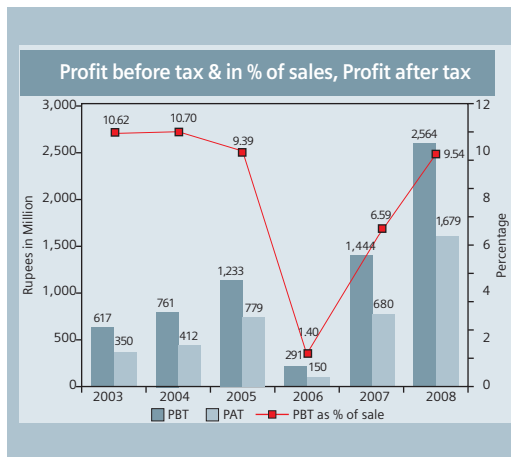
New Orders

New orders of over Rs. 52,236 million have been received during the year showing a growth of 63% - an all time high. Major contributions include projects for building grid stations / substations for various customers locally as well as in Dubai, supply of power and distribution transformers to various power generation companies and SAP Enterprise Resource Planning (ERP) implementation and maintenance for various companies. Healthcare sector with their Digital Linear Accelerators for cancer treatment, diesel generating sets particularly for telecommunication sector also played a significant role. The unexecuted order value position stood at Rs. 50,801 million, which is more than satisfactory.



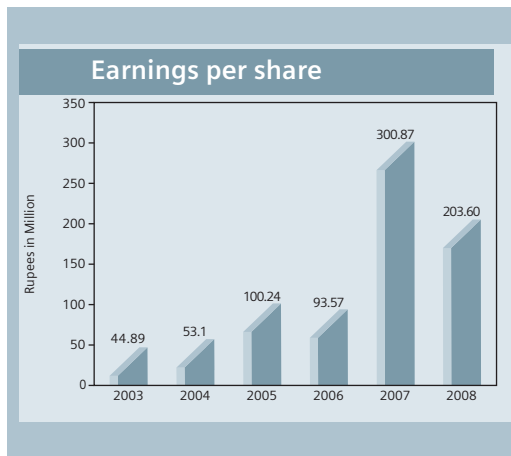
Sales turnover

For the financial year ended September 30, 2008, the turnover increased by 23% over previous year and stood at Rs 26,881 million mainly due to projects being undertaken in the energy sector. The total turnover includes business of Rs 12,374 million (2007: Rs. 5,611 million) conducted in Dubai, UAE, in the area of construction of high voltage substations, which grew by 120% over last year.



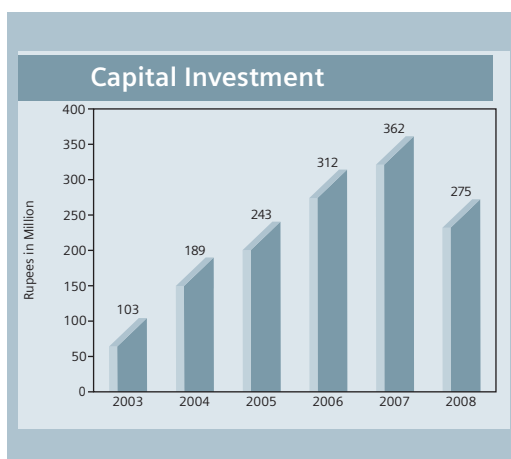
Profitability

Our company has turned in an impressive operational performance from continued operations with profit before tax standing at Rs. 2,564 million, a healthy rise of 77% over the previous year. Profit after tax recorded a value of Rs 1,679 million, an increase of 70%. This increase is mainly attributable to higher turnover and improved margins and smooth project execution.



Earnings per share

The earnings per share (EPS) after taxation from continuing operations was Rs. 203.60, grown by 146% (2007: Rs. 82.49) against corresponding year, which is because of higher after tax profits.



Capital investment & future commitments

During the year, the Company strengthened its manufacturing capacity to respond to its growing business, especially in the energy sector. A new 220 KV power transformer manufacturing facility was commissioned during the year. Further, construction of vapor face oven for large transformers, with a total estimated cost of Rs. 125 million is in the final stages of its completion. Rest of the capital investments were mainly undertaken on account of miscellaneous replacement, modernization, and capacity enhancement of plant and machinery, extension of office blocks and procurement of vehicles.

As at the Balance Sheet date, the company was financially committed to pay Rs 150.997 million for procurement of capital goods.



Industry Sector

Siemens Pakistan maintained its leadership position in Industry Sector by winning the orders for Electro Mechanical Refurbishment, Underground External Electrification and Street Light System of DHA (Defense Housing Authority) Phase V (Lahore) and order from WAPDA(Water and Power Development Authority) for Electrification of New City - Mangla and flawless completion of Electrical, Mechanical and civil works (Train III) at ENI Pakistan.

Energy Sector

Siemens Pakistan received an order for 500kV Rewat substation located near Islamabad. In addition an order for switchboards was secured from the Ministry of Energy and Water (MEW), Afghanistan which is a big milestone. Work on the first state-of-the-art KESC (Karachi Electric Supply Corporation) Load Dispatch Centre project is being executed and it will be completed in 2009.

Siemens Pakistan success in the steam turbines continued with selling of a 47 MW state of the art Steam turbine SST-600 for an IPP (Independent Power Producer) which is expected to reach its commercial operation by 2010. In April 2008, DHA Cogen Ltd, one of our most prestigious projects in the country, started its commercial operations. This is a desalination plant that will provide 94MW power and 3 million gallons of potable water per day.

Healthcare Sector

Siemens Pakistan continued to establish itself as an innovation and technology trendsetter in Pakistan by obtaining orders from Pakistan Atomic Energy which procured 4 Linear accelerators and two OPEN BORE Virtual Simulation CT scanners along with the latest integrated oncology solution from Siemens to be installed at three of their thirteen Medical centers in Pakistan. Atomic Energy Medical centers are ranked among Pakistan's leading Cancer treatment and Nuclear Medicine centers, where patients are diagnosed and treated at a minimal cost.



Branch Operations in Afghanistan

Due to organizational changes in the Siemens World and in order to strengthen the regions, the branch operations of Siemens AG in Afghanistan were handed over to the Company with effect from May 01, 2008. In a very short period we were able to receive orders of over Rs 2.300 billion for supply and installation of high voltage substations and transformers to Kabul distribution enhancement project.

Performance Acknowledgment

Siemens World

Siemens Pakistan is a subsidiary of Siemens Aktiengesellschaft, Germany (Siemens AG) which is incorporated in Germany and holds 66.10 percent shares of the Company.

The continuous success and growth of your company is now being reflected in the Siemens world. During the year the company was upgraded to 'category one' Company from 'category two' in the Siemens world. This up gradation is based on size, volume and performance of Regional Companies. This is a big achievement for the company and an acknowledgment of our past and current performances.

The Company was awarded "Highest Profit Growth in 2007" award in the area of high voltage at the Annual Conference of Siemens AG in Berlin. Further Siemens Pakistan won the award of "Global competitiveness (Productivity Improvement)" awarded by PTD M Siemens Germany in the 5th Management Conference held in Berlin.

Within Country

For the third year in a row, the company has been awarded second place in the Top 25 companies in Karachi Stock Exchange which is really appreciable in view of increasing competition. Siemens brand was selected as the brand of the year and a model for other brands at a ceremony in Islamabad. Further, Siemens Pakistan was recognized for its corporate excellence at the 25th Corporate Excellence awards organized by Management Association of Pakistan. For third year in a row Siemens newsletter "Siemens Ki Dunya" was declared the best corporate newsletter of Pakistan by a jury of National Council of Culture and Art.



Market share

Siemens Pakistan's vision is always to remain market leader in the relevant business segments and our target is to be No.1 or No.2 in all segments of business operation. Hence by leveraging our global resources we will continue to strengthen our local presence to maintain our leading positions in our three focused sectors namely Industry, Energy and Healthcare.

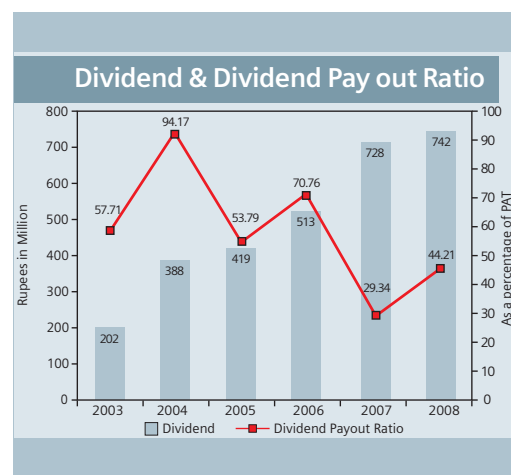
Appropriations

Following is the summary of appropriations made during the year.

(Rupees in thousands)	
Retained earnings - October 01, 2007	2,621,734
Net profit after taxation for the year ended September 30, 2008	1,679,068
Appropriations	
Final Dividend @ Rs.60 per share for the year ended September 30, 2007	(494,822)
Interim dividend @ Rs.30 per share for the year ended September 30, 2008	(247,411)
Transfer to General Reserve	(1,000,000)
Retained earnings - September 30, 2008	2,558,569

Dividend

Considering the excellent performance during the financial year ended on September 30, 2008 and to appropriately reward the Members while conserving the resources to meet the future financial requirements, the Board of Directors recommends a final Dividend of Rs 60 per equity share of Rs.10 each (600%). This is in addition to the interim dividend of Rs 30 per equity share (300%), already paid making total dividend for the year ended September 30, 2008 of Rs 90 per share i.e. 900% (2007: Rs 90 per share i.e. 900%).



Post balance sheet events

There have been no material changes since September 30, 2008 to the date of this report except the declaration of final dividend which is subject to the approval of the Members at the 56th Annual General Meeting to be held on November 29, 2008. The effect of such declaration shall be reflected in the next year's financial statements.

Corporate Governance

The Board gives utmost importance to the international and local best practices of good governance and ensures that its principles remain to be the integral part of its operating, decision-making and monitoring processes. The Company respects the rights of its shareholders and encourages their active participation in all general meetings of the company. The company also recognizes its legal obligations towards all of its legitimate stakeholders and business partners. A code of conduct exists for directors, executives and other employees of the company which binds them to demonstrate ethical, honest and responsible attitude.

We strictly adhere to the principles of Corporate Governance mandated by the Stock Exchanges of Pakistan and have implemented all the prescribed stipulations.

At Siemens the corporate governance framework involve the board in the strategic planning process, defines clear board and management power sharing arrangements, establishes processes for the timely reporting and review of information, not forgetting to allow effective and responsive actions to be made thereon. This has resulted in improved understanding of the respective roles of the board and management and the board is able to introduce appropriate governance processes and procedures, under which management is free to manage, while the board is free to monitor, enquire and counsel.





Board of Directors

The board was actively involved during the year in performing their duties including those required to be performed under various relevant laws and the Memorandum and Articles of Association of the Company, with the ultimate objective of safeguarding the interests of shareholders, increasing profitability of the Company with an ultimate goal to increase shareholders wealth and promoting market confidence.

The board has an optimum combination of Executive and Non-executive directors where six out of eight are non-executives. None of the directors on the Board is a director of more than 10 listed companies. All the directors represent diverse fields / professions and possess all the necessary skills and understanding to deal with various business issues and have the ability to review and challenge management performance. The Chairman of the board is an independent non executive director and the roles and responsibilities of Chairman and Chief Executive Officer are clearly defined.

The board has approved all the significant policies of the Company including but not limited to policies relating to human resources, risk management, business operations, investments, donations, signature mandate and delegation of financial powers etc.

During the year, four meetings of the board were held to review and approve all issues and matters referred to it by audit and other committees of the board including periodical and annual financial statements, corporate and financial reporting framework, budgets and forecast including their analysis with actual, cash flow projections, management letter issued by the external auditors, major contracts and agreements, compliance with relevant laws and regulations including amendments during the year, acquisition and disposal of fixed assets, review of risks identified and their mitigation, accounting and internal control system, status of controls over company's electronic data security and such other matters considered to be significant enough for the board's attention by the audit committee or the management. The board also reviewed the status of legal cases filed by or against the company and also approved an out of court settlement.



The register of contracts maintained under section 219 of the Companies Ordinance, 1984 was signed by all the directors except those directors who have interest in those contracts due to common directorship. The details of all such contracts were provided to all the directors as part of agenda of each board meeting. It was ensured that quorum should be present for all board meetings in accordance with Memorandum and Articles of Association of the Company.

The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been approved by the board of directors. The Chief Executive Officer and Chief Financial Officer did not take part during discussion in the board on their respective employment contracts. Further, the appointment, remuneration and terms and conditions of employment of the Head of internal audit and the Company Secretary were also approved by the Chief Executive Officer with the approval of the board.

The Chief Financial Officer, who is also a member of the board, and the company secretary, attended all the board meetings. Business segment heads were also invited to obtain detailed information on matters raised by the audit committee or external auditors relevant to their respective areas of responsibility.

For all the board meetings the agenda and details of each item of agenda were circulated to all the members of the board at least seven days before the meeting was scheduled. The minutes of all board meetings and audit committee, duly signed by the respective chairman, have been circulated within 14 days of holding of these meetings. An action items list is also prepared after finalization and circulation of minutes of the meetings and status of each action item was provided to the board and audit committee in their next meeting.

The board appreciates and is thankful to the non resident directors for their presence in person in the meetings of the board in view of political and security situation. The participation of one non resident director in one meeting was facilitated through video conferencing. The record of the video conferences is available with the company. The minutes of those meetings in which the directors participated through video conferencing are signed by all the directors present.

Changes in the Board of Directors

The Board would like to place on record its appreciation on the valuable contribution made by the outgoing director Mr. Javaid Anwar, Mr. Joachim Moeller and Ms. Monika Valtwies towards progress of the Company. The Board also welcomes Mr. Zahid Hussain, Dr. Udo Niehage and Mr. Klaus Stegemann who joined the board in place of the outgoing directors and hope that the Company will definitely benefit from their varied experience in their respective fields.

The casual vacancies as and when they occurred during the year were filled within 30 days of such vacancy in accordance with listing regulations. The directors appointed to fill the casual vacancy shall continue to act until the next election of the Board of Directors in 2009. The new directors have been provided information on the powers, duties and liabilities of the directors under the Companies Ordinance, 1984, the Code of Corporate Governance, Memorandum and Articles of Association and listing regulations. All directors have signed declaration of awareness of their powers, duties and liabilities under these rules and regulations.

As required under listing regulations 37 (xxiv) of Karachi Stock Exchange the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

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

Name	Category	Attendance at Board		
		Meetings held during FY 07-08	Eligible	Attended
Held		to attend		
Existing Directors				
Syed Babar Ali, Esqr. (Chairman)	Independent non executive director	4	4	2
Mr. Sohail Wajahat H. Siddiqui	Executive director	4	4	4
Mr. Zahid Hussain	Independent non executive director	4	3	2
(Appointed w.e.f. December 14,2007)				
Dr. Udo Niehage	Non executive director	4	2	1
(Appointed w.e.f. April 10,2008)				
Mr. Gerhard Wilcke	Executive director	4	4	4
Mr. Tajammal H. Bokharee	Independent non executive director	4	4	4
Mr. Klaus Stegemann				
(Appointed w.e.f. August 15,2008)	Non executive director	4	-	-
Mr. Stephan Schneider	Non executive director	4	4	3
Outgoing Directors				
Mr. Javaid Anwar	Independent non executive director	4	1	1
Mr. Joachim Moeller	Non executive director	4	2	1
Ms Monika Valtwies	Non executive director	4	4	4

Board Committees

Audit Committee

The audit committee comprises of four members all of them are non executive directors. The terms of reference of the audit committee has been determined by the board in accordance with the Code of Corporate Governance. Four meetings of the Committee were held during the year in which the following business was considered:

- Review of quarterly, half- yearly and annual financial statements before their consideration by the board
- Detailed review of board and management letters issued by the external auditors and management's response thereto
- Review of compliance with all relevant laws and regulations and other statutory requirements
- Compliance with the best practices of corporate governance
- Determination of appropriate measures to safeguard company's assets
- Review of status of action items from the previous meetings

In view of work performed during the year, the audit committee concluded the following:

- The company has complied with, in all material respect, with the requirements of the listing regulations of all the Stock Exchanges and there was no departure from the best practices of corporate governance. The statement of ethics and business practices has been signed by all the directors and employees of the company confirming adherence to the values and ethics
- The financial statements are reviewed and signed by the management of the company before their submission to the audit committee and the board, in acknowledgment that these financial statements present fairly its state of affairs and the result of its operations, cash flows, changes in equity and are in conformity with the books of accounts of company
- Appropriate accounting policies have been consistently applied in the preparation of financial statements
- Accounting estimates are based on reasonable and prudent judgment,
- Proper books of accounts are maintained by the company
- 'Statement of Compliance with the Best Practices of Code of Corporate Governance' has been reviewed by the statutory auditors of the company and a satisfactory report has been issued by them in this regard
- The financial statements comply with the provisions of the Companies Ordinance, 1984 and the requirements of International Accounting Standards, as applicable in Pakistan, and appropriate disclosures have been provided where necessary
- There are no significant doubts upon the listed company's ability to continue as a going concern

Internal Audit Function

The board has established an independent internal audit department which is reporting directly to the audit committee. The head of internal audit attended all the meetings of the committee. The committee considered following matters during the year relating to internal audit function:

- Ensuring at all times independence of the internal audit function and that the function has adequate resources and is appropriately placed within the company. For the purpose, the committee had held a separate meeting with the head and other members of the internal audit function in the absence of the chief officer and the external auditors

- Reviewed audit reports and significant findings by internal audit on a quarterly basis, response of the relevant business unit management on their respective findings and status of implementation of previous recommendations by the internal audit
- Facilitating coordination between internal and external auditors to ensure efficiency and effectiveness and to avoid duplication of work
- Reviewed company's statement on internal control systems prior to endorsement by the board of directors, which statement was also signed by the head of internal audit

On the basis of these considerations the committee concludes that the company's system of internal control is sound in design and has been effectively implemented and monitored

External Auditors

The external auditors attended those parts of the audit committee meetings in which the financial statements of the company were considered by the committee. The audit committee also held a separate meeting with the external auditors in the absence of Chief Financial Officer and Head of internal audit to discuss issues which the auditor wants to bring to the committee in the absence of management. The auditors' have confirmed that they have no issue of independence and they have already reported all their concerns in the board and management letters.

The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP). The external auditors have confirmed that their firm is in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP. The external auditors have not been appointed to provide other services except in accordance with the listing regulations and they have confirmed that they have observed IFAC guidelines in this respect.

The present external auditors, KPMG Taseer Hadi & Co. shall retire at the conclusion of annual general meeting on November 29, 2008 and being eligible, offer themselves for reappointment for the year 2008-09. As suggested by the Audit Committee, the Board recommends their reappointment for the year ending September 30, 2009.

Changes in the Audit Committee

The Committee would like to place on record its appreciation on the valuable contribution made by its outgoing members Mr. Javaid Anwar and Ms. Monika Valtwies towards accomplishment of tasks provided to it by the Board. The Committee also welcomes Mr. Zahid Hussain and Mr. Klaus Stegemann who joined the Committee in place of the outgoing members.

Name	Category	Attendance at Audit Committee meetings held during FY 07-08		
		Held	Eligible to attend	Attended
Existing Audit Committee Members				
Mr. Tajammal H. Bokharee	Independent non executive director	4	4	4
Mr. Zahid Hussain	Independent non executive director	4	3	2
Mr. Klaus Stegemann	Non executive director	4	-	-
Mr. Stephan Schneider	Non executive director	4	4	3
Outgoing members				
Ms Monika Valtwies	Non executive director	4	4	4
Mr. Javaid Anwar	Independent non executive director	4	1	1



Compliance Committee

Siemens has zero tolerance for non-compliance behavior. Siemens' Compliance Program anchors ethical and legal behavior throughout the company. It includes clear instructions to all employees to comply with all applicable laws. It also contains additional regulations regarding, for example, the processing of payments and proper dealings with business consultants.

In view of importance of the subject, the board has constituted this Committee which comprises of two executive and one non executive director. The regional compliance officer is also the member and secretary of this Committee. Two meetings of the committee were held, attended by all the members, in which the committee performed following tasks, which were in line with their terms of reference:

- Review of the Company's overall compliance program to ensure that it is well communicated, supports lawful and ethical business conduct by the employees and reduce risks to the company for non-compliance with laws and regulations relative to the company's business
- Review the suggestions given by the Compliance Review Board and their implementation
- Overseeing company's compliance related policies, programs and procedures to ensure adherence with relevant laws, company's code of conduct and other relevant standards
- Reviewing and monitoring the company's compliance training initiatives on various topics
- Review of quarterly compliance report before its submission to the board

The Committee is well satisfied with the implementation status and awareness of the compliance program. As part of their normal audit procedure, the external auditors have also made a limited review of implementation of compliance related controls and are satisfied with the implementation status.



