

1. LEGAL STATUS AND OPERATIONS

- 1.1 Siemens (Pakistan) Engineering Company Limited (the Company) is incorporated in Pakistan as a public limited company and its shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The Company is principally engaged in execution of projects under contracts and in the manufacture, installation and sale of electronic and electrical capital goods.
- 1.2 The Company had acquired 52.51 percent shareholding in Carrier Telephone Industries (Private) Limited (CTI) for Rs 500 million during the year ended September 30, 2006 and took over the management control on December 9, 2005. During the year ended September 30, 2007, the Company had acquired an additional 47.49 percent shares of CTI for Rs 614.465 million making CTI a wholly owned subsidiary of the Company. The shareholders of the Company, in their Extra-ordinary General meeting held on July 30, 2007, approved the merger of CTI into the Company with effect from October 1, 2006. The Lahore High Court Rawalpindi Bench, vide its order dated November 2, 2007, sanctioned the Scheme of Arrangement of Amalgamation (the scheme) of the Company and CTI with effect from October 1, 2006. In accordance with the scheme, the Company issued 477,440 fully paid ordinary shares of Rs 10 each of the Company at a price of Rs 1,287 each to Siemens AG, Germany (SAG), the other shareholder in CTI in exchange of 7,251 ordinary shares of Rs 1,000 each of CTI. Accordingly, the entire undertaking of CTI including its business and all its assets, properties, rights, privileges, powers, bank and other accounts, trade marks, patents and licenses as of October 1, 2006 stand transferred to the Company.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements are unaudited but subject to limited scope review by auditors and have been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting' as applicable in Pakistan. These condensed interim financial statements do not include all of the information and disclosures required in the financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2007. These condensed interim financial statements are being submitted to the shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984.

2.2 Functional and presentation currency

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

2.3 Use of estimates and judgements

The preparation of condensed interim 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 and liabilities, income and expenses.

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 condensed interim financial statements, the significant judgements made by the management in applying accounting policies include:

- Warranty obligations
- Provision for liquidated damages
- Provision against inventories and doubtful receivables
- Actuarial assumptions for the gratuity scheme and provision thereagainst
- Provision for taxes and deferred taxation
- Cost of completion of contracts in progress and their results

3. ACCOUNTING POLICIES

All the accounting policies and methods of computation which were used in the preparation of financial statements for the year ended September 30, 2007 have been consistently applied in the preparation of these condensed interim financial statements for the six months period ended March 31, 2008.

4. DISCONTINUED OPERATIONS

The Company's Communication (COM) segment was disclosed as discontinued operations for the six months period ended March 31, 2007 in accordance with the decision of SAG to carve out the COM carrier activities and enterprise activities globally. Accordingly, the Company's COM carrier activities including that of CTI have been carved out to Nokia Siemens Networks Pakistan (Private) Limited and the enterprise activities have been carved out to Siemens Enterprise Communication (Private) Limited during the year ended September 30, 2007. Profits attributable to the discontinued operations for the six months period ended March 31, 2007 have been disclosed on the face of profit and loss account.

Cash flows from discontinued operations

	For the six months period ended March 31, 2008	For the six months period ended March 31, 2007
	(Rupees in '000)	
Net cash flows from operating activities	-	924,808
Net cash flows from investing activities	-	(18,392)
Net cash flows from discontinued operations	-	906,416

5. TRADE AND OTHER PAYABLES

	As at March 31, 2008	As at September 30, 2007 (Audited)
	(Rupees in '000)	
Trade creditors	4,038,989	3,080,559
Accrued liabilities	1,542,242	1,402,309
Advances from customers		
- For goods	935,770	716,099
- For services including projects	2,435,068	1,393,760
Accrued mark-up on running finance facilities	494	3,774
Unearned portion of revenue and maintenance contracts	39,259	36,012
Workers' profits participation fund	60,536	111,253
Workers' welfare fund	126,856	104,268
Unclaimed dividend	7,027	6,488
Other liabilities	242,915	203,977
	9,429,156	7,058,499

6. PROVISIONS

	Warranties	Liquidated damages	Losses on sales contracts	Total
	(Rupees in '000)			
Balance as at October 1, 2007	395,251	651,932	92,313	1,139,496
Additional provisions	123,354	412,002	28,941	564,297
Reversals of utilised and unutilised amounts	(110,281)	(213,196)	(8,359)	(331,836)
Balance as at March 31, 2008	408,324	850,738	112,895	1,371,957