Enterprise Risk Management Committee

The Enterprise Risk Management (ERM) is the process of planning, organizing, leading and controlling the activities in order to minimize risks on the capital and earnings of the company. In the recent years, the external factors have fueled the need of an effective ERM system. The board constituted this committee with an overall objective to avoid or mitigate the risks that may affect company's earnings in short and long run. This Committee comprises of one executive and one non executive director. Two meetings of the committee were held, attended by all the members, in which the committee performed following tasks, which were in line with their terms of reference:

- Review and assess the quality and effectiveness of the risk management system and ensure that the risk policies are effectively managed and incorporated in the management structure of the company
- Review and assess the nature, role, responsibility and authority of the risk management function within the company and outline the scope of risk management work
- Ensure that comprehensive system of control is established and that the risks within the company are identified, mitigated and appropriate strategies are in place to manage them
- Monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts
- Over see the Enterprise Risk Management strategies to achieve current and accurate compliance with operational and legal requirements and identification of foreseeable trends that could significantly impact Siemens overall business objectives
- Review the risk bearing capacity of the company in light of its reserves, insurance coverage, guarantee funds or other such financial structures

The Committee is satisfied with the quality and effectiveness of the company's ERM system and its coverage. The external auditors also performed a limited review of the ERM and expressed their satisfaction.



Management Committees

Executive Management Committee

The committee is composed of six members which include Chief Executive Officer, Chief Financial Officer and Executive directors of each business group. Four meetings of the committee were held during the year under the chairmanship of Chief Executive Officer and attended by all the members. The committee considered following matters in their meetings:

- Ensure smooth operations of the company and adequacy of operational, administrative and financial controls
- Reviews of segmental and overall budget of the company before its submission to the board.
- Review of the results of operations, their analysis with the budget and forecast and to take corrective action where necessary
- Formulate and implementation of strategic plans of marketing, production, investments and to take corrective and preventive measures for mitigation of risks and for seizing business opportunities
- Review of major risks and challenges identified in the ERM process and to take appropriate measures to counter those risks and challenges, status of implementation of compliance program and to take appropriate action for any non compliance of the policies and procedures
- Human resource management, related policies and procedures, people excellence, recruitment and training, succession planning and discussion and resolution of current issues
- Review and approval of changes in organization, necessary to meet the operational and marketing challenges

The committee places before the board of directors all matters of significance and such matters which are required to be approved by it under the law.



Corporate Committee

The Corporate Committee consists of heads of all corporate departments, headed by the Chief Executive Officer. The committee meetings are held each quarter. The committee is entrusted with the following tasks:

- Review status of achievement of Corporate Departments targets
- Considers the actionable items of Executive Management Committee
- Review the Company's corporate priorities and directions
- Align corporate support functions in accordance to company's business development strategies
- Review matters relating to industrial relations and business administration
- Establish and review policies and guidelines relating to quality management and product safety
- Review policies and guidelines of Information Security
- Ensure implementation of compliance guidelines
- Review matters relating to export control guidelines and procurement governance
- Review of observations of internal audit relating to corporate departments
- Cost saving measures and status of their implementation and results



Human Resource Council

The Human Resource (HR) Council is a coordination and decision making body. The HR council meets at least once every quarter. The HR council is responsible for implementation of HR initiatives and plans. The HR council is committed to develop and make decisions on HR strategy and policy. Further the HR council review following on a quarterly basis:

- HR Monthly Reports
- HR Calendar of events
- Ideas/Improvements and suggestions
- HR issues and complaints and corrective action plans
- Initiatives of Siemens global HR Council

Compliance with Secretarial Practices

The Company Secretary had furnished a Secretarial Compliance Certificate, in the prescribed form, as required under listing regulations 37 (xxv) of Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984 have been duly complied with.

Pattern of Shareholding

Shares of the Company are listed on Karachi, Lahore and Islamabad stock exchanges. There were 829 shareholders of the Company as of September 30, 2008. The detailed pattern and categories of shareholding of the Company are annexed to this annual report on page 157 and 158.



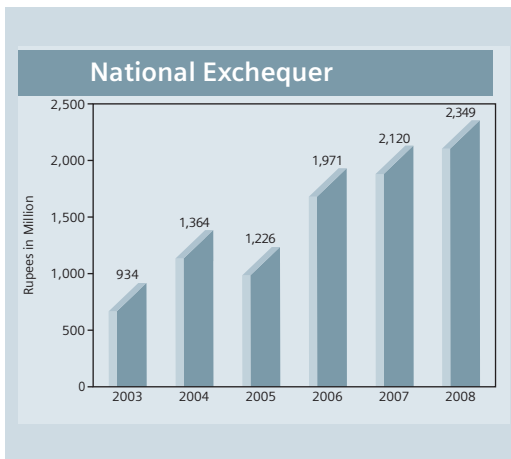
Corporate Social Responsibility

At Siemens Pakistan we feel that compliance is the foundation of responsible conduct. Corporate responsibility can achieve its full social potential only if everyone involved first complies with external and internal Company rules and regulations.

We view corporate responsibility as a strategic, management-driven task that integrates our business, environmental and citizenship activities to create sustained tangible and intangible value for our company and our stakeholders by ethically sound means.

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

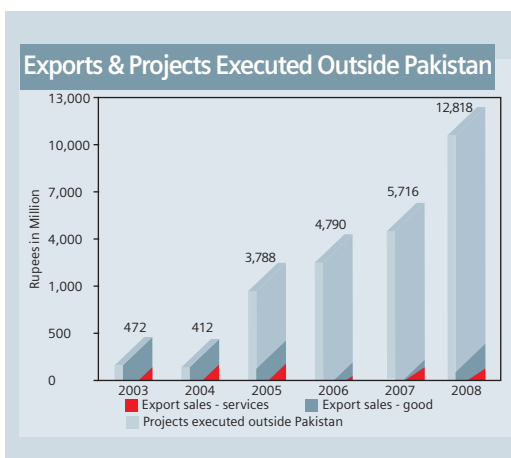
To describe in more detail our CSR activities Siemens Pakistan has published a report on such activities which accompanies this annual report and gives details of our efforts in this field and demonstrates the importance given to CSR by the Company.



Contributions

Towards National Exchequer

- The company has contributed Rs. 2,349 million (2007: Rs. 2,120 million) to the National Exchequer during the period in the form of taxes, duties and other contributions



Towards National Economy

- Sales and services executed outside Pakistan of Rs. 12,818 million and a sizeable amount of foreign currency attracted into Pakistan in terms of profits
- The Company has made purchases from local vendors amounting to Rs 4,417 million thereby taking part in increasing the local production
- The Company employs a big number of work force at its three main offices and numerous project sites. The total remuneration paid during the period amounts to Rs. 2,169 million which is a significant portion of earning of the Company

Environment, Occupational Health and Safety

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

Our commitment to this is witnessed by the fact that this year again we have been given the coveted Annual Environment Excellence Award by the National Forum of Environment & Health.

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





Human Excellence

Alignment of Peoples Strategy with the Business Strategy is the key element of our human resource function. Our three core values of responsible, excellent and innovative are embedded in the HR processes. Our shared vision enables us to provide a competitive edge via our talent pool. Our excellent people, with their special talents and abilities, create the unique characteristics that enable Siemens Pakistan to differentiate itself successfully from its competitors.

Teamwork is no longer regarded as an option. It has become a mandatory aspect of modern professional lifestyle and ethics. Siemens has inculcated teamwork into its core values and basic working philosophy. Great emphasis is now laid upon holding up the business ethics under all circumstances. This can essentially be achieved through developing teamwork among individual team members, cohesion among various business units and joint belief and sharing of the core values of being responsible, excellent and innovative.





Investment in retirement benefits

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

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

The audit of the funds for the year 2007 is in progress.

Quality management

Innovation, High -Tech products and unprecedented mastery and successful application of new methods and technologies have shaped the history of our Company. We have been able to sustain our success though maintaining our Quality Standards - this is our commitment to all our stakeholders.

While making the Quality as a benchmark of our success, we adhere to the three cornerstones of its implementation strategy: to achieve customer satisfaction by providing Best Products and Services, through our Efficient Processes and by our best trained and motivated Employees. All activities in our Company, therefore, are directed towards achieving these goals.

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

Quality Management Surveillance Audit of ISO 9001:2000 Certification was conducted this year without any Non Conformity and we endeavor to maintain this record in the future.



To keep up our Quality Standards we endeavor to provide our employees awareness on Quality through trainings. Quality Talk sessions are also a regular feature for enhancing employees' contribution towards Quality.

PM@Siemens Project Management

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

PM@Siemens is a specialized tool which inculcates a systematic way of thinking, best practice sharing and learning from mistakes. Its key success factors are bid quality, understanding and managing of contracts, qualified project managers, early involvement of project managers in contracts and systematic handing over of projects on completion.

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

From our customer's perspective professional project management means keeping our commitments, with clear responsibilities and scope of work and agreed way of managing changes. An adequate number of professional project managers mean sustainability and continuity in customer relationships. The certification of project personnel is one element that contributes to high-quality projects, executed by highly skilled employees.



3i Program

Siemens Idea Management Program called 3i which is an acronym for Ideas, Impulses and Initiatives has been revamped. The principles of the Idea management are based on the fast and un-bureaucratic manner in which employees through all hierarchy levels are called to act on their own initiatives and develop and implement suggestions for improvement within the company. Suggestions relating to improving profitability and growth, innovation and new markets, process optimization, cost reduction, quality improvement, environmental protection in and occupational, health and safety are of particular importance. Employees discuss such ideas with their managers and show them their economic benefits. The managers scrutinize them and all workable ideas are implemented. The managers are also empowered to assess and give monetary reward for these ideas up to a predefined limit while encouraging and supporting employees for promoting initiative work.

Business risks and challenges

Major changes have occurred in the political landscape of the country over the past years resulting in a deteriorating law and order situation that now threatens business activities. Adding to this is the adverse impact of global economic crisis, sky rocketing inflation and devaluation of local currency all of which are contributing to increase in cost of doing business. Also compounding the impediments to growth is the energy crisis in the country. The decision of the Central Bank not to provide cover on foreign currency imports is also a threat and may impact our import bill significantly.

All these challenges require joint efforts by the government and private sector. On our part the strategy will be to continue strengthening our local presence and expertise within the country thereby reducing our dependence on outside sources with the aim to eventually become self reliant and thus better equipped to deal with these challenges.



At the same time we are strengthening our presence in the regional market particularly UAE in order to balance the risks of local market. Our focus is also on reducing our selling and administrative costs in order to cop with the growing competition.

The Company has a comprehensive risk management system in place in order to avoid, mitigate or transfer risks, where possible.

Fund Management

Financial Management

Siemens Pakistan is committed to a strong financial profile, which gives us the financial flexibility to achieve our growth and portfolio optimization goals. Our principal source of company financing is cash inflows from operating activities. Our treasury generally manages cash and cash equivalents for the entire company and has primary responsibility for keeping funds available as and when required. In addition to excess liquidity the company has more than Rs. 38 billion credit lines with various banks.

At September 30, 2008 the company held Rs. 3,407 million in cash and cash equivalents in various currencies which were managed by treasury. Treasury carefully manages investments of cash and cash equivalents to optimize profits subject to strict credit requirements.



Cash Flow Management

The company gives utmost importance to its positive cash flows and controls its financing and investing activities accordingly. Company and segment level analysis of cash flows are performed on a monthly basis against budgets and forecasts and corrective actions are taken where necessary. A certain percentage of variable income of employees is based on positive cash flows in their areas of responsibility.

Business process and improvement activities

Our business processes improvement activities are constantly undertaken by our *top+* program. This is in addition to our continuing activities for improvement and redefinition of all our processes through the Quality Management System and Siemens specific quality initiatives.

Top+ addresses the businesses most important topics of the future with selective initiatives. The *top+* toolbox supplies best-in-class and proven methods, which provide our businesses support to raise sales and reduce costs for example.



Future outlook and plans for expansion

Inspite of the difficulties we are determined to maintain growth by converting risks and challenges into opportunities. One such challenge is scarcity of energy which we hope to convert into a future business prospect thus not only solving this vital problem for Pakistan but also maintaining our leadership position in the energy sector. This we hope to achieve by offering our state-of-the-art locally manufactured products in conjunction with Local Engineering Expertise and Services from Power Generation to Power Transmission and to Power Distribution.

Backed by our strong local engineering expertise, we have been able to penetrate the international market in Dubai's High Voltage Substation market and there we will continue our focus to further increase our business growth.

The Company intends to further increase its local presence and strengthen its manufacturing facility with a plan to acquire Heavy Electrical Complex (HEC) which has been offered for sale by the Government of Pakistan under its privatization policy.

The recent trend of infrastructure projects and in particular mega high rise buildings and residential complexes in Pakistan would also serve as business prospects for the future. Government's focus on providing safe and clean water along with better healthcare facilities will also create new project opportunities in Public sector. However such projects opportunities depend on political stability, consistent policies and importantly the improvement in the law & order situation in the Country.

We have applied the best of ourselves to the task in hand and will continue to apply the same in future. With our vision to remain market leader and technology pace setter, plans to enhance our manufacturing capacity with acquisition of HEC and global program Fit4 2010 and tools of *top+* we see no reason why we cannot achieve and surpass our targets. Our 'Recipe for Profit & Growth' has taken every employee on board in our drive for profit and growth.



Acknowledgement

The Board of Directors wishes to express its sincere appreciation to our extremely valued shareholders, customers, suppliers, contractors and financial institutions, whose faith, cooperation and support over the years strengthened our relationship which plays a vital role in improving our products and services and contribution to the society and national economy.

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Syed Babar Ali', with a horizontal line underneath.

Syed Babar Ali
Chairman

A handwritten signature in black ink, appearing to read 'Sohail Wajahat H. Siddiqui', with a horizontal line underneath.

Sohail Wajahat H. Siddiqui
Chief Executive Officer

Karachi, October 31, 2008

Siemens generating synergies around the world

Siemens stands for innovation, customer focus and global competitiveness – all around the world. Generating synergies for a unique array of products, services and solutions, our broad portfolio gives us a competitive edge, particularly in tough times.



Fit4 2010 - Tapping the potential of an integrated technology company

We are aiming at running our business on the basis of the highest values and business ethics. Corporate responsibility is one of the four drivers - along with Portfolio, People Excellence and Operational Excellence - helping us reach the performance goals we have set in our Fit4 2010 company strategy.

The overall aim of Fit4 2010 as the strategic constant within Siemens is to increase the competitiveness and value of our company over the long-term. Our values - responsible, excellent, and innovative - and our commitment to being a world leader in transparency and compliance provide the foundation for our efforts in this regard.

With Fit4 2010, we've set ambitious goals for our company as a whole, our sectors and our divisions that will enable us to match the performance of our top competitors by 2010 at the latest. A clear management and organizational structure coupled with the corresponding focal points of our four proven levers People Excellence, Portfolio, Operational Excellence and Corporate Responsibility are helping us achieve these goals.

Highest performance with the highest ethics - building on our values, Fit4 2010 defines the goals and levers that will make this claim a reality.





Performance and Portfolio

Our portfolio policies are based on the principle that all our businesses must capture and maintain No. 1 and No. 2 positions in profitable high-growth markets. For we know from experience that only businesses with leading positions in their markets are also profitable in times of crisis and can generate the profits we need to continue financing the R&D outlays and portfolio-strengthening measures indispensable to maintaining a competitive edge.

Most of our businesses are already in leading positions in stable high-growth fields. Focusing on the three Sectors;

- Industry
- Energy
- Healthcare

will enable us to profit from the major developments taking place in the world today: increasing urbanization, demographic change and climate change.

Our portfolio priorities are clearly defined. To ensure strict resource allocation also in the future, we're concentrating on organic growth, the further streamlining of our portfolio and selective investments.

With our new three-Sector structure, we've taken a major step toward further sharpening our focus and streamlining our portfolio. We're going to continue implementing this strategy and closely examine our businesses in regard to their strategic and financial fit in their respective Sectors.

Of course, we'll continue to invest selectively to enhance our competitiveness and augment our portfolio. However, every investment must meet rigorous financial requirements and support our overall goal of further increasing Siemens' long-term value.



Operational Excellence - powered by *top+*

Best-in-class performance in all businesses and functions through innovation leadership and global footprint is the goal of Operational Excellence.

Siemens is building on a history of 160 years of constant innovation. To be furthermore among the technologically leading companies, we pursue a "trendsetter" innovation strategy for our businesses, which focuses on the following topics:

The first element is to expand the businesses with leading trendsetter technology position. The second element is to increase the patent position of trendsetting technologies to ensure success and investments compared to the competitors. Finally, only an effective allocation of resources may lead to an increased market success and profitability in the long term.

With global footprint, Siemens will further expand its global market presence and market penetration. Efficient cost structures to close the gap between Siemens and its most profitable competitors can be developed through a global and optimized value chain network for different functions like R&D, product development, sourcing or production. It is also important to meet the optimal balance between global economies of scales and products adjusted to the local demand.

These goals are supported by *top+*, which is the way to work at Siemens with goals, actions and consequences and drive the businesses to success. The *top+* Toolbox supplies best-in-class and proven methods, which provide our businesses support to raise sales and reduce costs for example.



High Tech at Low Cost

Top+ addresses the businesses most important topics of the future with selective initiatives: the first focus initiative is SMART (Simple, Maintenance friendly, Affordable, Reliable, Timely to market), which will focus on the topic “High Tech at Low Cost” in the near future. The point is to develop competitive products for the global market and bring them also into the emerging markets. That also means: to be positioned in low-cost countries with the whole value chain and have a strong position. Even in the business of low-cost products, our goal is always to be Best-in-Class! For us, low-cost means always fulfilling the customer's expectations and guaranteeing a high level of quality, while also incurring a lower level of production costs. Our products must meet the demands of the various markets without exception.

3i Program

3i Program is Siemens Idea Management Program which is an acronym for Ideas, Impulses and Initiatives. It rewards employees for successful ideas and productivity initiatives which benefit the company. Employees through all hierarchy levels are encouraged to act on their own initiatives and develop and assist in implementing suggestions for improvement within the company.

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

3i Program offers employees an avenue to submit their improvement suggestions in return for a monetary reward if their submission is approved. The managers are also empowered to assess and give monetary reward for these ideas up to a predefined limit while encouraging and supporting employees to participate in this initiative.

We succeed through our outstanding & motivated employees

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

They say that the secret to success is never being satisfied with what you have achieved. That is what links Siemens with the high-performance culture: people who want to measure themselves against the best, who assume personal responsibility for their actions, who have excellent skills, and, last but not least, carry out their tasks with commitment and even enthusiasm.

If Siemens wants continued success in the market, this constant striving for competitiveness is indispensable. That means developing and utilizing the different skills of all management personnel and employees to achieve the best possible results.

The great importance that Siemens attaches to management and personnel development thus provides a foundation for the company and an anchor point for the People Excellence pillar within the Fit4 2010 program. The focus is on four topics:

- Global talent pool (top talents)
- Leadership Excellence programs
- Performance Management Process
- Expert carriers (key experts)

Global talent pool (top talents)

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





Leadership Excellence programs

Working at Siemens often means facing tasks that seem difficult to cope with at first sight. To be able to meet such challenges, it requires exceptional men and women, and winning teams that are able to "push back the limits".

It takes first-class management to activate potential and to achieve first-class results. The courses of the Siemens Leadership Excellence (SLE) program prepare management personnel specifically for their tasks. What makes it special is that managers develop managers. The course participants profit from the concentrated knowledge and experience of Siemens Management. Focal areas include Siemens-wide definition and implementation of joint management and value standards, communication of management instruments, and initialization of new approaches and strategies. In addition, the cross-Group and cross-Region network of Siemens managers is also enlarged. The worldwide sharing of experience not only engenders a positive response, it also greatly strengthens the management team.

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

Performance Management Process

The prerequisites for all employees to contribute peak performance are to know their goals, to be allowed to continue their development, and to have an income related directly to the results achieved. The platform for this is provided by the Performance Management Process (PMP), which has been implemented. The target is for each employee to know what is expected of him or her, how he or she is assessed, and what development opportunities may be available. The PMP tool is also an important source of information for strategic HR processes, such as management development, Siemens Management Review and succession planning.



Experts Carriers (Key experts)

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

Future

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

"Companies characterized by a culture of innovation learn to think out of the box and are often skeptical of traditional methods. Competence, teamwork, and a problem-solving perspective are their ideals - the human catalyst that makes ideas burn bright."

Prof. Dr. Hermann Requardt,

Member of the Corporate Executive Committee of Siemens AG and Head of Corporate Technology



Innovation at Siemens: Research based Answers to questions posed by life.

To maintain a leading position in global competition, a company has to be innovative.

- Throughout the world, Siemens collaborates with hundreds of universities and public and private research institutes. This enables Siemens to promote and combine expert knowledge and further develop its technology and competency portfolio. Siemens innovative solutions to questions posed by everyday challenges in life require hard work and serious investment which is evident by the following figures
- Our R&D investment in fiscal 2007 stood at 3.4 billion with 32,500 R&D employees worldwide including 17,500 software engineers in 150 R&D locations in over 30 countries around the world producing 7900 inventions in 2007 resulting in 50,700 active patents.
- Our patent positions in 2006 were Germany: No. 1, Europe: No. 3 and in U.S No. 11.
- Our recent breakthrough innovations include Somatom Definition (World's first dual source CT), Combined cycle turbine (World's largest and most powerful turbine; reduces pollutants significantly), Ostar-Lighting (Brightest LED at 1000 lumen) which won the prestigious Deutscher Zukunftspreis 2007 award (Award of the German President for Technology and Innovation)

Siemens innovations now provide answers in the three sectors: Industry, Energy and Environment and Health Care.



How can we harvest
even more electricity?

The Siemens answer: The toughest wind turbines for higher availability and output.



Off-shore wind farms have unparalleled advantages. As a primary energy, wind is free, unlimited and abundant. And except for a whooshing sound that no one hears out at sea, nothing else is emitted. To ensure that our wind turbines can generate a maximum amount of electricity, we build tough one-piece rotor blades that boost the availability and profitability

of the entire unit. Today Siemens is the world market leader for off-shore wind farms, and has built wind power systems with a combined capacity of 7,000 megawatts. Since 2003, Siemens has installed wind turbines worldwide with a capacity of over 3,300 megawatts, resulting in a reduction of CO₂ emissions by up to 8 million metric tons per year. www.siemens.com/answers

High Voltage Substations

In Dubai, Siemens got a repeat order from Dubai Civil Aviation which comprises of three 132kV substations along with 132kV cable network. It's the biggest turnkey substation order booked by Siemens Pakistan. Our business unit was also successful in acquiring orders for Dubai Studio City, Dubai Biotech and Dubai Investment Park which is also a repeat order.

Business Unit High Voltage Substation continued to acquire land mark projects both in Pakistan and in Dubai. In Pakistan, KESC awarded the construction of a 220kV GIS substation at Korangi thermal power station to connect the newly constructed power station to KESC network.

The successful commissioning of Sahiwal and Rewat substation will facilitate WAPDA in the dispersal of Power generated at Ghazi Barotha. Work on 500/220/132kV Substation project at Gakkhar which is among the largest grid stations in WAPDA network is progressing and is expected to be completed by December 2008.

In Dubai, Siemens got a repeat order from Dubai Civil Aviation which comprises of three 132kV substations along with 132kV cable network. It's the biggest turnkey substation order booked by Siemens Pakistan. Our business unit was also successful in acquiring orders for Dubai Studio City, Dubai Biotech and Dubai Investment Park which is also a repeat order.

Several substations were successfully energized in Dubai which were handed over to the customer. BU HSS now has a reputation of a unit which can be relied upon and who can deliver on time, which is the essence of all projects. With this reputation it has succeeded in acquiring many repeat orders from customers both in Pakistan and in Dubai



Transformers

We are the leading exporters of power and distribution transformers to Saudi Arabia, Kuwait, Yemen, Afghanistan and Mexico. Siemens Pakistan also provided supervisory support during commissioning phase of power transformers to support and enhance our customer satisfaction. Our main local customers are WAPDA, KESC and industries. We contributed significantly in village electrification and system rehabilitation.

The growing demand for electricity in the country has necessitated the expansion of electrical capital goods industry. The demand for power & distribution transformers has grown in the country as well as in the region. We have been successfully serving Pakistan for the last over 40 years by supplying distribution transformers and for more than 25 years through the supply of power transformers. The customer is a focal point in our thinking and action. We align ourselves to the needs and expectations of our customer. We have successfully enhanced our manufacturing facility up to 220 kV transformers. The first 220 kV/160 MVA power transformer has been successfully manufactured and tested - a big milestone in transfer of technology and know-how in Pakistan through our global resources and local presence. This has been made possible through the government of Pakistan's investment friendly policies, our customer focus approach and encouragement by our customers.

We have been successful in maintaining our role as a technology trendsetter through transfer of technology and providing innovative solution through specially designed transformers for utilities and industrial sectors thus maintaining market leadership. We have been successful in providing cost-effective and environmental friendly solutions at various stages of installation, commissioning and after sales services of power and distribution transformers. Our experts have participated in various R&D and process excellence quality activities in the house of Siemens transformers around the world. The demand for power transformers remains high. Our main local customers are WAPDA, KESC and industries. We contributed significantly in village electrification and system rehabilitation. We are the leading exporters of power and distribution transformers to Saudi Arabia, Kuwait, Yemen, Afghanistan and Mexico. Siemens Pakistan also provided supervisory support during commissioning phase of power transformers to support and enhance our customer satisfaction. We are fully integrated in the house of Siemens through network, which provides an extended platform in engineering & design and R&D activities transformers.





How do we get electricity
to where it's needed?

The Siemens answer: High-voltage direct current transmission links for low-loss transport over great distances.



The places where electricity is produced and where it is used can be far apart. High-voltage direct current transmission technology (HVDC) enables enormous amounts of electricity to be transported over great distances with minimal losses.

Siemens is the technology leader in this field and is involved in major projects on all continents. Long Island, New York, is one area that now receives its electricity via such an advanced link.
www.siemens.com/answers

MV Switchboards

We are proud to be an integral part of various prestigious national and international projects such as Ruwais Fertilizer (UAE), Balloki combined cycle power plant, Atlas Power Plant, Fatima Fertilizer, Pak Arab Fertilizer and Lahore University of Management Sciences.

Customer satisfaction has always been the prime focus of Business Unit Switchboards. We have taken appropriate steps in advance to cater for the increasing energy demand during recent years. We have also always strived for technology transfer to Pakistan and the state of art switchgear solutions now offered by us locally are serving as blood lines to the energy and industry sector of the country providing answers in this vital sector of the country.

Whether it is a utility company or an educational institute; an IPP or a fertilizer plant, we have the complete range of solutions available to suit customer needs. The switchgear solutions offered by us such as SIVACON, SIMOPRIME and 8DJ comply with latest international standards and are available to our customers at competitive prices.

We are proud to be an integral part of various prestigious national and international projects such as Ruwais Fertilizer (UAE), Balloki combined cycle power plant, Atlas Power Plant, Fatima Fertilizer, Pak Arab Fertilizer and Lahore University of Management Sciences. We are also fully equipped with answers suitable for the new markets in the region such as Afghanistan and have successfully acquired an order from the Ministry of Energy and Water (MEW), Afghanistan which is a big milestone.

The continuous increase in energy demand, both nationally and globally, requires efficient, competitive and reliable switchgear systems for diversified applications. We, at BU Switchboards, are committed to face every challenge and to serve our customer to their ultimate satisfaction through our innovative solutions.



PTD Service

Trainings on power system protection and power quality for engineers working in industries and power plants have been carried out. The first 4 week international training for 40 Afghanistan Electric Utility engineers was successfully completed in Kabul in December 2007.

Power Technologies

Network Planning and Analysis: T&D Services Pakistan has become a certified centre of competence for network planning and analysis in the region from last year. Apart from load flow, fault analysis and protection coordination studies T&D Services Pakistan can now carry out harmonic analysis also thereby providing workable solutions to our valued customers who are facing acute power quality problems. Whereas regular orders are being received from our old customers, we have Nestle Kabirwala, Saba Power, ICI Sheikhpura and Dawood Chemicals as major new industrial customers of 2008. We have also received 2 orders from M/s. Becon Energy LTD. and Green Power LTD. to carry out the grid interconnection study including stability study and power quality analysis for their wind power projects in Sindh. Several other investors are showing interest in our local expertise in this field as their projects approach financial close.

Power System Training: T&D Services is actively involved in power system training. These trainings have become important with the growing energy demand in Pakistan. Trainings on power system protection and power quality for engineers working in industries and power plants have been carried out. The first 4 week international training for 40 Afghanistan Electric Utility engineers was successfully completed in Kabul in December 2007.

Asset Services

T&D Services Pakistan is engaged in providing reliable, cost effective, quality services and engineering solutions to its customers keeping in view the new market environment. During the current electrical utilities deregulation process, T&D Services is actively engaged in providing support in asset maintenance and management to the





The Siemens answer: An efficient energy conversion chain with the world's most efficient combined cycle gas turbine, saving up to 40,000 tons of CO₂.



Delivering environmentally friendly energy means: generating and transmitting power more efficiently while enabling a reliable distribution. Being the only company worldwide that offers solutions covering the entire energy conversion chain, we develop innovative ways to reduce

emissions; for instance our newest gas turbine which will enable the combined cycle plant in Isching, Germany, to save up to 40,000 tons of CO₂ per year while powering a city of 3 million people. www.siemens.com/answers

To arrest the increasing non-technical utility losses T&D Services has offered turnkey solutions of AMR and Pre-paid metering systems/services to various DISCO's based on best practice sharing with Siemens Energy Services UK, which is a global centre of excellence for metering services within Siemens.

DISCOs. Under services information management system (SIMS), T&D Services is helping the utilities to generate a data base for preventive maintenance of HV substation equipment to increase the reliability of their transmission & distribution systems. Reliability centered asset management (RCAM), a very powerful tool developed by T&D Services for electrical utilities to control maintenance/operational costs and improve supply reliability is also being introduced in the utilities.

Automatic Voltage Regulation: Power quality is of great concern for the industrial sector in Pakistan. Industries incur huge operational losses due to excessive voltage fluctuations which lead to a system shut down. Innovative solutions were required to address this issue providing more reliability & stable supply at an economical cost. T&D Services Pakistan identified the problem, engineered a cost effective solution and turned it into a new business opportunity. Two systems are already operating successfully. Several orders are in the pipeline.

Metering Services

To arrest the increasing non-technical utility losses T&D Services has offered turnkey solutions of AMR and Pre-paid metering systems/services to various DISCO's based on best practice sharing with Siemens Energy Services UK, which is a global centre of excellence for metering services within Siemens.

Metering Services is a growing field requiring innovative solutions according to the local needs which can only be provided by Siemens on the basis of T&D Services vast experience in this field world-wide.



Energy Automation

Siemens comprehensive and complete in-house product and solution portfolio plays a pivotal role in our world-wide market leadership in the field of energy automation. Our local competence is well developed to design, parameterize, install, test and commission energy automation solutions locally and is available round the clock at our customer's disposal.

Due to the growing energy demand in the country the gap between energy demand and supply has widened substantially. Although several power generation, transmission and distribution projects are planned and are under execution but it is also extremely important not to ignore the immense energy saving and optimization potential which can be materialized through smart energy management solutions.

We specialize in providing smart, comprehensive, efficient and scalable energy management solutions ranging from network protection systems to power quality solutions, load management solutions in industries to large scale energy management solutions in utilities, substation automation solutions to SCADA/Load dispatch centre solutions, power telecom solution with power line carrier to fiber optic. Our solutions comprehend the requirements of utilities, industries, power plants (IPPs, CPPs etc).

Siemens comprehensive and complete in-house product and solution portfolio plays a pivotal role in our world-wide market leadership in the field of energy automation. Our local competence is well developed to design, parameterize, install, test and commission energy automation solutions locally and is available round the clock at our customer's disposal. Our manufacturing facilities in Pakistan are fully capable of manufacturing and assembling control & protection panels, remote terminal unit (RTU) and interfacing cubicles and power line carrier cubicles locally. Business unit energy automation offers all under one roof. The first state of the art KESC load dispatch centre project being executed by energy automation shall be completed in the year 2009. With the functioning of the first load dispatch centre in Karachi, KESC would be able to manage the complete KESC network from this centre.

The project will provide KESC with enormous flexibility to control and manage the utility network by using Siemens energy management tools. As a technology pace setter in the field of protection systems we succeeded in securing



Similarly, implementation of advanced emergency load management system using substation automation with local expertise in Fauji Fertilizer, Mirpur Mathelo is one of the key achievements by energy automation team. We are currently successfully executing power line carrier projects for IPPs e.g., Daharki Power Plant, Atlas Power Plant as well WAPDA, 500kV Ghakkar Project, GEPCO Wazirabad etc.

and executing (designing, manufacturing, testing and commissioning) low impedance busbar protection system by using local expertise. We also succeeded in developing local expertise in installation, testing and commissioning of fault recorder panels and carried out complete commissioning locally in Sahiwal grid station project.

Another land mark project was the execution of state of the art automation system for 220kV KTPS according to IEC 61850 eliminating any need of conventional control panels and thus driving the market towards an era of unmanned substations. Similarly, implementation of advanced emergency load management system using substation automation with local expertise in Fauji Fertilizer, Mirpur Mathelo is one of the key achievements by energy automation team.

Our well accepted power telecom solutions are being supplied in utility grids and IPPs as well as private grid stations. We are currently successfully executing power line carrier projects for IPPs e.g., Daharki Power Plant, Atlas Power Plant as well WAPDA, 500kV Ghakkar Project, GEPCO Wazirabad etc.

It is also worthwhile to mention that we are also supplying and executing protection, automation and telecommunication solutions for MEW, Afghanistan projects.





Solar-Thermal Power Plant: putting the Desert to use

The sun over Nevada is supplying environmentally friendly electricity - thanks to a solar-thermal power plant that recently went online in the desert there. The facility with an area of one square kilometer focuses sunlight for heating water, with the resulting steam used to drive a 64-megawatt turbine built by Siemens. The power plant currently supplies around 14,000 households with electricity. Similar new power plants are now set to be built worldwide.



**Facts that prompt questions:**

- More than one billion people without drinking water...
- Increasing world population requires efficient production and supply of food and goods BRIC countries continuously increase their share of global GDP
Growing public demand for security

Siemens answers

- Leading developer of systems for the factory of the future Entire portfolio for mobility systems (complete mobility).
- No. 1 provider of products and solutions for the entire range of water treatment
Efficient security solutions

Cross Industries Projects

In Multan, Pakistan - Pak Arab Fertilizers Limited chose Siemens Pakistan as its committed partner in replacing its 28 year old and inefficient power house by a new 25 MW power plant using state-of-the-art technology. Siemens was awarded a turnkey contract for electrical control and engineering (electrical as well as mechanical).

Business Unit Cross Industries Projects is on its way to growth, development and continuous improvement. With a young team of energetic individuals, CIP has shown its dedicated commitment in helping the government face the upcoming challenges particularly in the water sector and in enabling growth in the Industrial sectors as well. CIP has competence for a broad spectrum of turnkey and engineering solutions for automation projects, excellent international and local references in cement and a wide range of solutions available in the water sector.

In October 2007 Siemens Pakistan received an order from Siemens AG for the complete software and hardware engineering of Line 2 and Line 3 - Irish Cement project which comprised of new production line Kiln3 and existing line 2 (total Twenty Two Areas) i.e. crushing plant, raw mills (Qty-03), cement mills (Qty-04), coal mills (Qty-03), kilns (Qty-03), cooler (Qty-03) etc.

The automation system encompasses 22 Simatic S7 416-2 programmable logic controllers, field devices, data communication and bus technology, including 03 redundant servers pairs, and 22 operator control and visualization stations, engineering server and engineering clients - as well as a management information system (MIS). One of the reasons why the contract was awarded to Siemens was our ability to carry out the project within the short time frame that the customer specifically required.

BU-CIP has further enhanced its portfolio and strengthened its global presence by providing professional instrumentation services and software engineering in an expansion project , Zliten Cement, Libya, where engineering of the software was carried out as per the system configuration and technical specifications.

In Multan, Pakistan - Pak Arab Fertilizers Limited chose Siemens Pakistan as its committed partner in replacing its 28



Owing to CIP's competence and in-depth know-how in the field of automation, Cadbury Pakistan Private Limited, a leader in the food & beverage sector entrusted Siemens with the task to Upgrade the plant's control system. The automation system is based on SIMATIC S7-300 controllers with distributed I/Os.

year old and inefficient power house by a new 25 MW power plant using state-of-the-art technology. Siemens was awarded a turnkey contract for electrical control and engineering (electrical as well as mechanical). Siemens is supplying the complete DCS plant control system for BOP, load management system and interlocking based on PCS7. In addition to this monitoring of HRSG, various inter-lockings based on PCS7, cabling, MV/LV switchgears, transformers, air conditioning and fire alarm system were also part of Siemens scope and are currently under installation and commissioning.

Owing to CIP's competence and in-depth know-how in the field of automation, Cadbury Pakistan Private Limited, a leader in the food & beverage sector entrusted Siemens with the task to Upgrade the plant's control system. The automation system is based on SIMATIC S7-300 controllers with distributed I/Os.

The Tehsil municipal administration, Mailsi desired improvements in the community's water supply scheme. Siemens Water Solutions - with its technological edge and a strong local presence shall provide the community a more reliable source of water supply in the near future. Drilling, boring, installation of pumping machinery, Hypochlorinators, construction of tube well chambers, overhead reservoirs and distribution network are already in their execution phase - all to the tailored requirements of the customer.

BU-CIP has also provided engineering services to Siemens Saudi Arabia, Butson Cement Vietnam, commissioning supervision to Siemens Egypt among many others to help customers grow along with us.



Infrastructure Solutions & OGM

We maintained our leadership position in infrastructure business by winning the orders for electro mechanical and refurbishment at Defense Housing Authority (Lahore) for underground external electrification and street light System of Phase V. LUMS also awarded BU IS an order for building electrification another order from WAPDA was received for electrification of New City - Mangla

Infrastructure Solutions (IS) provides innovative solutions, products and services to improve competitiveness by improving processes, automating manufacturing facilities and upgrading infrastructure. Innovation is our tradition. Leading technologies have always been and will remain our business. For any industrial and infrastructure needs, we have the right solution for long-term success in an international environment.

Our recipe for success is simple: stay close to the customers, develop industry-specific solutions and expertise, and never stop looking towards the future. Our comprehensive portfolio concentrates on what's important for our business, our customers' needs, and our environment.

We offer infrastructure & industry-specific product and service solutions, this combines infrastructure & plant technology concepts with wide-ranging services in a single package for the perfect operation. Our integrated plant solutions based on selected and proven standards offer our customers plug & produce convenience for added operating reliability and investment security.

We maintained our leadership position in infrastructure business by winning the orders for electro mechanical and refurbishment at Defense Housing Authority (Lahore) for underground external electrification and street light System of Phase V. Lahore University of Management Sciences (LUMS) also awarded BU IS an order for building electrification another order from WAPDA was received for electrification of New City - Mangla these and Boscicor Chemical Pakistan Limited are few of the current year landmarks.

The successful completion of installation and commissioning of CCTV system in Siemens factory area is another feather in the cap as far as the Siemens Building Technology (SBT) field is concerned. Some other worth mentioning



The successful completion of installation and commissioning of CCTV system in Siemens factory area is another feather in the cap. Some other worth mentioning projects in the area of building technologies are Metro Cash and Carry Pakistan and Paragon Industries. The flawless completion of underground electrification work at Sunder Industrial Estate and the completion of E&M and civil works (Train III) at ENI Pakistan was also a big achievement.

projects in the area of building technologies are Metro Cash and Carry Pakistan and Paragon Industries. The flawless completion of underground electrification work at Sunder Industrial Estate and the completion of E&M and civil works (Train III) at ENI Pakistan was also a big achievement.

All these projects and their success were only possible because of the high-spirited team work. We firmly believe that our employees are our most valuable assets.



Power Generation

This year in April, DHA Cogen Ltd, one of our most prestigious projects in the country started its commercial operation. The day was a milestone for us due to our success in converting the concept of desalination power plant into a reality. The plant was inaugurated by the President of Pakistan who in his message declared it as: "A confluence of the state of the art technology from Siemens for power generation and Alfa Laval for desalination".

Siemens Power Generation is a distinguished name in Pakistan's energy market. With its innovative solutions, it has played a significant role in the development of country's power generation capacity both in thermal and hydro sector.

From design and engineering studies to complete utility and industrial power plants, from innovative wind turbines to conventional steam & gas turbines for electricity generation, we offer a combination of products & services that provide an answer to customer's requirements. We are one of the leading solution providers in process compression, coal gasification, cogeneration power plants and instrumentation & control systems. Our services include long term service programs, complete overhaul of steam and gas turbines, I&C modifications and upgrades, balancing and fact finding services thus helping our valued customers achieve their objectives.

This year in April, DHA Cogen Ltd, one of our most prestigious projects in the country started its commercial operation. The day was a milestone for us due to our success in converting the concept of desalination power plant into a reality. The plant was inaugurated by the President of Pakistan who in his message declared it as: "A confluence of the state of the art technology from Siemens for power generation and Alfa Laval for desalination". Our Oil & gas division offers state of the art solutions for up & down stream process compression and co-generation application. With a portfolio ranging from 4 to 50 MW in gas turbines and up to 150MW in steam turbines we have the capability to provide customized solutions for all industrial application needs. With the added portfolio including TLT fans, blowers, process & air separation compressors and pre designed steam turbines (Mechanical drives and turbo-generators ranging from 45 kW to 10 MW), we are now able to respond to customer requirements especially in the sugar and fertilizer industry. This was another successful year for the industrial gas turbines units, with the selling of four SGT 200 driven compressor trains for a compression project; Siemens affirmed its effective presence



In order to share the latest technological development and to improve the awareness of the existing and potential customers from the oil and gas industry a series of road shows were arranged in Karachi and Islamabad. In the course of one day seminar the delegates received information about the Siemens oil & gas portfolio.

in the market. This gas turbine has a good reputation because of its robust design and operational capability using low Btu / sour gas. This year our success in the steam turbines continued with the selling of a 47 MW state of the art steam turbine SST-600 for an IPP which is expected to reach its commercial operation by 2010.

In order to share the latest technological development and to improve the awareness of the existing and potential customers from the oil and gas industry a series of road shows were arranged in Karachi and Islamabad. In the course of one day seminar the delegates received information about the Siemens oil & gas portfolio. These shows attracted a large number of participants from exploration companies, internationally renowned consultants, EPC contractors, operators of oil & gas fields and refineries.