7. SHORT-TERM BORROWINGS

		As at March 31, 2008	As at September 30, 2007 (Audited)
		(Rupees in '000)	
Due to an associate	Note		
- Short-term loans - Unsecured	7.1	-	330,646
- Short-term running finances - Unsecured	7.2	3,826,447	2,357,180
		3,826,447	2,687,826
Due to others			
- Short-term running finances - Secured	7.2	7,742	-
		3,834,189	2,687,826

7.1 Short-term loans

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

7.2 Short-term running finances

Short-term running finance facilities available from various banks and financial institutions including SFS aggregated Rs 5,557.447 million as at March 31, 2008 (September 30, 2007: Rs. 5,342.180 million). The mark-up on these facilities ranges between 2.33% to 11.42% (September 30, 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 4,816.447 million (September 30, 2007: Rs 2,357.180 million) obtained in the United Arab Emirates (UAE) at 2.33% to 3.36% (September 30, 2007: 5.35% to 5.76%) per annum.

8. CONTINGENCIES AND COMMITMENTS

8.1 As at March 31, 2008 capital expenditure contracted for but not incurred amounted to Rs. 166.996 million (September 30, 2007: Rs. 88.692 million).

8.2 The following amounts of forward exchange contracts have been taken to hedge the foreign currency liabilities;

	As at March 31, 2008	As at September 30, 2007 (Audited)
	(Rupees in '000)	
Forward exchange contracts		
- Purchased value	5,373,977	5,103,222
- Fair value	5,605,016	5,208,535

8.3 During the six months period ended March 31, 2008, Karachi Electric Supply Corporation Limited (KESC) has filed a suit against the Company and SAG for recovery of an amount of Rs 57 billion on account of losses incurred by KESC under the Operation and Maintenance 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 has been made in these condensed interim financial statements.

8.4 Except as disclosed above, there has been no change in the status of contingencies as stated in note 11 to the financial statements of the Company for the year ended September 30, 2007.

9. PROPERTY, PLANT AND EQUIPMENT

	Note	As at March 31, 2008 (Rupees in '000)	As at September 30, 2007 (Audited) (Rupees in '000)
Tangible assets	9.1	1,501,157	1,504,313
Capital work in progress	9.2	43,239	28,307
		1,544,396	1,532,620

9.1 Tangible assets

March 31, 2008	Cost at October 1, 2007	Additions/ (deletions) / transfers * for the six months	Assets classified as held for sale	Cost at March 31, 2008	Accumulated depreciation at October 1, 2007	Depreciation for the six months/ (on deletions) / transfers *	Depreciation on assets classified as held for sale	Accumulated depreciation at March 31, 2008	Net book value at March 31, 2008	Depreciation rates as a % p.a. of cost
(Rupees in '000)										
Leasehold lands	53,149	-	-	53,149	22,024	665	-	22,689	30,460	2.5
Freehold land	544,011	-	-	544,011	-	-	-	-	544,011	-
Buildings on leasehold lands	390,692	- (2,405) *	-	388,287	83,785	4,773 (856) *	-	87,702	300,585	2.5 & 10
Plant and machinery	668,461	29,108 (1,292) (43,403) *	-	652,874	341,607	22,477 (1,214) (26,746) *	-	336,124	316,750	10, 20, 25 & 100
Tools and patterns	128,562	13,464 (673) 50,305 *	-	191,658	99,996	10,582 (673) 22,288 *	-	132,193	59,465	50
Furniture and equipment	354,694	18,525 (14,018) (27,084) *	-	332,117	246,380	22,473 (13,758) (10,362) *	-	244,733	87,384	20, 25, 33.33 & 100
Vehicles	340,862	37,271 (22,842) 22,587 *	-	377,878	182,326	36,513 (19,139) 15,676 *	-	215,376	162,502	25 & 50
	2,480,431	98,368 (38,825)	-	2,539,974	976,118	97,483 (34,784)	-	1,038,817	1,501,157	