Due to the increased environmental concerns and high fossil fuel prices the world is looking for alternative methods of electricity generation. Siemens is one of the leading renewable energy solution providers in the world. With a portfolio having a wide range of turbines rating from 0.6 - 3.6 MW, we are committed to serve our customers in the renewable energy sector. We have also developed specified solutions for reducing the emission level in utility and industrial sector such as air pollution control systems etc. Since its establishment, the Service Center Pakistan (SCP) has not only provided major overhauling services to various power plants in Pakistan but has also extended its services to Gulf and South East Asia. SCP comprises of a qualified service team of balancing engineers, commissioning engineers, supervisors, welders and turbine fitters. Our service center is equipped with several standard and special tool containers and also equipped with state of the art videoscopic equipment for baroscopic inspections, gas turbine commissioning tool kits, vibration monitoring and balancing equipment, thermo graphic camera, mobile heat treatment oven (up to 1200C) for pre and post heat treatments of the hot gas path components of gas turbines, special welding machines, plasma cutters and NDT equipments.



Information Technology Solutions

Another historic milestone for the business unit during the year was the Go Live of Phase A-1 of SAP implementation project for Pakistan Telecommunications Company Limited. With our aggressive market development strategy yielding positive results, the ITS now boasts of serving more than eight (12) prominent industry sectors in Pakistan answering the toughest questions through information technology.

The Information Technology Services (ITS) registered a steady growth in the fiscal year 2008. The key highlight for the year was the breakthrough in the pharmaceuticals and, home appliances industries with its SAP ERP solution offerings, while at the same time, the business unit strengthened its ties with current customer base and signed up few local and an international SAP implementation projects in the oil / gas industry to bolster its dominance. Another historic milestone for the business unit during the year was the Go Live of Phase A-1 of SAP implementation project for Pakistan Telecommunications Company Limited. With our aggressive market development strategy yielding positive results, the ITS at Siemens Pakistan now boasts of serving more than eight (12) prominent industry sectors in Pakistan answering the toughest questions through information technology.

Siemens has implemented SAP in Orient Electronics which is one of the market leaders in home appliances industry in Pakistan. We have provided Orient with detailed training & configuration manuals of all modules. SAP implementation in Orient was completed in 7 months including the support period and is now considered a benchmark for future SAP projects especially in home appliances industry.

Further, during the year ITS also demonstrated the growth in terms of delivering multiple SAP ERP implementation projects in wide range of industrial sectors in almost all the major cities of Pakistan.

The SAP Authorized Training Center at ITS also demonstrated exceptional performance by conducting the maximum no. of SAP academy programs and producing 120 SAP trained professionals in one year. Similarly SAP short courses and training program on new dimension products of SAP were also launched for the first time in Pakistan. These initiatives resulted in optimized utilization of training infrastructure as well as increased revenue-base and customer satisfaction. SAP ATC has the honor of conducting twenty nine (29) SAP academies so far in different cities of



ERP software and services make up a large part of IT'S's core business functions, but they do not represent the complete array of products and services the business unit offers. ITS provides a comprehensive service, from specification through installation, configuration and commissioning, across the entire system landscape including networks and communication.

Pakistan and has trained approx. 800 attendees in various technologies and SAP solutions with 70% success rate.

Siemens also strengthened its full-fledge Siemens support services portal to provide round-the-clock support to its 35 plus SAP clients. This is part of ITS commitment of delivering high quality, consistent and cost effective SAP support service to our clients. This state-of-the-art service provides for a single point of contact for all of our SAP software, hardware, networking troubleshooting and support customers.

ERP software and services make up a large part of IT'S's core business functions, but they do not represent the complete array of products and services the business unit offers. ITS provides a comprehensive service, from specification through installation, configuration and commissioning, across the entire system landscape including networks and communication. Siemens Pakistan also offers a hardware sourcing service, operated via agreements with leading hardware suppliers.



OnCall, Logistics & Maintenance

One window operation enables a prompt response time for diagnosis and elimination of problems, also reducing downtimes which averts huge production losses for our valued clients. Few of our prominent customers that we are serving through our on call contracts are GlaxoSmithKline, BOC Pakistan and Hamza Oil.

Business unit OLM has a complete portfolio of industrial services under the umbrella of maintenance services. Our competencies and experience enable us to provide an entire range of maintenance services in the field of electrical, instrumentation and controls, automation & drives technology, PCB and motor repairs.

Our aim is to provide efficient and timely answers to the toughest problems which arise during the complete life cycle of a plant. Our services range from installation & commissioning to operation and maintenance to modernization of the plant.

Our success is related to customer satisfaction and response time. Our on call service portfolio sets an example for long term customer relationship building. One window operation enables a prompt response time for diagnosis and elimination of problems, also reducing downtimes which averts huge production losses for our valued clients. Few of our prominent customers that we are serving through our on call contracts are GlaxoSmithKline, BOC Pakistan, and Hamza Oil.

Recently a large number of fire accidents have occurred in different industries. These accidents occurred mainly due to electrical short circuiting and poor maintenance .BU OLM realizes the magnitude of these losses and provides an answer to this problem through its condition monitoring techniques. These techniques especially thermography is helpful in minimizing and eliminating these accidents. Our thermography services are acquired by numerous companies. Major clients for thermography are Glaxo SmithKline (GSK) , Qasim International Container Terminal, HBL and Agro Processors.



Our significant project this year is the contract for the 220 MW Korangi thermal power station. BU-OLM was responsible for the electrical testing & commissioning of 04 Nos. gas turbines for METKA (Greece), the EPC contractor for the project. This project requires foreign expertise but our local resources and expertise were enough to deliver the requirements.

The power shortage in the country is a matter of great concern for all. For this reason BU OLM provided an answer to this problem by playing an important role in power projects.

Our significant project this year is the contract for the 220 MW Korangi thermal power station. BU-OLM was responsible for the electrical testing & commissioning of 04 Nos. gas turbines for METKA (Greece), the EPC contractor for the project. This project requires foreign expertise but our local resources and expertise were enough to deliver the requirements.

This year we have successfully completed a number of automation projects. Our significant projects are "Implementation of a S7 300 PLC & WinCC HMI based annunciation, shutdown & data logging system for a 130 MW gas turbine system at KAPCO", "implementation of S7 redundant PLC based alarm and trip system for compressors replacing the existing hardwiring at NRL", and "Implementation of a S7 PLC and WinCC HMI based automated hydrotesting system at Huffaz Seamless Pipes".





How can we meet consumer demands as fast as they arise?

The Siemens answer: Digital engineering for more flexibility and lower costs.



What businesses need today is the ability to react to market needs – quickly and flexibly. For these needs we provide products and solutions that cover the whole product life cycle: from virtual product design

and development right through to manufacturing. This saves valuable time and makes products more affordable.
www.siemens.com/answers

Generating Sets

In exports we have successfully made some breakthroughs in various countries including Bangladesh, Sri Lanka, Kuwait, Libya and Afghanistan. Now we are looking for opportunities in UAE and other Gulf states. These export opportunities are being carefully monitored to plan future production enhancement in line with business growth.

Driven by a motivated team focused on quality and reliability, the business unit has developed an excellent service and sales structure across the country thus serving the customer wherever it is required. The power generator business has experienced another year of consistent and sustainable growth. Previous records were met and exceeded as the rapidly growing market for power - a global mega trend provided a fertile environment for growth and gave the business unit the opportunity to provide answers for challenges posed by urbanization, industrialization and the resultant gap between demand and supply of electricity..

The boom in the business which started in the telecom industry and was enhanced by the financial sector still has enough momentum to roll on to even better prospects over the coming years as expansions for both telecom operators and financial institutions, is on the cards. This expansion in our business borne out of intermittent commercial supply can still sustain further growth and expansion in our business. Educational institutions backed by aid agencies are another sector where growth is foreseen in the coming years. Some infrastructure growth is also forecasted in the public sector across the country if the political situation remains stable.

In exports we have successfully made some breakthroughs in various countries including Bangladesh, Sri Lanka, Kuwait, Libya and Afghanistan. Now we are looking for opportunities in UAE and other Gulf states. These export opportunities are being carefully monitored to plan future production enhancement in line with business growth. Focusing on our competitors and the market, strict monitoring is done to identify areas where improvements may be made. This improvement may be in terms of design, quality of service, productivity and efficiency of production and / or in overall cost of product. The aim of all these measures is to streamline our internal processes and in turn deliver to our customers a product that is unmatched in quality and reliability and to sustain and enhance our position as the leading manufacturer of power generators in Pakistan.



Motors & Alternators

Recent examples of water & irrigation projects, and water supply schemes, with Siemens motors, in different cities of Sindh are Hyderabad, Thar, Omer Kot, Naushero Firoz, Mirpur Khas, Thatta & Mitthi. Similarly, Siemens vertical hollow shaft (VHS) motors for centrifugal pumps for public health engineering department in different cities include AJK, Sialkot & Kot Addu.

Siemens, the only European manufacturer, having local production facilities in Pakistan in this area, offers a comprehensive range of low voltage motors and alternators. We are aiming to remain the first choice of customers through 'Customer Focus', 'Product Portfolio' & 'Innovative Tools' (SinaSave), for cost benefit analysis.

Electrical power is the most important resource in industry and ensures that motors run, machines operate and plants manufacture. So it doesn't come as a big surprise that industry is responsible for 40 % of the total power consumption. However, it is surprising that the electrical drive systems are responsible for two thirds of that consumption. With an optimized design and dimensioning of plant and targeted selection of Siemens components, billions of rupees can be saved. Our SinaSave software tool shows how fast an investment in motor amortizes. Information about this tool and its benefits has also been made available at our web site.

Recent examples of water & irrigation projects, and water supply schemes, with Siemens motors, in different cities of Sindh are Hyderabad, Thar, Omer Kot Naushero Firoz, Mirpur Khas, Thatta & Mitthi. Similarly, Siemens vertical hollow shaft (VHS) motors for centrifugal pumps for public health engineering department in different cities include AJK, Sialkot & Kot Addu. Sanitation projects in Sukkur and Tando Adam were also executed with Siemens motors.

Recent breakthrough of supplying low voltage motors to one of the most renowned customers is Tuwairqi Steel, where customer opted for Siemens to have the optimum solution.



Standard Products

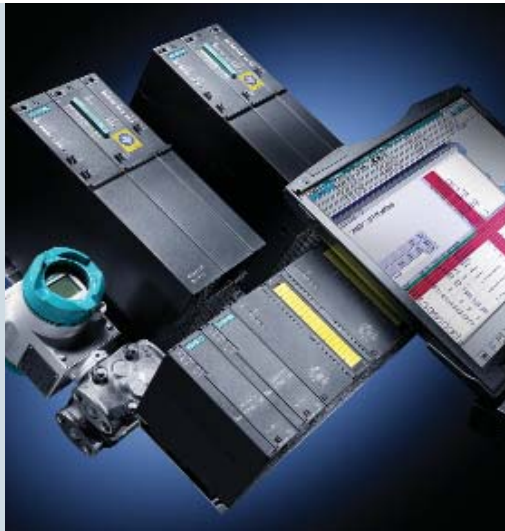
A latest addition in the portfolio of our products is the world renowned “Flender” brand of industrial gear units and couplings. Globally this brand commands a high level of market share and customer loyalty, extrapolating on this global trend; we have made some significant inroads in the local market especially in the cement and sugar sectors.


The business unit increased its emphasis, on increasing customer outreach and market share by developing a comprehensive 'Marketing-Grid' plan and leveraging its portfolio to focus on customized solution selling.

Standard Products business unit is actively involved in the marketing and sales of automation products based on the concept of “Totally Integrated Automation” and “Totally Integrated Power”. Integration of Process Instruments, Control & Distribution Products and Large & Small Drives with Programmable Controllers ensured that the customers were provided with a complete solution for their industrial needs which in turn resulted in increased sales and higher profitability for our business unit.

We continued our support to internal as well as external solution providers and supplied equipment and technical support for major automation projects at Atlas Power, Pak American Fertilizer, ICI and Envicrete. In addition to these we also gave programming and commissioning support to a multitude of customers in the Chemical, Pharmaceutical and Sugar Sectors. A latest addition in the portfolio of our products is the world renowned “Flender” brand of industrial gear units and couplings. Globally this brand commands a high level of market share and customer loyalty, extrapolating on this global trend; we have made some significant inroads in the local market especially in the cement and sugar sectors.

Seminars and customized trainings for PLC's and drive solutions were conducted at our dedicated and fully equipped training center, where new innovations in the field of factory and process automation were presented as complete solutions to customers from various segments of industry. The business unit also played its role in educating and preparing the new generation of engineers for the industry by supplying complete PLC systems to various universities and also by supervising their final year students through projects and internships.





OSTAR lighting the most powerful pure white multi-chip LED

OSTAR Lighting produces a luminous flux of more than 1000 lm (= 50 W Halogen lamp) in a cold white light from a power input of 20 W. It stands out alone among high-power LEDs.

LEDs in the OSTAR portfolio are intended not only for general lighting but also for automobile headlights, mini projectors and safety and security applications. Winners of the German Future Prize 2007: The science award from the German President was presented on December 6, 2007.



How can we get a rapid
diagnosis right here?



The Siemens answer: The world's first pocket ultrasound system. For instant insight.



With our highly efficient and innovative imaging systems, we provide what modern medicine needs. And we offer it when and where it's needed most. The ACUSON P10™ ultrasound system provides visual

information at the first point of patient contact – reducing delays, when time can be a matter of life and death.
www.siemens.com/answers

Medical Solutions

All three centers will be equipped with three of Siemens latest high energy ONCOR linear accelerators, one PRIMUS, low energy linear accelerator, two Somatom Sensation Open which are open bore virtual simulation CT scanners along with complete treatment planning and Dosimetry systems

Siemens New Generation Technology brings new hope to cancer patients

Pakistan Atomic Energy Medical Centers Chooses the Siemens Oncology Solution

Pakistan Atomic Energy procured 4 linear accelerators and two open bore Virtual Simulation CT scanners along with the latest integrated oncology solution from Siemens to be installed at three of their thirteen medical centers in Pakistan. The three centers where the oncology care solutions will be installed are AEMC (Atomic Energy Medical Center), Karachi, INMOL (Institute of Nuclear Medicine and Oncology), Lahore and NORI (Nuclear Medicine, Oncology and Radiotherapy Institute), Islamabad.

All three centers will be equipped with three of Siemens latest high energy ONCOR linear accelerators, one PRIMUS, low energy linear accelerator, two Somatom Sensation Open which are open bore virtual simulation CT scanners along with complete treatment planning and Dosimetry systems.

Atomic energy medical centers are ranked among Pakistan's leading cancer treatment and nuclear medicine centers, where patients are diagnosed and treated at minimal cost.

Siemens with its innovative solutions is already actively involved in helping realize the growth trends of the country. Latest technology from Siemens is helping doctors in hospitals to diagnose diseases earlier and faster thus providing answers even before a disease has set in allowing treatment earlier and thus more effective.



OEM Onshore

Our outstanding project of the current year was to equip more than 250 ONUs (Optical Network Units) of PTCL throughout Pakistan with alternate renewable energy backup systems involving indigenous designing and extensive planning. This big project was completed in only a few weeks by our expert project managers and technical team members.

We offer high end integrated and stand alone systems involving advanced, updated technology and engineered solutions in the fields of security, broadcasting, navigation, renewable energy, communication infrastructure, highway solutions etc. We have a diversified technology portfolio to provide answers to the requirements of our market. It is our obligation to provide enhanced security setups according to government regulated technology products and advanced services to valuable customers.

The business unit is constantly adding new systems to our product portfolio from security to communication infrastructures and enlightening the far off villages and existing setups with renewable energy systems.

Our outstanding project of the current year was to equip more than 250 ONUs (Optical Network Units) of PTCL throughout Pakistan with alternate renewable energy backup systems involving indigenous designing and extensive planning. This big project was completed in only a few weeks by our expert project managers and technical team members.

Another outstanding project was to mutually integrate the entire security system of Airport Security Force within one network at various airports to remotely monitor for any threat. The threat is automatically highlighted and transferred to a special diagnostic location for evaluation.

Many other projects like broadcasting equipment to Pakistan Broadcast Corporation, ongoing M1 Project for highways etc. are in addition to the above mentioned achievements.





SOMATOM Definition AS

The new CT-system named Somatom Definition uses two X-ray sources and two detectors at the same time, and enables clinical imaging with unknown temporal resolution. It was introduced in November 2005. Siemens Medical Solutions unveiled the world's first dual source computed tomography (CT) system, a breakthrough that will redefine the role of CT. The Somatom Definition delivers images of the highest quality and cardiac detail, even of rapidly or irregularly beating hearts, with as much as 50 percent less radiation exposure. The Straton x-ray tube, which was nominated for the German Future Prize 2005, is responsible for this tremendous advancement in diagnostic imaging.



Transportation Systems

Major turnover was based on provision of "Axle Counting Block Systems" to Pakistan Railways and also on the provision of 80 "Relay Groups"; where about 70% local value addition was done at our factory premises in Karachi. Necessary components were imported from Siemens Germany.

Siemens Transportation Systems is active in the fields of rail automation (Signaling), traction power supply, locomotives, trains, and mass transit systems. Pakistan Railways is the major client of the business unit. Various signaling projects have been successfully executed in the last more than four decades.

In the year under review, major new orders received included an order for restoration of signaling systems at damaged stations / sections of Karachi division. The work entailed restoration of "All Relay Interlocking" at four stations and "Automatic Block System" on Bin Qasim to Hyderabad section.

Another major order was for provision of signaling spare parts to Pakistan Railways for previously executed signaling projects. Major turnover was based on provision of "Axle Counting Block Systems" to Pakistan Railways and also on the provision of 80 "Relay Groups"; where about 70% local value addition was done at our factory premises in Karachi. Necessary components were imported from Siemens Germany.

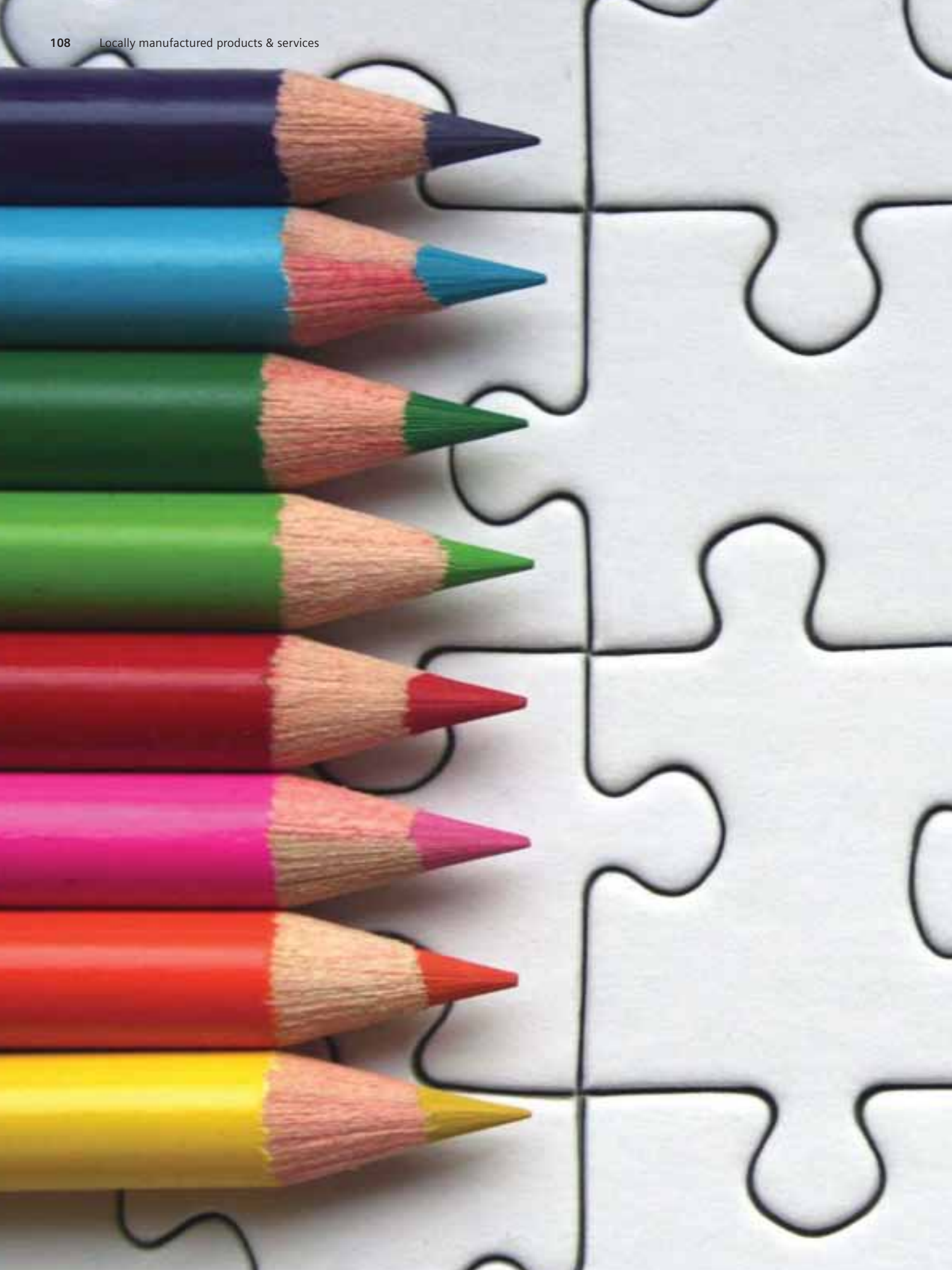
Modifications to Siemens Tokenless Block Systems were carried out to the entire satisfaction of Pakistan Railways at Lodhran, Khanewal, Kacha Khuh section, making it possible for trains to run up to a speed of 140 km/h on the newly laid double tracks. The project has been managed with hundred percent indigenous resources the result of highly skilled and experienced manpower. The business unit also looks forward to future plans of Pakistan Railways for up gradation of their signaling network with electronic interlockings and latest state of the art axle counting block systems. The future expected projects of "Revitalization of Karachi Circular Railways" and the "Lahore Rapid Mass Transit System" have been keenly followed up by the business unit in the year under review.






World's largest and most powerful steam turbine

The largest and most powerful steam turbine ever is currently being built at Siemens Energy Mhlheim plant. The steam turbine will generate around 1,600 megawatts, which is enough to supply power for a city with 1.6 million inhabitants and its industry. The turbine will rotate at a speed of 1,500 rpm (rotations per minute), during which the blade tips will reach twice the speed of sound.





Locally Manufactured Products and Services



Energy Solutions

Power Generation Solutions

Fossil Power Generation

- Gas Turbines and Power Plants (68MW-340MW)
- Steam Turbines and Power Plants (150MW-1900MW)
- Fuel Gasification Technology
- Combined Cycle Power Plants
- Electrical Generators

Oil & Gas and Industrial Applications

- Industrial Gas Turbines (4.7MW-48MW)
- Industrial Steam Turbines (1MW-150MW)
- Components for industrial power plants including heat and power cogeneration plants
- Compressors (150-824,000 CFM) and Drives
 - PGW Compressors
 - Air Compressors
 - TLT Fans

Instrumentation & Controls

- Systems for all types of Power Plants
- IT Solutions

Wind Power

- Wind Turbines (On/Offshore)
- Wind Farms (On/Offshore)
Ranging from 600kW up to 3.6MW

Services

- Installation and Commissioning of Power Plants
- Inspections of Turbines & Generators
- Modules & Upgrades, Rehabilitation programs for Turbines & Generators
- Long Term Service Contracts
- Operation & Maintenance Contracts
- Heat Treatment services (up to 1200C)
- Turbo charger work shop

Generating Sets

Installation, Testing, Commissioning, Repair, Overhauling, Operations and Maintenance Services of locally assembled Diesel Generating Sets:



- Up to 1.1MVA, 3-phase, 400V, 50/60Hz
- Base load, Prime power or Standby duty
- Automatic Mains Failure Units (Relay based/Logic module based)
- Changeover units - manual/motorized
- Synchronizing units - manual/automatic
- Manual override panels
- Main & Sub-distribution boards
- Sound attenuated/Weatherproof enclosures
- Skid, Trailer/Trolley-mounted
- Fuel tanks
- Fully customizable and tailor made options

Solar Energy Solutions

We are actively involved in Photovoltaic business and have installed complete Solar Energy Solutions across the country mainly for House electrification, telecommunication (microwave links, optical fibre & digital exchanges), water pumping, navigation, oil & gas fields and highway communication.

High Voltage Substations

Ranging from 72.5kV up to 500kV, we offer complete solution for high voltage sub stations including:

- Project Management
- Protection System Engineering and Commissioning
- GIS, HIS and AIS Gridstations
- In/Outdoor Conventional Gridstations
- Mobile Substation ranges from 72.5kV up to 220kV

Transformers

Installation, commissioning, on-site testing, re-engineering/refurbishment, capacity enhancement, diagnosis & life assessment of:

- Locally manufactured Distribution Transformers (up to 5000kVA)
- Locally manufactured Power Transformers (up to 220kV/250MVA)
- 11kV Auto Transformers with OLTC as Voltage Stabilizers
- Rectifier Transformers
- Furnace Transformers
- Neutral Earthing Transformers
- Dry Type Transformers (up to 2000kVA)
- Reactors



Switchboards

Locally manufactured switchboards:

Medium Voltage Switchboards

- MV Vacuum Circuit Breaker Panels up to 24kV, 40kA
- MV Vacuum Contactor Panels up to 24kV, 800A
- MV Load Break Switch Panels
- MV SF6 Gas Insulated Ring Main Units

Low Voltage Switchboards

- Switchboards from 6300A up to 100kA
- Power Centre & Motor Control Centre, fixed or draw-out type
- Power Factor Improvement Plants
- Distribution boards & Bus Tie Ducts
- AC/DC Panels
- Relay and Control Panels for 132/220/500kV Gridstations
- Fan/Temperature/Auxiliary Control Panels for Power Transformers
- Soft Starter Panels
- PLC Panels

Package Substations

- Self contained, factory wired, separate sections for MV, LV and Transformers
- Pad Mounted Transformers up to 1250kVA
- Kiosk type substations up to 2500kVA

Energy Automation

- **Protection & Control Systems:**
Protection Relays, Relay and Control Panels
- **Power Quality Systems:**
Energy Meters, Power Quality Recorders, Fault Recorders
- **Substation Automation Systems:**
Solutions for industry and utilities with Smart Remote Terminal units
- **Substation Communication Systems:**
Complete Solutions with Power Line Carriers, Fibre Optic, Microwave and High Speed Digital Link (HSDL)
- **SCADA & LDC Turnkey Solutions:**
Comprehensive SCADA solutions with Energy Management Systems and Distribution Management Systems



Power Transmission and Distribution Services

- **Asset Services of PTD Solutions:**
Maintenance, Rehabilitation, Upgrading, Retrofitting, Spare Parts & Transformer Life Management
- **Network Analysis & Consultancy:**
Technical due diligence & Technical Audits. Network Studies include Load Flows, Short Circuits, Insulation Coordination & Harmonic Analysis
- **Metering Services:**
Automatic Remote Metering, Pre-payment metering and Back office operations (data processing)
- **Specialized Tools:**
Software tools for Stability Studies, Protection coordination & PTD networks
- **Customer Support & Training:**
Support and Customized Training for PTD problems

Industry & Infrastructure Solutions

Standard Automation Products

- Industrial Automation Systems (SIMATIC PLCs)
- Control & Distribution products

- Process Instrumentation products
- Discharge Reactors
- Power Factor Relays
- AC & DC Variable Speed Drives
- Medium Voltage Motors
- DC Motors
- Wireless Modules

Motors

Low Voltage Locally Manufactured Motors

- 3-phase, solid shaft, squirrel cage induction motors for industrial & agricultural applications, 1HP to 400HP, in 2, 4, 6 and 8 poles construction
- 3-phase, vertical hollow shaft, squirrel cage induction motors for deep well turbine pumps, 7.5HP to 220HP in 2, 4 and 6 poles construction

Service and Repair

- Pre & post purchase consultancy services for power solutions
- Maintenance, repair, overhauls and spare parts with full backup support
- Installation, testing & commissioning
- Turnkey contracts
- Motor & Alternator rewinding
- Dynamic balancing of rotating parts up to 1000 kg



Infrastructure Solutions

Turnkey Infrastructure Solutions including Project Management, Electrical & Mechanical Design, Engineering and Construction, Testing & Commissioning.

- **Electrical EPC for:**
 - Large Industrial Parks
 - Residential and Recreational facilities
 - Airports and Tunnels
- Balance of Plant and Electrical & Mechanical Construction

Building Technology Solutions

- Building Management System
- Fire Alarm and Protection Systems
- Security System/CCTV
- HVAC Controls
- OSRAM Lighting Solutions
- Voice/Data Solution

Intelligent Traffic Solutions

Intelligent traffic solutions for:

- Urban Traffic Control
- Airfield Lighting

Oil, Gas & Marine Solutions

Oil & Gas solutions including complete Mechanical and Electrical erection in the following area:

- On/Offshore Production
- Tank Farms, Drives for Compressors Pumps and Gas Turbines
- Pipelines
- Oil Refineries

Water & Waste Water Solutions

- Sea & Brackish Water Desalination
- Water Telemetry & SCADA
- Industrial & Municipal Waste Water Treatment including Sludge Treatment
- Water & Waste Water Treatment Plants
- Water Pumping & Disposal stations
- Screening & Membrane solutions
- Pipeline & Disinfection solutions

Cross Industry Solutions

- Project Management, Design, Engineering & Commissioning of Electrical & Process Control Systems
- Distributed Control Systems for Continuous & Batch Process Industry
- SCADA Systems



- Process Instrumentations
- Management Information Systems
- System Integration
- Training & Workshops for Customers

On-call, Logistics & Maintenance Services

- Operation & Maintenance Service (Industrial and Power Plants)
- Repair, Overhauling & Maintenance of Motors & Alternators
- Condition Monitoring (Thermography, Vibration Analysis, NDI & Oil Analysis)
- Spare Parts Management
- Call Centre for customer support (021) 111-066-077

Information Technology Solutions

As a Value-Added Re-seller and authorized Training Centre, Siemens Pakistan is empowered and equipped to provide comprehensive SAP solutions

Business Solutions

- SAP Turnkey Solutions: Core SAP Solutions, SAP Industry, Core Banking and Utilities Solutions etc.
- Round-the-clock IT system support and service to our clients
- IT Infrastructure and Business Connectivity Solutions
- Software Development

IT Education

Siemens Learning Centre, state-of-the-art, dedicated training center offering SAP Education and IT Training

Siemens Transportation Solutions

- Rail Automation
- Traction Power Supply Systems
- Mass Transit Systems
- Electrical and Diesel Electric Locomotives
- Trains
- Turnkey Solutions



Siemens OEM Onshore Solutions

- Security X-Ray Scanning Systems
- Trace Detection Machines
- Lawful Interception Systems - Voice and Data Recording/Monitoring
- Testing, Measurement and EMC Equipment
- TV Radio Broadcasting Systems
- Road Side Communication
- Radio Communication Equipment
- Air Traffic Control & Navigation Systems
- Radars

Healthcare Solutions

Imaging and IT Solutions

- Angiography Systems
- MRI and CT Systems
- X-ray Systems
- Molecular Imaging Systems
- Ultrasound Systems

Workflow & Solutions

- Women Health (Mammography)
- Managed Healthcare Services
- Clinical & Administrative Solutions
- Urology and Lithotripsy Systems

- Radiation Therapy Systems
- Image Management Systems
- Telemedicine & Teleradiology

Diagnostics

- Immunoassay and Urinalysis
- Chemistry & Hematology analyzers
- Molecular & Blood gas analyzers
- Laboratory Solutions

Critical Care Solutions

(JV with Draeger)

- Emergency and Preoperative care
- Patient monitoring System
- Ventilator Systems
- Solutions for Operation Theatre

Services

- Turnkey project execution
- Project Management
- Installation and commissioning
- System integration/engineering design
- After sales service support
- Customer training

How can disease be detected before it strikes?



The Siemens answer: Early detection and prevention.

Our innovations combine state-of-the-art laboratory diagnosis, imaging technologies and IT for an earlier prevention and more specific diagnosis thus enhancing patient care.



**Facts that prompt questions:**

Percentage of 80+ generations to grow globally Healthcare costs in industrialized nations account for more than 10% of GDP
Number of people requiring daily care will rise to 165 million by 2020 in India and China alone

Siemens answers

Siemens enables early detection of disease by combining state of the art laboratory diagnostics (in-vitro) and imaging technologies (in-vivo) The company is the world leader for IT solutions in healthcare



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

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

1. The Company encourages representation of independent non-executive directors. The Board comprises of eight directors which include three independent non-executive directors, one of whom is the Chairman. Two directors represent the National Investment Trust Limited (NIT).
2. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.
3. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies including this company.
4. All the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any dues to any banking company, a DFI or NBFIs.
5. None of the directors or their spouses are engaged in business of stock brokerage.
6. Three casual vacancies occurred during the year, which were duly filled within thirty days of their occurrence.
7. The Company has adopted a Statement of Ethics & Business Practices which has been signed by all the directors and employees of the Company.
8. The Board of Directors has developed a Vision and Mission Statement. All significant policies have been approved by the Board and compiled in the Company's Policy Manual. The level of materiality has also been defined by the Board.
9. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been determined and approved by the Board of Directors. Further, the appointment, remuneration and terms and conditions of employment of the Head of Internal Audit and the Company Secretary have been determined by the Chief Executive Officer with the approval of the Board of Directors.
10. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined.
11. The meetings of the Board are presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose.
12. The Board meets at least once in every quarter.
13. Written notices and agenda of Board Meetings are circulated not less than seven days before the meetings.
14. The Minutes of the Board Meetings are appropriately recorded, signed by the Chairman and circulated within 14 days from the date of meetings.
15. The Company provided information to foreign resident directors of their duties and responsibilities. Other directors of the Company, being professionals and directors of other local companies have adequate exposure of corporate matters and are already aware of their duties and responsibilities.

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

For and on behalf of the Board of Directors



Syed Babar Ali
Chairman



Sohail Wajahat H. Siddiqui
Chief Executive Officer

Karachi, October 31, 2008

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Siemens (Pakistan) Engineering Company Limited (“the Company”)** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of Lahore Stock Exchange and Chapter XI of the Listing Regulations of Islamabad Stock Exchange, where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 September 2008.

Date: October 31, 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of Siemens (Pakistan) Engineering Company Limited ("the Company") as at 30 September 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 September 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: October 31, 2008

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Siemens (Pakistan) Engineering Company Limited

Balance Sheet

As at September 30, 2008

	Note	2008 (Rupees in '000)	2007
Share capital and reserves			
Share capital			
- Authorised 20,000,000 (2007: 20,000,000) ordinary shares of Rs 10 each		<u>200,000</u>	<u>200,000</u>
- Issued, subscribed and fully paid-up	5	82,470	82,470
Reserves	6	3,647,218	2,647,218
Retained earnings		<u>2,558,569</u>	<u>2,621,734</u>
Total equity		<u>6,288,257</u>	<u>5,351,422</u>
Retention money payable		87,010	104,279
Other non-current liabilities		19,081	9,401
Total non-current liabilities		106,091	113,680
Trade and other payables	8	13,974,641	7,058,499
Provisions	9	2,031,788	1,139,496
Short-term borrowings	10	907,909	2,687,826
Provision for taxation		1,466,696	1,230,093
Total current liabilities		<u>18,381,034</u>	<u>12,115,914</u>
Total liabilities		<u>18,487,125</u>	<u>12,229,594</u>
Total equity and liabilities		<u>24,775,382</u>	<u>17,581,016</u>
Contingencies and commitments	11		

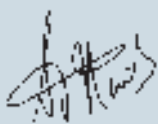
Siemens (Pakistan) Engineering Company Limited

Balance Sheet

As at September 30, 2008

	Note	2008 (Rupees in '000)	2007
Property, plant and equipment	12	1,589,664	1,532,620
Intangible assets	13	6,051	6,755
Long-term receivables and prepayments	14	1,179,717	1,154,164
Deferred tax assets	15	851,611	402,904
Total non-current assets		3,627,043	3,096,443
Inventories	16	4,588,682	3,166,741
Trade receivables	17	11,127,285	6,634,051
Other receivables	18	2,025,133	1,371,873
Cash and bank balances	19	3,407,239	3,311,908
Total current assets		21,148,339	14,484,573
Total assets		24,775,382	17,581,016

The annexed notes 1 to 43 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

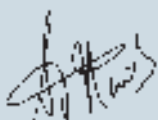
Siemens (Pakistan) Engineering Company Limited

Profit and Loss Account

For the year ended September 30, 2008

	Note	2008			2007		
		Continuing operations	Discontinued operations	Company as a whole	Continuing operations	Discontinued operations	Company as a whole
		----- (Rupees in '000) -----					
Net sales	20	26,880,742	-	26,880,742	18,607,805	3,293,947	21,901,752
Cost of sales	21	(22,866,881)	-	(22,866,881)	(16,074,283)	(2,608,940)	(18,683,223)
Gross profit		4,013,861	-	4,013,861	2,533,522	685,007	3,218,529
Commission and allowances earned		161,395	-	161,395	177,219	70,914	248,133
		4,175,256	-	4,175,256	2,710,741	755,921	3,466,662
Marketing and selling expenses	22	(1,132,642)	-	(1,132,642)	(777,130)	(209,330)	(986,460)
General administration expenses	23	(535,643)	-	(535,643)	(542,836)	(28,107)	(570,943)
Other operating income	24	184,202	-	184,202	101,881	11,495	113,376
		(1,484,083)	-	(1,484,083)	(1,218,085)	(225,942)	(1,444,027)
Profit from operations		2,691,173	-	2,691,173	1,492,656	529,979	2,022,635
Financial income	25	126,822	-	126,822	258,878	-	258,878
Financial expenses	25	(253,792)	-	(253,792)	(307,509)	(9,430)	(316,939)
Net finance costs		(126,970)	-	(126,970)	(48,631)	(9,430)	(58,061)
Profit before income tax expense and profit on sale of discontinued operations		2,564,203	-	2,564,203	1,444,025	520,549	1,964,574
Income tax expense	26	(885,135)	-	(885,135)	(763,739)	(217,141)	(980,880)
Profit for the year before profit on sale of discontinued operations		1,679,068	-	1,679,068	680,286	303,408	983,694
Profit on sale of discontinued operations - net of income tax	27	-	-	-	-	1,497,628	1,497,628
Profit for the year		1,679,068	-	1,679,068	680,286	1,801,036	2,481,322
Basic and diluted earnings per share (Rupees)	28	203.60	-	203.60	82.49	218.38	300.87

The annexed notes 1 to 43 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

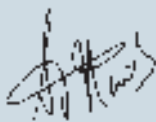
Siemens (Pakistan) Engineering Company Limited

Cash Flow Statement

For the year ended September 30, 2008

	Note	2008 (Rupees in '000)	2007
Cash flows from operating activities			
Cash generated from operations	29	4,113,256	(1,112,623)
Payments to employees for long service bonus		(406)	(837)
Payment to gratuity fund		(33,415)	-
Financial expenses paid		(256,489)	(294,288)
Income tax paid		(1,097,239)	(839,866)
Net cash flows from operating activities		<u>2,725,707</u>	<u>(2,247,614)</u>
Cash flows from investing activities			
Capital expenditure		(274,943)	(362,220)
Proceeds from sale of property, plant and equipment		22,978	18,443
Proceeds from sale of discontinued operations		-	2,450,694
Financial income received		142,019	244,376
Net cash flows from investing activities		<u>(109,946)</u>	<u>2,351,293</u>
Cash flows from financing activities			
Short-term loans		(330,646)	330,646
Dividends paid		(740,513)	(465,108)
Net cash flows from financing activities		<u>(1,071,159)</u>	<u>(134,462)</u>
Net increase / (decrease) in cash and cash equivalents		1,544,602	(30,783)
Cash and cash equivalents at beginning of the year		954,728	985,511
Cash and cash equivalents at end of the year	30	<u>2,499,330</u>	<u>954,728</u>

The annexed notes 1 to 43 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

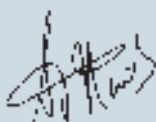
Siemens (Pakistan) Engineering Company Limited

Statement of Changes in Equity

For the year ended September 30, 2008

	Issued, subscribed and paid-up share capital	Capital reserves			Revenue reserves		Minority interest	Total
		Share premium	Capital repurchase reserve account	Other capital reserve	General reserve	Retained earnings		
------(Rupees in '000)-----								
Balance as at September 30, 2006	77,696	9,635	567	4,300	1,823,026	806,588	347,504	3,069,316
Final dividend @ Rs 30 per share for the year ended September 30, 2006	-	-	-	-	-	(233,088)	-	(233,088)
Transfer to general reserves	-	-	-	-	200,000	(200,000)	-	-
Issuance of share capital under a scheme of amalgamation	4,774	609,690	-	-	-	-	(347,504)	266,960
Profit for the year ended September 30, 2007	-	-	-	-	-	2,481,322	-	2,481,322
Interim dividend @ Rs 30 per share for the six months period ended March 31, 2007	-	-	-	-	-	(233,088)	-	(233,088)
Balance as at September 30, 2007	82,470	619,325	567	4,300	2,023,026	2,621,734	-	5,351,422
Final dividend @ Rs 60 per share for the year ended September 30, 2007	-	-	-	-	-	(494,822)	-	(494,822)
Transfer to general reserves	-	-	-	-	1,000,000	(1,000,000)	-	-
Profit for the year ended September 30, 2008	-	-	-	-	-	1,679,068	-	1,679,068
Interim dividend @ Rs 30 per share for the six months period ended March 31, 2008	-	-	-	-	-	(247,411)	-	(247,411)
Balance as at September 30, 2008	82,470	619,325	567	4,300	3,023,026	2,558,569	-	6,288,257

The annexed notes 1 to 43 form an integral part of these financial statements.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Siemens (Pakistan) Engineering Company Limited

Notes to the Financial Statements

For the year ended September 30, 2008

1. LEGAL STATUS AND OPERATIONS

1.1 Siemens (Pakistan) Engineering Company Limited (the Company) is incorporated in Pakistan as a public limited company and its shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The Company is principally engaged in execution of projects under contracts and in the manufacture, installation and sale of electronic and electrical capital goods. The Company's registered office is situated at B-72, Estate Avenue, S.I.T.E., Karachi.

1.2 During the year ended September 30, 2008, the Company has acquired all the assets and liabilities of Afghanistan branch (the Branch) of Siemens Aktiengesellschaft (Siemens AG) under a Business Transfer Agreement (the Agreement) between the Company and Siemens AG dated April 28, 2008. Under the terms of the Agreement, all assets, employees, contracts, leases, receivables and in each case all related rights, obligations and liabilities of the Branch have been transferred to the Company at the fair value of assets valuing Rs 18.499 million and liabilities of Rs 48.855 million.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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 which is the functional currency of the Company and figures are rounded off to the nearest thousand of rupees.

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- Warranty obligations (note 3.2)
- Provision for liquidated damages aggregating Rs 1,507.887 million as at September 30, 2008 (note 3.2)
- Provision against inventories and doubtful receivables (notes 3.9 and 3.10)
- Actuarial assumptions for the gratuity scheme and provision thereagainst (note 7)
- Provision for taxes and deferred taxation (note 3.7 and 26.2)
- Cost of completion of contracts in progress and their results (note 33)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 provident fund and gratuity scheme.

3.1.1 *Defined Benefit Plan*

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

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 basic salary and cost of living allowance wherever applicable.

3.2 **Provisions**

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

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

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

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

3.3 **Borrowing costs**

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

3.4 **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and 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 is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which 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. Freehold land is not depreciated. 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.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit and loss account as incurred. Gains or losses on sale or retirement of property, plant and equipment are included in the profit and loss account.

3.5 **Intangible assets**

3.5.1 *Software*

Software is stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method over the estimated useful lives of software.

3.5.2 *Goodwill*

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

3.6 **Impairment**

3.6.1 *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. 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 value 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. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.7 Taxation

3.7.1 Current

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

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, deposits 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.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.10 Trade receivables

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

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

3.11 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 included as part of cash and cash equivalents for the purpose of the statement of cash flows.

3.12 Segment reporting

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

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

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

3.13 Foreign currencies

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

3.14 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 of credit note. Financial income is recognised as it accrues, using the effective mark-up rates.

Contract revenue and contract costs relating to long-term construction contracts are recognised as revenue and expenses respectively by reference to stage of completion of contract activity at the balance sheet date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method, stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. Contract revenue on construction contracts valuing less than Rs 10 million and duration upto six months is recognised using completed contract method. 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 can not 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.

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

3.15 Financial assets and liabilities

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

3.16 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.

3.17 Offsetting

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

3.18 Dividends

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

3.19 Share based payment transactions

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

3.20 Discontinued operations

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

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

3.21 Business combinations

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

3.22 Amendments to published standards and new interpretations effective in 2008

- Amendment to IAS 1, 'Presentation of Financial Statements - Capital disclosures'; introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosure given in note 41 to the financial statements.

- IFRIC 10 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This IFRIC does not have any impact on the Company's financial statements.

- IFRIC 11 - IFRS 2 - 'Group and Treasury Share Transactions' provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash settled share-based payment transactions in the stand alone financial statements of the Company. This IFRIC does not have any impact on the Company's financial statements.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after October 1, 2008 and except for additional disclosures are not expected to have a significant effect on the Company's financial statements or are not relevant to the Company:

- IFRIC 12, 'Service Concession Arrangements' (effective from annual periods beginning on or after January 1, 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operations and maintenance of infrastructure for public sector service.

- IFRIC 14, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective from annual periods beginning on or after January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS-19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

- IAS 29, 'Financial Reporting in Hyperinflationary Economies' (effective from annual periods beginning on or after July 1, 2008). The objective of this standard is to establish specific standards for enterprises reporting in the currency of a hyperinflationary economy.

- IFRS 7, 'Financial Instruments: Disclosures' (effective from annual periods beginning on or after July 1, 2008). This standard requires extensive disclosures about the significance of financial instruments for an entity's financial position and result of operations, and qualitative and quantitative disclosures on the nature and extent of risks arising from financial instruments. It combines disclosure requirements from IAS-32, Financial Instruments: Presentation, and IAS-30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and adds new disclosure requirements.

- IFRIC 13, 'Customer Loyalty Programmes' (effective from annual periods beginning on or after July 1, 2008). IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers.

- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' (effective from annual period beginning on or after October 1, 2008). IFRIC 16 provides that the presentation currency does not create an exposure to which an entity may apply hedge accounting. It also specifies that hedging instrument(s) may be held by any entity or entities within the group. Further, it also clarifies that foreign translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item.

- IAS 1, 'Presentation of Financial Statements' (effective from annual periods beginning on or after January 1, 2009). The objective of revised IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics and is aimed at improving users' ability to analyse and compare the information given in the financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their contents. It introduces the requirement to include in a complete set of financial statements, a statement of financial position as at the beginning of earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatements of items in its financial statements, or when it reclassifies items in its financial statements.

- IAS 23, (Amendment) 'Borrowing Costs' (effective from annual periods beginning on or after January 1, 2009). It requires an entity to capitalise borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

- IFRS 2, (Amendment) 'Share-based Payment' (effective from annual periods beginning on or after January 1, 2009). It clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions.

- IFRS 8, 'Operating Segments' (effective from annual periods beginning on or after January 1, 2009). IFRS 8 replaces IAS-14, 'Segment Reporting'. IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal purposes.

- IFRIC 15, 'Agreement for the Construction of Real Estate' (effective from annual periods beginning on or after January 1, 2009). IFRIC 15 provides

guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 and accordingly, when revenue for the construction should be recognised.

- IAS 27, 'Consolidated and Separate Financial Statements' (effective from annual periods beginning on or after July 1, 2009). It requires accounting for changes in ownership interest by the group in a subsidiary.

- IFRS 3, 'Business Combinations' (effective from annual periods beginning on or after July 1, 2009). It broadens the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value and transaction costs other than share and debt issue costs to be expensed.

4. CLOSURE OF BUSINESS OF SIEMENS HOME APPLIANCES

During the year ended September 30, 2008, the Company decided to close the business of Siemens Home Appliances (SHA) with effect from July 1, 2008. This segment is disclosed under 'Other operations' in the business segment information and does not represent a major line of business as per the Company's accounting policy of discontinued operations (note 3.20). Disclosures required under IFRS-5, 'Non-current Assets Held for Sale and Discontinued Operations' are not considered to be material.

5. ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL		2008	2007
		(Rupees in'000)	
Ordinary shares of Rs 10 each			
6,217,780	Issued for cash	62,178	62,178
81,700	Issued for consideration other than cash	817	817
1,526,800	Issued as bonus shares	15,268	15,268
(56,683)	Shares bought back	(567)	(567)
477,440	Issued under a scheme of amalgamation	4,774	4,774
<u>8,247,037</u>		<u>82,470</u>	<u>82,470</u>

5.1 Siemens AG held 5,451,120 ordinary shares (2007: 5,451,120 ordinary shares) of Rs 10 each of the Company as at September 30, 2008.

5.2 Dividends and other appropriations

The Board of Directors in their meeting held on October 31, 2008 have proposed a final cash dividend of Rs 60 per share (2007: Rs 60 per share) amounting to Rs 494.822 million (2007: Rs 494.822 million). The Board also proposed to transfer an amount of Rs 500 million (2007: Rs 1,000 million) from retained earnings to general reserves.

6. RESERVES		2008	2007
		(Rupees in'000)	
	Note		
Share premium	6.1	619,325	619,325
Capital repurchase reserve account	6.2	567	567
Other capital reserve		4,300	4,300
General reserve		3,023,026	2,023,026
		<u>3,647,218</u>	<u>2,647,218</u>

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

6.2 This represents the amount by which the share capital of the Company was diminished on buy back of 56,683 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. STAFF RETIREMENT BENEFITS - Defined benefit plan

7.1 The actuarial valuation of gratuity scheme was carried out at September 30, 2008. The Projected Unit Credit method, using the following significant financial assumptions respectively for the Company and CTI (which is now a Business Unit of the Company), has been used for the actuarial valuation:

- Discount rate 14.60% per annum compound (2007: 11.00% and 10.00%).
- Expected rate of increase in salaries 12.42% per annum (2007: 8.89% and 9.00%).
- Expected rate of return on plan assets 14.60% per annum (2007: 11.00% and 12.00%).

The amounts recognised in the balance sheet are as follows:

	2008	2007
	(Rupees in '000)	
Fair value of plan assets	348,671	368,633
Present value of defined benefit obligation	(441,555)	(377,690)
Deficit	(92,884)	(9,057)
Unrecognised net loss	130,948	42,973
Surplus carried forward in the balance sheet	<u>38,064</u>	<u>33,916</u>
7.2 Movement in net asset in the balance sheet is as follows:		
Opening balance of net asset	33,916	56,352
Expense recognised for the year	(29,267)	(22,436)
Contributions made by the Company	33,415	-
Closing balance of net asset	<u>38,064</u>	<u>33,916</u>
7.3 The following amounts have been charged in the profit and loss account in respect of these benefits:		
Current service expense	29,567	27,765
Interest expense	38,863	35,489
Expected return on plan assets	(40,244)	(42,296)
Settlement cost	-	1,469
Expense for the year	28,186	22,427
Recognition of actuarial loss	1,081	9
Expense recognised in the financial statements	<u>29,267</u>	<u>22,436</u>
7.4 Movement in the present value of defined benefit obligation:		
Opening balance	377,690	335,459
Service expense	29,567	27,765
Interest expense	38,863	35,489
Benefits paid	(52,821)	(63,276)
Benefits due but not paid to outgoing members	-	(15,017)
Settlement cost	-	1,469
Actuarial loss	48,256	55,801
Present value of defined benefit obligation at end of the year	<u>441,555</u>	<u>377,690</u>
7.5 Movement in the fair value of plan assets		
Opening balance	368,633	405,731
Expected return	40,244	42,296
Contributions made by the Company	33,415	-
Benefits paid	(52,821)	(63,276)
Benefits due but not paid to outgoing members	-	(15,017)
Actuarial loss	(40,800)	(1,101)
Fair value of plan assets at end of the year	<u>348,671</u>	<u>368,633</u>

7.6 Comparison for five years

As at September 30,	2008	2007	2006	2005	2004
	------(Rupees in '000)-----				
Fair value of plan assets	348,671	368,633	405,731	331,390	334,072
Present value of defined benefit obligation	(441,555)	(377,690)	(335,459)	(246,385)	(225,050)
(Deficit) / surplus	<u>(92,884)</u>	<u>(9,057)</u>	<u>70,272</u>	<u>85,005</u>	<u>109,022</u>
Experience adjustment on plan liabilities	11%	7%	18%	5%	8%
Experience adjustment on plan assets	-12%	-1%	0%	-2%	0%

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

	2008	2007
	------%-----	
Debt instruments	9	13
Mixed funds	64	11
Cash and cash equivalents	27	76
	<u>100</u>	<u>100</u>

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

7.9 Actual loss on plan assets for the year ended September 30, 2008 was Rs 0.556 million (2007: Profit of Rs 41.223 million).

7.10 Company's asset in respect of the gratuity scheme of Rs 38.064 million (2007: Rs 33.916 million) is included in note 18 'Other receivables'.

7.11 The Company plans to contribute Rs 38 million to the gratuity fund next year.

8. TRADE AND OTHER PAYABLES

	Note	2008	2007
		(Rupees in '000)	
Trade Creditor		4,890,917	3,080,559
Accrued liabilities		1,496,336	1,402,309
Advances from customers			
- For goods		1,560,302	716,099
- For services including projects		5,309,275	1,393,760
Accrued mark-up on running finances		1,077	3,774
Unearned portion of revenue and maintenance contracts		102,175	36,012
Workers' profits participation fund	8.1	141,646	111,253
Workers' welfare fund		82,860	104,268
Unclaimed dividend		8,208	6,488
Derivative financial instruments		242,950	7,206
Other liabilities		138,895	196,771
		<u>13,974,641</u>	<u>7,058,499</u>
Amount payable to related parties included in trade and other payables are as follows:			
- Payable to associates		787,464	3,453

8.1 Workers' profits participation fund

Balance at beginning of the year	111,253	82,227
Interest paid on funds utilised in Company's business	6,836	1,215
Amount allocated for the year	138,607	110,865
Amount paid to the Fund	(115,050)	(83,054)
Balance at end of the year	<u>141,646</u>	<u>111,253</u>

9. PROVISIONS	Warranties	Liquidated damages	Losses on sales contracts	Total
Balance as at October 1, 2007	395,251	651,932	92,313	1,139,496
Additional provisions	262,195	1,253,174	74,079	1,589,448
Provisions transferred on acquisition of Afghanistan branch	29,254	10,900	-	40,154
Reversals of utilised and unutilised amounts	(255,111)	(408,119)	(74,080)	(737,310)
Balance as at September 30, 2008	431,589	1,507,887	92,312	2,031,788

10. SHORT-TERM BORROWINGS	Note	2008	2007
		(Rupees in '000)	
Due to an associate		-	330,646
Short-term loans - Unsecured	10.1	-	330,646
Short-term running finances - Secured	10.2	907,909	2,357,180
		907,909	2,687,826

10.1 Short-term loans

The facility for short-term loans was arranged from Siemens Financial Services (SFS) of Siemens AG, (the parent company) at a mark up rate of 5.33% per annum.

10.2 Short-term running finances

Short term running finance facilities available from various banks and financial institutions including SFS aggregated to Rs 3,292.225 million (2007: Rs 5,342.180 million). The mark-up on these facilities ranges between 2.28% to 15.38% (2007: 5.35% to 11.81%) per annum and the facilities are secured, where applicable, by joint hypothecation of inventories of finished goods, work-in-process, raw materials and components and present and future trade receivables. These include facilities aggregating Rs 2,546.225 million (2007: 4,007.180 million) obtained in UAE at 2.28% to 5.30% per annum (2007: 5.35% to 5.76%).

Other facilities granted by the banks and amounts remaining unutilised thereof as at September 30, 2008 are as follows:

	2008	2007
	(Rupees in '000)	
Letters of credit		
- limit	16,749,080	6,571,250
- unutilised portion	14,175,362	3,534,249
Guarantees		
- limit	18,357,981	9,143,365
- unutilised portion	10,942,926	4,526,682

11. CONTINGENCIES AND COMMITMENTS

- 11.1** As at September 30, 2008 capital expenditure contracted for but not incurred amounted to Rs 150.997 million (2007: Rs 88.692 million).
- 11.2** The Company has been made party to a legal suit along with two other Siemens entities for infringement of intellectual property rights of an individual. The plaintiff has prayed the court for recovery of cost and damages of Rs. 20 billion. The Company considers that the suit has no merit and accordingly no provision has been made thereagainst.
- 11.3** The Company is defending various cases in the High Court of Sindh for the recovery of claims aggregating to Rs 129.600 million (2007: Rs 129.600 million) alongwith liquidated damages. The Company's management is confident, based on the advice of its legal advisor, that the matter will be decided in its favour and accordingly no provision has been made in these financial statements in respect of the amounts claimed.
- 11.4** The Company has filed a case in the High Court of Sindh against a claim of Sui Southern Gas Company Limited amounting to Rs 7.690 million. The Company's management is confident, based on the advice of its legal advisor, that the matter will be decided in its favour and accordingly no provision has been made in these financial statements in respect of the amount claimed.
- 11.5** During the year ended September 30, 2007, the Company served 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 Company's officials without the Company's consent. However, pending the resolution by KESC, the Company filed suites on October 8, 2007 against KESC for the recovery of outstanding payments in respect of the fixed and variable fee plus mark-up accrued thereon and against unauthorized access to Company's intellectual property (i.e. SAP system) by KESC. In response to the notice KESC conditionally accepted the Company's desire to terminate the O & M Contract while reserving its rights to initiate legal proceedings inter alia for recovery of amounts paid to the Company and the alleged damages and losses caused to KESC.
- 11.6** KESC has filed a suit against the Company and Siemens AG for recovery of an amount of Rs 57 billion on account of losses incurred by KESC under the O & M Contract executed by the Company. The Company's management, based on the advice of its legal advisor, is confident that the suit is not maintainable and hence will be decided in its favour and accordingly no provision in this respect has been made in these financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	Note	2008	200
		(Rupees in '000)	
Tangible			
Operating assets	12.1	1,503,534	1,504,313
Capital work in progress	12.2	86,130	28,307
		1,589,664	1,532,620

12.1 Operating assets

2008	Cost at October 1, 2007	Identifiable tangible assets of Afghanistan branch	Additions / (deletions) transfers *	Disposal as part of discontinued operations	Cost at September 30, 2008	Accumulated depreciation at October 1, 2007	Depreciation for the year / (on deletion) on transfers *	Depreciation on disposal as part of discontinued operations	Accumulated depreciation at September 30, 2008	Net book value at September 30, 2008	Depreciation rates as a % of cost
----- (Rupees in '000) -----											
Leasehold lands	53,149	-	-	-	53,149	22,024	1,329	-	23,353	29,796	2.5
Freehold land	544,011	-	-	-	544,011	-	-	-	-	544,011	-
Buildings on leasehold / freehold lands	390,692	-	9,678 (2,405)*	-	397,965	83,785	9,566 (856)*	-	92,495	305,470	2.5 & 10
Plant and machinery	668,461	-	54,805 (9,048) (43,403)*	-	670,815	341,607	45,970 (8,926) (26,746)*	-	351,905	318,910	10,20,25 & 100
Tools and patterns	128,562	-	27,233 (10,239) 50,305*	-	195,861	99,996	22,460 (10,095) 22,288*	-	134,649	61,212	50
Furniture and equipment	354,694	1,310	53,335 (46,315) (27,084)*	-	335,940	246,380	50,371 (43,943) (10,362)*	-	242,446	93,494	20,25,33.33 & 100
Vehicles	340,862	9,371	56,594 (33,629) 22,587*	-	395,785	182,326	76,037 (28,895) 15,676*	-	254,144	150,641	25 & 50
	2,480,431	10,681	201,645 (99,231)	-	2,593,526	976,118	205,733 (91,859)	-	1,089,992	1,503,534	

*Transfers represent reclassification made in different classes of tangible assets.

2007	Cost at October 1, 2006	Identifiable tangible assets of Afghanistan branch	Additions / (deletions) transfers *	Disposal as part of discontinued operations	Cost at September 30, 2007	Accumulated depreciation at October 1, 2006	Depreciation for the year / (on deletion) on transfers *	Depreciation on disposal as part of discontinued operations	Accumulated depreciation at September 30, 2007	Net book value at September 30, 2007	Depreciation rates as a % of cost
----- (Rupees in '000) -----											
Leasehold lands	53,149	-	-	-	53,149	20,695	1,329	-	22,024	31,125	2.5
Freehold land	544,011	-	-	-	544,011	-	-	-	-	544,011	-
Buildings on leasehold / freehold lands	336,228	-	54,540 (21)	(55)	390,692	75,736	8,125 (21)	(55)	83,785	306,907	2.5 & 10
Plant and machinery	575,090	-	167,767 (9,509)	(64,887)	668,461	320,310	53,549 (9,034)	(23,218)	341,607	326,854	10,20,25 & 100
Tools and patterns	132,662	-	28,174 (14,365)	(17,909)	128,562	108,748	15,602 (14,365)	(9,989)	99,996	28,566	50
Furniture and equipment	382,537	-	73,708 (8,274)	(93,277)	354,694	268,497	52,351 (7,919)	(66,549)	246,380	108,314	20,25,33.33 & 100
Vehicles	342,812	-	83,820 (32,517)	(53,253)	340,862	172,702	68,377 (30,912)	(27,841)	182,326	158,536	25 & 50
	2,366,489	-	408,009 (64,686)	(229,381)	2,480,431	966,688	199,333 (62,251)	(127,652)	976,118	1,504,313	

12.2 Capital work in progress

	2008 (Rupees in '000)	2007
Building under construction	14,840	3,879
Plant, machinery and equipment under installation	60,533	5,303
Advances to suppliers	10,757	19,125
	86,130	28,307

12.3 Property, plant and equipment includes items having aggregate cost of Rs 562.382 million (2007: Rs 513.147 million) in respect of fully depreciated items which are still in use of the Company.

13. INTANGIBLE ASSETS

	Note	2008 (Rupees in '000)	2007
Software	13.1	6,051	6,755
Goodwill	13.2	-	-
		6,051	6,755

	Cost at October 1, 2007	Additions / (deletions)	Disposal as part of discontinued operations	Cost at September 30, 2008	Accumulated amortisation at October 1, 2007	Amortisation for the year / (deletions)	Amortisation on disposal as part of discontinued operations	Accumulated amortisation at September 30, 2008	Net book value at September 30, 2008	Amortisation rate as a % of cost
------(Rupees in '000)-----										
13.1 Software	79,079	4,794	-	83,873	72,324	5,498	-	77,822	6,051	33.33
2008	79,079	4,794	-	83,873	72,324	5,498	-	77,822	6,051	
2007	81,230	3,355 (232)	(5,274)	79,079	48,858	25,779 (20)	(2,293)	72,324	6,755	33.33

13.2 Goodwill

	2008 (Rupees in '000)	2007
Opening balance	-	107,379
Additions during the year	-	266,961
Allocated to COM Carrier activities (discontinued operation - note 27)	-	(374,340)
Goodwill carried in the balance sheet	-	-

13.3 Depreciation and amortisation have been allocated as follows:

	Note	Depreciation	Amortisation	2008 Total	2007 Total
------(Rupees in '000)-----					
Cost of sales	21.1	129,140	3,454	132,594	137,427
Marketing and selling expenses	22	54,771	1,460	56,231	65,234
General administration expenses	23	21,822	584	22,406	22,451
		205,733	5,498	211,231	225,112

13.4 Intangible assets include an amount of Rs 76.320 million (2007: Rs 2.961 million) in respect of fully amortised software.

13.5 Details of property, plant and equipment and intangible assets disposed off during the year

	Original cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Name & address of purchaser
------(Rupees in '000)-----						
Plant and machinery						
Electric Welding Rectifier 600 Ampere	173	112	61	-	Scrapped	
Items with book value below Rs 50,000	8,875	8,814	61	670		
	9,048	8,926	122	670		
Tools and patterns						
Items with book value below Rs 50,000	10,239	10,095	144	10		
	10,239	10,095	144	10		
Furniture and equipment						
Laptop computer	90	15	75	85	Insurance claim	
Laptop computer	90	15	75	85	Insurance claim	
Laptop computer	91	20	71	88	Insurance claim	
Items with book value below Rs 50,000	46,044	43,893	2,151	1,468		
	46,315	43,943	2,372	1,726		
Vehicles						
Car	1,700	425	1,275	1,600	Insurance claim	
Car	969	403	566	875	Insurance claim	
Car	620	155	465	630	Insurance claim	
Car	469	137	332	405	Auction	Mr. Ahmed ullah - House No. 44/22, sector 11-G, New Karachi, Karachi
Car	879	549	330	725	Insurance claim	
Car	360	173	187	325	Insurance claim	
Car	469	332	137	360	Auction	Mr. Ziauddin - House No. E-80 Qasba Colony, Manghopir Road, Karachi
Car	469	371	98	347	Auction	Mr. Rizwan Ali, House No. 156, Haji Fazal Town, Sector 1, Manghopir, Karachi
Truck	775	129	646	815	Insurance claim	
Pick up	2,160	1,530	630	2,000	Insurance claim	
Items with book value below Rs 50,000	24,759	24,691	68	12,490		
	33,629	28,895	4,734	20,572		
Total	99,231	91,859	7,372	22,978		

14. LONG TERM RECEIVABLES AND PREPAYMENTS	Note	2008 (Rupees in '000)	2007
Loans			
Considered good			
Due from executives	14.1 & 14.2	6,091	8,325
Due from others		2,698	3,528
		<u>8,789</u>	11,853
Receivable within one year		(2,993)	(3,305)
Long term portion		5,796	8,548
Discounting to present value		(1,773)	(2,232)
		<u>4,023</u>	6,316
Trade receivables			
Considered good - others		1,280,767	1,234,913
Considered doubtful - others		2,794	233
		<u>1,283,561</u>	1,235,146
Provision for doubtful debts		(2,794)	(233)
		<u>1,280,767</u>	1,234,913
Discounting to present value		(113,624)	(114,639)
		<u>1,167,143</u>	1,120,274
Security deposits			
		4,418	3,425
Prepayments			
		4,133	24,149
		<u>1,179,717</u>	1,154,164
Maximum amount outstanding at end of any month during the year against loans to executives		<u>8,325</u>	11,245
14.1 This represents real estate loans provided interest free to executives in accordance with the Company's policy. The loans are secured against the respective assets for which the loans have been granted and are recoverable in one to ten years in equal monthly installments.			
14.2 Reconciliation of carrying amount of loans to executives			
		2008 (Rupees in '000)	2007
Balance at beginning of the year		8,325	11,245
Repayments		(2,234)	(2,920)
Balance at end of the year		<u>6,091</u>	8,325
15. DEFERRED TAX ASSETS			
Debit / (credit) balances arising in respect of:			
Provision for doubtful debts and deposits		75,988	21,307
Provision for obsolete and slow moving items of inventories		61,436	46,089
Contract and other obligations		756,430	327,140
Discounting of long-term receivables		36,801	28,379
Accelerated tax depreciation		(79,044)	(20,011)
		<u>851,611</u>	402,904
16. INVENTORIES			
Raw materials and components		1,537,010	1,202,878
Goods-in-transit		972,811	405,166
Work-in-process		1,549,276	1,061,490
Finished goods		914,873	851,706
		<u>4,973,970</u>	3,521,240
Provision for slow moving and obsolete items		(385,288)	(354,499)
		<u>4,588,682</u>	3,166,741

17. TRADE RECEIVABLES		2008	2007
		(Rupees in '000)	
Considered good			
Due from related parties	17.1	984,050	452,767
Due from others		7,869,017	4,017,319
		<u>8,853,067</u>	<u>4,470,086</u>
Due against construction work in progress - others		2,274,218	2,163,965
		<u>11,127,285</u>	<u>6,634,051</u>
Considered doubtful - others		203,099	119,962
		<u>11,330,384</u>	<u>6,754,013</u>
Provision for doubtful receivables		(203,099)	(119,962)
		<u>11,127,285</u>	<u>6,634,051</u>
17.1	These represent amounts due from affiliates and associates of the Company.		
18. OTHER RECEIVABLES			
Loans and advances			
Considered good			
Loans due from			
- Executives		2,154	2,234
- Others		839	1,071
		<u>2,993</u>	<u>3,305</u>
Advances to			
- Executives		972	2,758
- Suppliers		1,100,930	591,159
- Others		13,638	6,663
		<u>1,115,540</u>	<u>600,580</u>
		<u>1,118,533</u>	<u>603,885</u>
Trade deposits, short-term prepayments and other receivables			
Considered good			
Due from associates		-	164,453
Trade deposits		115,457	128,684
Short-term prepayments	18.1	101,500	94,488
Sales tax refundable		146,354	170,016
Interest receivable		13,568	28,765
Derivative financial instruments		122,700	112,520
Margin against letters of credit		138,368	-
Others		268,653	69,062
		<u>906,600</u>	<u>767,988</u>
Considered doubtful		32,383	8,301
Provision for doubtful other receivables		938,983	776,289
		<u>(32,383)</u>	<u>(8,301)</u>
		<u>906,600</u>	<u>767,988</u>
		<u>2,025,133</u>	<u>1,371,873</u>
18.1	This includes Rs 38.064 million (2007: Rs 33.916 million) representing excess contribution as per actuarial valuation in funded employees' gratuity scheme.		
19. CASH AND BANK BALANCES		2008	2007
		(Rupees in '000)	
With banks in			
- Current accounts		167,260	150,324
- Deposit accounts		3,008,978	3,007,305
Cheques in hand		224,497	151,014
Cash in hand		6,504	3,265
		<u>3,407,239</u>	<u>3,311,908</u>

20. NET SALES	Note	2008 (Rupees in '000)	2007
Export - Goods		391,359	46,313
- Services		52,908	59,114
Contracts executed outside Pakistan		12,374,212	5,610,671
Against International Tenders		1,017,831	110,455
Other - Goods		8,717,803	9,236,701
- Services including projects		4,682,379	7,175,721
Gross sales		<u>27,236,492</u>	<u>22,238,975</u>
Commission paid		(69,023)	(23,923)
Sales tax		<u>(286,727)</u>	<u>(313,300)</u>
Net sales		<u><u>26,880,742</u></u>	<u><u>21,901,752</u></u>
21. COST OF SALES			
Opening inventory of finished goods		851,706	623,464
Cost of goods manufactured and services rendered	21.1	22,399,346	17,936,091
Finished goods purchased		<u>530,702</u>	<u>975,374</u>
		<u>23,781,754</u>	<u>19,534,929</u>
Closing inventory of finished goods		<u>(914,873)</u>	<u>(851,706)</u>
Cost of sales		<u><u>22,866,881</u></u>	<u><u>18,683,223</u></u>
21.1 Cost of goods manufactured and services rendered			
Opening inventories			
Raw materials and components		1,202,878	894,697
Goods-in-transit		405,166	220,592
Work-in-process		1,061,490	958,742
		<u>2,669,534</u>	<u>2,074,031</u>
Purchase of goods and services		20,378,538	14,639,568
Salaries, wages and employees welfare expense		1,480,954	1,572,745
Gratuity fund expense		13,315	11,133
Provident fund contribution		15,480	14,784
Fuel, power and water		261,718	423,453
Repairs and maintenance		178,640	213,249
Rent, rates and taxes		309,528	452,333
Liquidated damages for late deliveries - net of recoveries		954,333	491,052
Warranty and other contractual obligations		131,644	(196,695)
Inventories written off		27,169	-
Slow moving and obsolete items of inventories		30,789	109,343
IT, networking and data communication		72,785	45,863
Insurance		107,969	58,454
Depreciation and amortisation	13.3	132,594	137,427
Transportation		82,523	81,922
Travelling and conveyance		378,515	249,465
Exchange gain		(911,881)	(93,400)
Stationery, telex and telephone		108,850	95,677
Others		125,834	275,285
		<u>26,548,831</u>	<u>20,655,689</u>
Closing inventories			
Raw materials and components		(1,537,010)	(1,202,878)
Goods-in-transit		(972,811)	(405,166)
Work-in-process		(1,549,276)	(1,061,490)
		<u>(4,059,097)</u>	<u>(2,669,534)</u>
		<u>22,489,734</u>	<u>17,986,155</u>
Sale of scrap		<u>(90,388)</u>	<u>(50,064)</u>
		<u><u>22,399,346</u></u>	<u><u>17,936,091</u></u>

22. MARKETING AND SELLING EXPENSES	Note	2008	2007	
		(Rupees in '000)		
Salaries, wages and employees welfare expense		436,177	433,026	
Gratuity fund expense		12,679	10,182	
Provident fund contribution		14,741	10,124	
Fuel, power and water		51,193	44,696	
Repairs and maintenance		44,641	54,723	
Advertising and sales promotion		23,080	28,176	
Rent, rates and taxes		43,906	56,498	
Insurance		7,384	11,704	
Provision for doubtful trade receivables		85,698	36,427	
Provision for doubtful other receivables		24,082	1,327	
Bad debts written off against provision		37,672	766	
Depreciation and amortisation	13.3	56,231	65,234	
Travelling and conveyance		94,952	59,068	
Transportation expenses		79,492	56,974	
Stationery, telex and telephone		38,674	40,188	
IT, networking and data communication		65,882	60,551	
Others		16,158	16,796	
		<u>1,132,642</u>	<u>986,460</u>	
23. GENERAL ADMINISTRATION EXPENSES				
Salaries, wages and employees welfare expense		188,827	246,749	
Gratuity fund expense		3,273	1,121	
Provident fund contribution		3,806	2,895	
Fuel, power and water		11,071	9,033	
Repairs and maintenance		10,773	15,048	
Rent, rates and taxes		2,093	3,556	
Insurance		3,065	2,663	
Auditors' remuneration	32	3,913	3,086	
Depreciation and amortisation	13.3	22,406	22,451	
Travelling and conveyance		26,932	17,259	
Stationery, telex and telephone		12,502	9,514	
IT, networking and data communication		14,801	10,544	
Legal and professional		15,674	12,365	
Donations	23.1	1,157	2,040	
Workers' profits participation fund		138,607	110,865	
Workers' welfare fund		62,154	87,627	
Others		14,589	14,127	
		<u>535,643</u>	<u>570,943</u>	
23.1	Donations include the following in which a director or his spouse is interested:			
Name and address of donee	Interested director or his spouse	Interest in donee	2008	2007
			(Rupees in '000)	
Aga Khan Hospital & Medical College Foundation Stadium Road, Karachi.	Spouse of Sohail Wajahat H. Siddiqui	Member of annual giving committee	698	1,512
National Management Foundation LUMS Campus Opposite Sector U Defence Housing Authority Lahore, Cantt.	Syed Babar Ali	Chairman	-	108
Rotary Club of Karachi Metropolitan 321 Central Annexe, Abdullah Haroon Road, Karachi.	Sohail Wajahat H. Siddiqui	Member	-	35

24. OTHER OPERATING INCOME	Note	2008 (Rupees in '000)	2007
Exchange gain		107,506	67,360
Profit on sale of property, plant and equipment		15,606	15,796
Sales tax refund		-	2,022
Balances no longer payable written back		39,006	4,557
Gain on sale of marketable securities		22,084	-
Rental income		-	9,010
Others		-	14,631
		<u>184,202</u>	<u>113,376</u>
25. FINANCIAL INCOME AND EXPENSES			
Mark-up from trade and other receivables		7,832	3,685
Income on amounts placed with banks under deposit accounts		<u>118,990</u>	<u>255,193</u>
Financial income		<u>126,822</u>	<u>258,878</u>
Interest on workers' profits participation fund		6,836	1,215
Mark-up on short-term finances		91,551	147,002
Mark-up on trade and other payables		13,401	21,947
Commission on guarantees		81,095	16,489
Bank charges for services		62,383	106,681
(Reversal of provision) / provision for discounting on long-term receivables		<u>(1,474)</u>	<u>23,605</u>
Financial expenses		<u>253,792</u>	<u>316,939</u>
Net finance costs		<u>126,970</u>	<u>58,061</u>
26. INCOME TAX EXPENSE			
Current			
- For the year		<u>1,257,271</u>	<u>913,864</u>
- For prior years		<u>76,571</u>	<u>102,585</u>
		<u>1,333,842</u>	<u>1,016,449</u>
Deferred		<u>(448,707)</u>	<u>(35,569)</u>
	26.1	<u>885,135</u>	<u>980,880</u>
26.1 Reconciliation of income tax expense for the year			
Accounting profit		<u>2,564,203</u>	<u>1,964,574</u>
Enacted tax rate		<u>35%</u>	<u>35%</u>
Tax on accounting profit at enacted rate		897,471	687,601
Tax effect of income assessed under Presumptive Tax Regime		<u>(90,489)</u>	<u>190,086</u>
Tax effect of expenses that are not allowable in determining taxable income		1,582	608
Prior years' tax expense		<u>76,571</u>	<u>102,585</u>
		<u>885,135</u>	<u>980,880</u>

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

27. PROFIT ON SALE OF DISCONTINUED OPERATIONS	Note	2008 (Rupees in '000)	2007
Consideration received		-	2,450,694
Identifiable (assets) / liabilities disposed off			
Property, plant and equipment		-	(101,729)
Intangible assets			
(including goodwill of Rs 374.340 million)		-	(377,321)
Long-term receivables and prepayments		-	(6,711)
Inventories		-	(226,529)
Trade receivables		-	(523,334)
Other receivables		-	(47,305)
Employees' long service bonus		-	1,103
Trade and other payables		-	751,902
Provisions		-	205,167
Net assets disposed off		-	(324,757)
Profit on sale of discontinued operations		-	2,125,937
Income tax on above		-	(628,309)
		-	1,497,628
28. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		1,679,068	2,481,322
		(No. of shares)	
Weighted average number of ordinary shares		8,247,037	8,247,037
		(Rupees)	
Basic and diluted earnings per share		203.60	300.87
29. CASH GENERATED FROM OPERATIONS		2008	2007
		(Rupees in '000)	
Profit before tax including profit on sale of discontinued operations		2,564,203	4,090,511
Adjustment for non-cash expenses and other items:			
Depreciation and amortisation		211,231	225,112
Profit on sale of property, plant and equipment		(15,606)	(15,796)
Profit on sale of discontinued operations		-	(2,125,937)
Other non-current liabilities		10,086	2,785
Gratuity expense		29,267	22,436
Long-term receivables and prepayments		(25,553)	(516,717)
Deferred liability		-	(46,891)
Retention money payable		(17,269)	35,436
Financial expenses		253,792	293,334
Financial income		(126,822)	(258,878)
Working capital changes	29.1	1,229,927	(2,818,018)
		4,113,256	(1,112,623)
29.1 Working capital changes			
Increase in current assets			
Inventories		(1,421,941)	(940,931)
Trade receivables		(4,493,234)	(1,808,827)
Other receivables		(664,309)	(727,165)
		(6,579,484)	(3,476,923)
Increase in current liabilities			
Trade and other payables		6,917,119	131,561
Provisions		892,292	527,344
		7,809,411	658,905
		1,229,927	(2,818,018)

30. CASH AND CASH EQUIVALENTS

	Note	2008 (Rupees in '000)	2007
Cash and bank balances	19	3,407,239	3,311,908
Short-term running finances	10	(907,909)	(2,357,180)
		<u>2,499,330</u>	<u>954,728</u>

31. DISCONTINUED OPERATIONS

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

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

Cash flows from discontinued operations

	Note	2008 (Rupees in '000)	2007
Net cash flows from operating activities		-	872,619
Net cash flows from investing activities		-	(5,817)
Net cash flows from discontinued operations		<u>-</u>	<u>866,802</u>

32. AUDITORS' REMUNERATION

Audit fee		1,985	1,303
Tax representation and advisory services		964	500
Special reports and certifications, review of half yearly accounts, audits of workers' profits participation fund and gratuity fund		693	1,112
Out of pocket expenses		271	171
		<u>3,913</u>	<u>3,086</u>

33. LONG-TERM CONSTRUCTION CONTRACTS

Contract revenue for the year		16,712,661	12,410,030
Contract costs incurred to date		37,161,718	30,838,676
Gross profit realised to date		3,562,596	2,939,339
Balance of advances received		4,956,481	1,120,306
Retention money receivable		6,272,974	3,500,623
Gross amount due from customers		6,288,646	3,742,678
Estimated future costs to complete projects in progress	33.1	17,582,527	2,911,430

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

34. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	2008			2007		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	77,271	44,925	451,230	44,694	38,252	352,180
Retirement benefits and Company's contribution to provident fund	2,222	-	26,692	1,390	-	17,764
Perquisites and benefits:						
- Group insurance and medical	117	128	5,178	104	31	3,264
- (Reversal of accrual) / accrual for share based payments	(3,760)	(4,397)	2,289	28,026	7,810	3,392
- Long service bonus	-	-	2,338	-	-	957
- Rent and others	6,227	4,322	-	3,576	2,501	-
	82,077	44,978	487,727	77,790	48,594	377,557
Number of persons	1	1	165	1	1	109

- 34.1** In addition to the above, remuneration and fringe benefits of one expatriate executive (2007: one) hired for a project amounted to Rs 5.600 million (2007: Rs 2.200 million).
- 34.2** The aggregate amount charged in these financial statements in respect of directors' fee paid to eight directors (2007: six) was Rs 170,000 (2007: Rs 114,000). No fee was paid to any alternate director (2007: fee paid to one alternate director was Rs 10,000).
- 34.3** The chief executive, director and one hundred and twenty nine executives (2007: ninety two) have been provided with free use of Company's cars. Chief Executive Officer has been provided with free maintenance and furnishing of accommodation. Further, a director has also been provided with the Company's owned and maintained furnished accommodation.
- 34.4** The chief executive and a director have been provided with telephone facility at their residences.
- 34.5** The above balances include an amount of Rs 178.681 million (2007: Rs 194.584 million) on account of compensation to key management personnel, the details of which are as follows:

	Note	2008	2007
		(Rupees in '000)	
Short-term employee benefits		180,082	151,774
Post-employment benefits		4,309	3,442
Other long-term benefits		158	140
(Reversal of accrual) / accrual for share based payments	34.5.1	(5,868)	39,228
		178,681	194,584

34.5.1 Share based payments

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

Stock appreciation rights

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

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

	2008		2007	
	Weighted average exercise price Euro	Number of SARs	Weighted average exercise price Euro	Number of SARs
Outstanding at beginning of the year	73.81	17,790	73.55	24,415
Exercised during the year	72.89	(8,145)	72.86	(6,625)
Outstanding at end of the year	74.59	9,645	73.81	17,790
Exercisable at end of year	74.59	9,645	72.89	8,145

The share price at the date of exercise for SARs exercised during the year ended September 30, 2008 was Euro 107.29 (September 30, 2007: Euro 89.97).

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

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

No SARs were granted during the years ended September 30, 2007 and 2008.

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

Phantom stocks

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

	2008	2007
	Number of phantom stocks	
Balance as at beginning of the year	3,639	2,034
Granted during the year	1,266	1,755
Expired during the year	-	(150)
Balance as at end of the year	<u>4,905</u>	<u>3,639</u>

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

Total reversal of expense for share based payments during the year ended September 30, 2008 was Rs 5.868 million (2007: expense of Rs 39.228 million). The liabilities for cash settled arrangements as of September 30, 2008 aggregated to Rs 25.627 million (2007: Rs 50.000 million).

35. 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	2008	2007
		(Rupees in '000)	
Parent company			
Sales of goods and rendering of services		147,231	2,261,081
Purchases of goods and receipt of services		3,542,509	2,964,281
Commission and allowances earned		91,141	184,196
Dividends		490,601	298,420
Issuance of shares under a scheme of amalgamation		-	614,465
Associated companies			
Sales of goods and rendering of services		1,065,705	441,937
Purchases of goods and receipt of services		1,205,790	1,318,637
Proceeds from sales of discontinued operations		-	2,450,694
Commission and allowances earned		64,428	53,471
Commission paid		-	1,834
Financial expenses		73,819	111,932
Financial income		6,867	23,375
Rental income		-	7,982
Others			
Dividends		45	30
Donations		698	1,655
Contribution to employees retirement benefits		62,169	27,398
Compensation to key management personnel	34.5	178,681	194,584

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

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity	Actual Production 2008	Actual Production 2007
Electric motors	300,000 HP	89,565 HP	74,948 HP
Motors control gears and control boards	150,000 HP	2,670 HP	3,220 HP
Electric transformers	2,000 MVA	2,641 MVA	2,430 MVA
Generating sets	40,000 KVA	90,588 KVA	105,949 KVA
Switchgears and distribution boards	4,500 Nos.	3,959 Nos.	3,442 Nos.

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

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

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

38. FINANCIAL ASSETS AND LIABILITIES

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

	Effective interest / mark-up rates %	Total	Interest / mark-up Bearing Maturity upto 1 year	Bearing Maturity 1 to 2 years	Non-interest / mark-up bearing
2008					
(Rupees in '000)					
Financial Assets					
Loans to employees	-	7,016	-	-	7,016
Trade deposits	8.50	119,875	48,000	-	71,875
Trade receivables	-	12,294,428	-	-	12,294,428
Other receivables	-	543,289	-	-	543,289
Cash and bank balances	9.70	3,407,239	3,008,978	-	398,261
		16,371,847	3,056,978	-	13,314,869
Financial liabilities					
Retention money payable	-	87,010	-	-	87,010
Trade and other payables	10.00	6,535,433	183,441	-	6,351,992
Short-term running finances	3.30 - 12.45	907,909	907,909	-	-
		7,530,352	1,091,350	-	6,439,002
Net financial assets		8,841,495	1,965,628	-	6,875,867
2007					
Financial assets					
Loans to employees	-	9,621	-	-	9,621
Trade deposits	8.50	132,109	48,000	-	84,109
Trade receivables	-	7,754,325	-	-	7,754,325
Other receivables	9.00	374,800	158,637	-	216,163
Cash and bank balances	9.97	3,311,908	3,007,305	-	304,603
		11,582,763	3,213,942	-	8,368,821
Financial liabilities					
Retention money payable	-	104,279	-	-	104,279
Trade and other payables	10.00	4,697,107	183,441	-	4,513,666
Short-term loans	5.33	330,646	330,646	-	-
Short-term running finances	5.58 - 10.80	2,357,180	2,357,180	-	-
		7,489,212	2,871,267	-	4,617,945
Net financial assets		4,093,551	342,675	-	3,750,876

39. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

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

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

	2008		2007	
	(Rupees in '000)	%	(Rupees in '000)	%
Government sector				
Energy	4,352,294	31	5,687,562	68
Communication	179,103	1	293,869	3
Health	87,249	1	37,301	-
Aviation	1,144,262	8	6,476	-
Others	1,012,178	8	537,131	6
Sub-total	6,775,086	49	6,562,339	77
Private sector				
Energy	5,601,235	40	415,985	5
Communication	62,767	1	22,685	-
Cement Industry	17,160	-	16,855	-
Dealers and agents	31,305	-	49,266	1
Aviation	25,285	-	51,326	1
Others	1,401,403	10	1,323,779	16
Sub-total	7,139,155	51	1,879,896	23
Total	13,914,241	100	8,442,235	100

40. FOREIGN EXCHANGE RISK MANAGEMENT

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

	2008	2007
	(Rupees in '000)	
Forward exchange contracts		
- Purchased value	7,917,909	5,103,222
- Fair value	7,797,659	5,208,536

41. 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.

42. INFORMATION ABOUT BUSINESS SEGMENTS

	Energy	Rotary machines and products	Industry automation and services	Other operations	Total for continuing operations	Communication (Discontinued) operations	Eliminations	Company as a whole
2008								
REVENUE	(Rupees in '000)							
External sales	20,782,494	1,974,970	3,555,859	567,419	26,880,742	-	-	26,880,742
Inter-segment sales	1,177,281	380,468	117,466	784,206	2,459,421	-	(2,459,421)	-
Total revenue	<u>21,959,775</u>	<u>2,355,438</u>	<u>3,673,325</u>	<u>1,351,625</u>	<u>29,340,163</u>	<u>-</u>	<u>(2,459,421)</u>	<u>26,880,742</u>
RESULT								
Segment result	<u>2,201,908</u>	<u>173,635</u>	<u>341,675</u>	<u>32,712</u>	<u>2,749,930</u>	<u>-</u>	<u>-</u>	<u>2,749,930</u>
Unallocated corporate expenses								<u>(200,761)</u>
								<u>2,549,169</u>
Interest expense								<u>(111,788)</u>
Interest income								<u>126,822</u>
Income tax								<u>(885,135)</u>
Profit for the year								<u>1,679,068</u>
Profit on sale of discontinued operations - net of income tax								-
Profit for the year from discontinued operations								-
Profit for the year from continuing operations								<u>1,679,068</u>
OTHER INFORMATION								
Capital expenditure	<u>109,698</u>	<u>22,237</u>	<u>42,805</u>	<u>1,707</u>	<u>176,447</u>	<u>-</u>	<u>-</u>	
Depreciation and amortisation	<u>86,837</u>	<u>17,449</u>	<u>33,995</u>	<u>14,256</u>	<u>152,537</u>	<u>-</u>	<u>-</u>	
Non-cash expenses other than depreciation and amortisation	<u>887</u>	<u>410</u>	<u>220</u>	<u>69</u>	<u>1,586</u>	<u>-</u>	<u>-</u>	
ASSETS AND LIABILITIES								
Segment assets	<u>13,839,386</u>	<u>1,517,220</u>	<u>1,928,789</u>	<u>639,723</u>	<u>17,925,118</u>	<u>-</u>	<u>-</u>	<u>17,925,118</u>
Unallocated corporate assets								<u>6,850,264</u>
Consolidated total assets								<u>24,775,382</u>
Segment liabilities	<u>11,777,042</u>	<u>1,115,411</u>	<u>1,517,081</u>	<u>233,062</u>	<u>14,642,596</u>	<u>-</u>	<u>-</u>	<u>14,642,596</u>
Unallocated corporate liabilities								<u>3,844,529</u>
Consolidated total liabilities								<u>18,487,125</u>
2007								
REVENUE								
External sales	13,043,980	1,613,043	3,263,117	687,665	18,607,805	3,293,947	-	21,901,752
Inter-segment sales	929,325	530,309	249,805	8,895	1,718,334	98,634	(1,816,968)	-
Total revenue	<u>13,973,305</u>	<u>2,143,352</u>	<u>3,512,922</u>	<u>696,560</u>	<u>20,326,139</u>	<u>3,392,581</u>	<u>(1,816,968)</u>	<u>21,901,752</u>
RESULT								
Segment result	<u>1,168,158</u>	<u>127,356</u>	<u>366,963</u>	<u>(108,674)</u>	<u>1,553,803</u>	<u>1,801,036</u>	<u>-</u>	<u>3,354,839</u>
Unallocated corporate expenses								<u>(198,492)</u>
								<u>3,156,347</u>
Interest expense								<u>(170,164)</u>
Interest income								<u>258,878</u>
Income tax								<u>(763,739)</u>
Profit for the year								<u>2,481,322</u>
Profit on sale of discontinued operations - net of income tax								(1,497,628)
Profit for the year from discontinued operations								(303,408)
Profit for the year from continuing operations								<u>680,286</u>
OTHER INFORMATION								
Capital expenditure	<u>200,519</u>	<u>25,080</u>	<u>34,628</u>	<u>10,438</u>	<u>270,665</u>	<u>18,590</u>	<u>-</u>	
Depreciation and amortisation	<u>69,715</u>	<u>13,787</u>	<u>28,903</u>	<u>15,399</u>	<u>127,804</u>	<u>29,849</u>	<u>-</u>	
Non-cash expenses other than depreciation and amortisation	<u>(473)</u>	<u>(249)</u>	<u>(448)</u>	<u>(443)</u>	<u>(1,613)</u>	<u>1,048</u>	<u>-</u>	
ASSETS AND LIABILITIES								
Segment assets	<u>8,545,980</u>	<u>1,388,023</u>	<u>1,541,925</u>	<u>1,581,097</u>	<u>13,057,025</u>	<u>-</u>	<u>-</u>	<u>13,057,025</u>
Unallocated corporate assets								<u>4,523,991</u>
Consolidated total assets								<u>17,581,016</u>
Segment liabilities	<u>4,869,636</u>	<u>1,068,448</u>	<u>1,428,378</u>	<u>242,639</u>	<u>7,609,101</u>	<u>-</u>	<u>-</u>	<u>7,609,101</u>
Unallocated corporate liabilities								<u>4,620,493</u>
Consolidated total liabilities								<u>12,229,594</u>

- 42.1 Included in total sales is an amount of Rs 12,374.212 million (2007: Rs 5,610.671 million) in respect of sales made in the region of United Arab Emirates. The carrying value of segment assets in that region as at September 30, 2008 was Rs 8,002.478 million (2007: Rs 4,470.834 million). The cost to acquire property, plant and equipment during the year in that region was Rs 40.501 million (2007: Rs 26.827 million).
- 42.2 In order to comply with the requirements of International Accounting Standard 14 "Segment Reporting" the activities of company have been grouped into five segments of related products and services. The energy segment mainly relates to supply and installation of transformers, switchboards, and other related power generation, transmission, and distribution equipment and related services. Rotary machines and product segment includes diesel generating sets, motors, alternators and drives etc. Industry automation and services segment includes designing, engineering and construction services in electrical field, mechanical field and information technology services. Other operations include supply and services of health care equipment, monitoring and security, solar power and home appliances. Communication segment (discontinued) covered supply and installation of telecommunication and other related equipment and services.
- 42.3 The above mentioned segments do not necessarily match with the organisational structure of the Company.

42.4 Segment assets and liabilities

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

43. GENERAL

- 43.1 Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major change represents reclassification of exchange gain pertaining to purchases and sales transactions from 'Other operating income' to 'Cost of sales'. This change was made for better presentation of transactions in the financial statements of the Company.
- 43.2 These financial statements were authorised for issue by the Board of Directors in their meeting held on October 31, 2008.



Sohail Wajahat H. Siddiqui
Chief Executive Officer



Gerhard Wilcke
Chief Financial Officer & Director

Notice of Meeting

Notice is hereby given that the Fifty Sixth Annual General Meeting of the shareholders of Siemens (Pakistan) Engineering Company Limited will be held as per below schedule:

Day, date and time Saturday, November 29, 2008 at 10:30 a.m.

Venue B-72, Estate Avenue, S.I.T.E., Karachi

Agenda

Ordinary Business

1. To confirm the minutes of the fifty fifth annual general meeting held on December 27, 2007.
2. To receive and adopt the audited financial statements of the Company for the year ended September 30, 2008, and reports of the directors and auditors thereon.
3. To declare and approve final dividend of Rs 60 per share (600%) in addition to interim dividend of Rs. 30 per share (300%) already paid, thereby making a total dividend of Rs 90 per share (900%) for the year ended September 30, 2008.
4. To appoint auditors and to fix their remuneration for the year ending September 30, 2009. The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.
5. To transact such other ordinary business as may be placed before the Meeting with the permission of the Chair.

Special Business

6. To approve the remuneration for Chairman of the Board and members of the Audit Committee.

By order of the Board

Mohammad Rafi
Company Secretary

Karachi: November 07,2008.

Notes:

1. The Share Transfer Books of the Company will remain closed from November 21, 2008 to November 29, 2008 (both days inclusive). Transfers received in order at Company's Registrar M/s THK Associates (Pvt.) Limited, Ground Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi-75530 by the close of business on November 20, 2008 will be considered in time.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf.

Proxy forms in order to be valid must be received at the Registered Office of the Company not less than 48 hours before the time of meeting. A member shall not be entitled to appoint more than one proxy. A proxy must be a member.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.
4. The Statement under Section 160(1b) of the Companies Ordinance, 1984 in regard to special business is enclosed separately to this annual report.

For Attending the Shareholders Meeting

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

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

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

For Appointment of Proxies

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

Means of Communication

The Board has taken adequate measures to ensure that comprehensive financial information is provided to the shareholders. We provide our shareholders with up-to-the-minute comprehensive financial information not only at the Annual Shareholders' Meeting but also in quarterly, semiannual and annual reports, and announcement after board meetings.

Notices of the meetings alongwith agenda items are dispatched to the shareholders atleast 21 calendar days before date of the meetings in addition to their publication in leading Urdu and English newspapers of Karachi, Lahore and Islamabad.

The Financial Results, Shareholding Pattern, Annual Report in the 'Investors Relations' Section are also promptly displayed on the Company's website www.siemens.com.pk

Queries of the shareholders (if any) are taken up with utmost care and prompt replies are delivered.

Siemens (Pakistan) Engineering Company Limited

Pattern of holding of the Shares held by the Shareholders

As at September 30, 2008

Number of Share holders	Shareholding			Total Shares held
	From		To	
327	1		100 shares	15,228
397	101		500 shares	91,904
50	501		1,000 shares	38,300
39	1,001		5,000 shares	85,495
5	5,001		10,000 shares	30,370
3	10,001		15,000 shares	35,160
2	15,001		20,000 shares	37,900
1	25,001		30,000 shares	29,100
1	65,001		70,000 shares	69,720
1	170,001		175,000 shares	171,930
1	195,001		200,000 shares	200,000
1	1,990,001		1,995,000 shares	1,990,810
1	5,450,001		5,455,000 shares	5,451,120
<u>829</u>				<u>8,247,037</u>

Siemens (Pakistan) Engineering Company Limited

Categories of Shareholders

As at September 30, 2008

Categories of shareholders	Number	Shares held	Percentage
Directors, Chief Executive Officer and their spouse and minor children			
Director S. Babar Ali, Esqr.	1	500	0.01
Chief Executive Officer	Nil		
Executives	Nil		
Associated Companies, Undertakings and Related parties	1		
Siemens AG, Germany		5,451,120	66.10
NIT			
National Bank of Pakistan-Trustee Deptt (NIT)	1	1,990,810	24.14
Banks, Development Financial Institutions & Non Banking Financial Institutions, Modarabas and Mutual Funds	6	267,700	3.25
National Bank of Pakistan	200,000		
Bank of New York	29,100		
Pakistan Premier Fund Ltd	19,900		
Golden Arrow Selected Stocks Fund Ltd	12,500		
CDC Trustee-Pakistan Capital Market Fund	5,000		
Trustee AKD Index Tracker Fund	1,200		
Insurance Companies	3	241,660	2.93
Adamjee Insurance Co Ltd	171,930		
IGI Insurance Co Ltd	69,720		
The Crescent Star Insurance Co Ltd	10		
Public Sector Companies and Corporations	1		
Pakistan National Shipping Corporation		6,930	0.08
Companies & Others	19	47,598	0.57
Trustees Mohammad Amin Wakf Estate	11,790		
Trustees Adamjee Foundation	7,000		
Trustee Treet Corporation Ltd Employees Provident Fund	5,800		
Crescent Steel & Allied Products Ltd	4,500		
Trustee Treet Corporation Ltd Group Employee Fund	3,600		
Trustee Treet Corporation Ltd Gratuity Fund	3,300		
Trustee Treet Corporation Ltd Superannuation Fund	3,100		
Treet Corporation Ltd	2,500		
Pak Ping Carpets (Pvt) Ltd	1,600		
Trustees Al-Bader Welfare Trust	1,400		
Sapphire Textile Mills Ltd	1,000		
Aslam Sons (Pvt) Ltd	500		
Irfan Mazhar Securities (Pvt) Ltd	500		
TCL Labor Hire Company (Pvt) Ltd	200		
Bagasra Securities (Pvt) Ltd	200		
Dossa Cotton & General Trading (Pvt) Ltd	200		
Yasir Mahmood Securities (Pvt) Ltd	200		
Clicktrade Ltd	200		
ZHV Securities (Pvt) Ltd	8		
Individuals	797	240,719	2.92
Shareholders holding 10% or more voting Interest	829	8,247,037	100
Siemens AG, Germany	5,451,120		
National Bank of Pakistan-Trustee Deptt.(NIT)	1,990,810		

Registrar and Share Transfer Agent

In compliance with the requirements of section 204 (A) of Companies Ordinance 1984, THK Associates (Pvt.) Limited has been appointed as Share Registrar of the Company.

The address, contact numbers and timings of THK Associates (Pvt.) Limited is given below:

THK Associates (Pvt.) Limited
Ground Floor,
State Life Building-3,
Dr. Ziauddin Ahmed Road,
Karachi-75530.

Telephone No. : (021) 111-000-322
Fax : (021) 5655595

Timings : 9:30 am to 12:30 pm & 2:30 pm to 4:30 pm
(Monday to Friday)

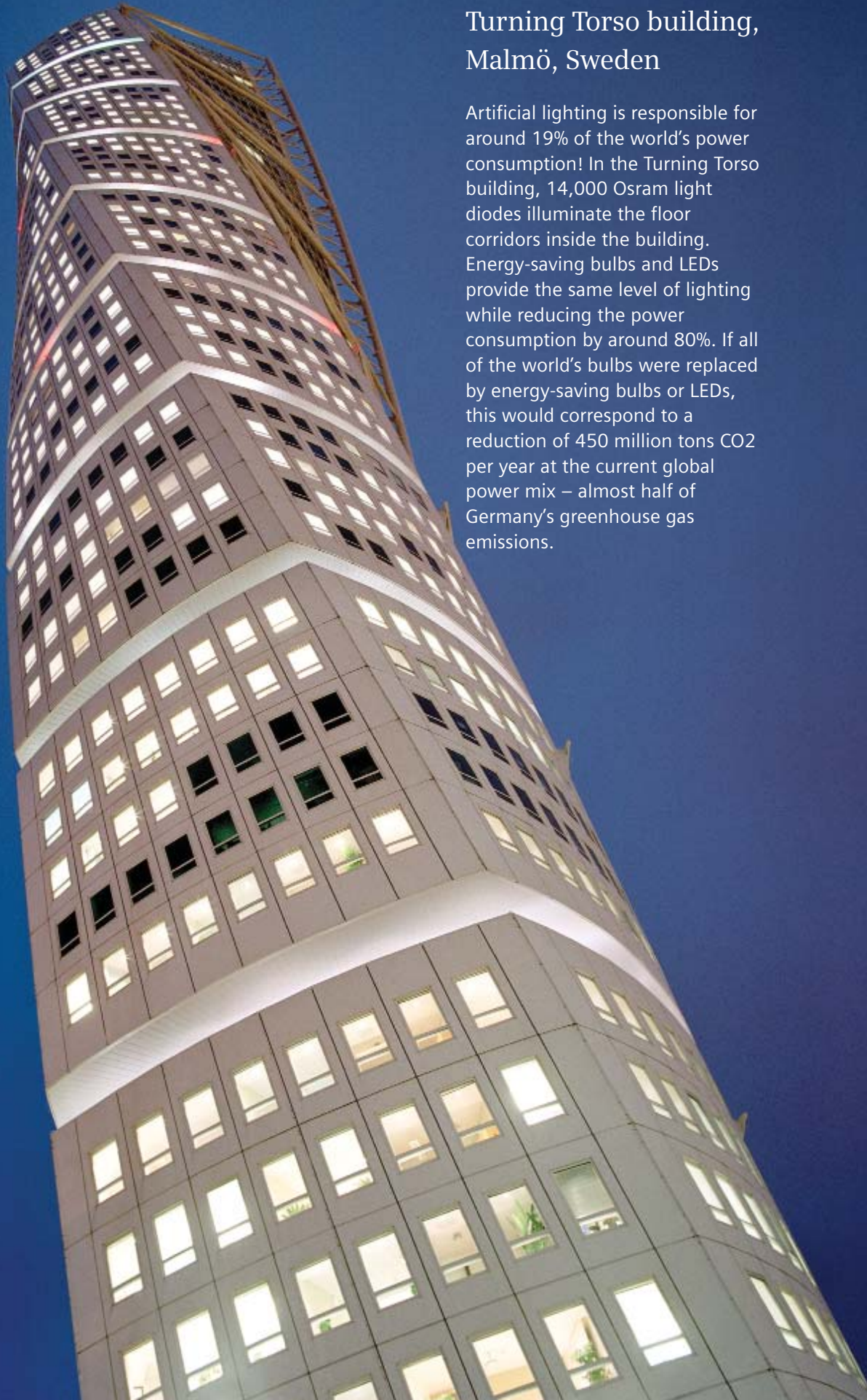
Share transfers, dividend payment and all other investor related matters are attended to and processed by our Registrar and Share Transfer Agent

Financial Calendar

The Company follows the period of October 01 to September 30 as the Financial Year.

For the Financial Year 2008-09, Financial Results will be announced as per the following tentative schedule:

1st quarter ending December 31, 2008	Last week of January, 2009
2nd quarter ending March 31, 2009	Last week of April, 2009
3rd quarter ending June 30, 2009	Last week of July, 2009
Year ending September 30, 2009	First week of November, 2009



Turning Torso building, Malmö, Sweden

Artificial lighting is responsible for around 19% of the world's power consumption! In the Turning Torso building, 14,000 Osram light diodes illuminate the floor corridors inside the building. Energy-saving bulbs and LEDs provide the same level of lighting while reducing the power consumption by around 80%. If all of the world's bulbs were replaced by energy-saving bulbs or LEDs, this would correspond to a reduction of 450 million tons CO₂ per year at the current global power mix – almost half of Germany's greenhouse gas emissions.