March 31, 2007	Cost at October 1, 2006	Additions / (deletions) for the six months	Assets classified as held for sale	Cost at March 31, 2007	Accumulated depreciation at October 1, 2006	Depreciation for six months / (on deletions)	Depreciation on assets classified as held for sale	Accumulated depreciation at March 31, 2007	Net book value at March 31, 2007	Depreciation rates as a % p.a. of cost
(Rupees in '000)										
Leasehold lands	53,149	-	-	53,149	20,695	665	-	21,360	31,789	2.5
Freehold land	544,011	-	-	544,011	-	-	-	-	544,011	-
Buildings on leasehold lands	336,228	3,362	-	339,590	75,736	4,034	-	79,770	259,820	2.5 & 10
Plant and machinery	575,090	31,671 (781)	(41,006)	564,974	320,310	30,276 (762)	(14,028)	335,796	229,178	10, 20, 25 & 100
Tools and patterns	132,662	12,653 (1,360)	(19,137)	124,818	108,748	8,038 (1,360)	(10,348)	105,078	19,740	50
Furniture and equipment	382,537	33,110 (4,929)	(115,108)	295,610	268,497	29,297 (4,875)	(74,558)	218,361	77,249	20, 25, 33.33 & 100
Vehicles	342,812	39,521 (21,897)	(52,013)	308,423	172,702	35,832 (21,183)	(26,822)	160,529	147,894	25 & 50
	2,366,489	120,317 (28,967)	(227,264)	2,230,575	966,688	108,142 (28,180)	(125,756)	920,894	1,309,681	

Siemens (Pakistan) Engineering Company Limited
Notes to the Condensed Interim Financial Statements (Unaudited)
For the six months period ended March 31, 2008

9.2 Capital work in progress

	As at March 31, 2008	As at September 30, 2007 (Audited)
<i>Note</i>	(Rupees in '000)	
Building under construction	1,596	3,879
Plant, machinery and equipment under installation	17,268	5,303
Advances to suppliers	24,375	19,125
	43,239	28,307

10. INVENTORIES

Raw materials and components	1,259,034	1,202,878
Goods-in-transit	724,340	405,166
Work-in-process	1,361,409	1,061,490
Finished goods	831,000	851,706
	4,175,783	3,521,240
Provision for slow moving and obsolete items	(387,346)	(354,499)
	3,788,437	3,166,741

11. TRADE RECEIVABLES

Considered good		
Due from related parties - associates	952,526	452,767
Due from others	7,255,373	4,017,319
	8,207,899	4,470,086
Due against construction work in progress - others	2,502,791	2,163,965
	10,710,690	6,634,051
Considered doubtful - others	206,778	119,962
	10,917,468	6,754,013
Provision for doubtful receivables	(206,778)	(119,962)
	10,710,690	6,634,051

12. CASH AND BANK BALANCES

With banks in		
- Current accounts	331,545	150,324
- Deposit accounts	1,677,792	3,007,305
Cheques in hand	396,290	151,014
Cash in hand	19,856	3,265
	2,425,483	3,311,908

12.1

12.1 The rate of mark-up on these accounts range from 7.5% to 9.25% (September 30, 2007: 7.5% to 11.85%) per annum.

13. BASIC AND DILUTED EARNINGS PER SHARE	For the six months period ended March 31, 2008			For the six months period ended March 31, 2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	-----Rupees in '000-----					
Profit for the period	710,478	-	710,478	335,314	333,121	668,435
	Number of shares			Number of shares		
Weighted average number of ordinary shares	8,247,037			8,247,037		
	For the six months period ended March 31, 2008			For the six months period ended March 31, 2007		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	-----Rupees-----					
Basic and diluted earnings per share	86.15	-	86.15	40.66	40.39	81.05
14. CASH GENERATED FROM OPERATIONS				Note	For the six months period ended March 31, 2008 (Rupees in '000)	For the six months period ended March 31, 2007
Profit before tax					1,038,565	1,260,708
Adjustment for non-cash expenses and other items:						
Depreciation and amortisation					102,071	121,481
Profit on sale of property, plant and equipment					(9,636)	(8,406)
Employees' long service bonus					1,560	711
Long-term receivables and prepayments					(53,630)	(129,495)
Deferred liability					-	3,019
Retention money payable					33,664	20,660
Financial expenses					150,704	141,577
Financial income					(77,385)	(85,494)
Working capital changes				14.1	(2,185,027)	(1,405,313)
					(999,114)	(80,552)
14.1 Working capital changes						
(Increase) in current assets						
Inventories					(621,696)	(427,142)
Trade receivables					(4,076,639)	(551,900)
Other receivables					(92,551)	(276,913)
					(4,790,886)	(1,255,955)
Increase / (decrease) in current liabilities						
Trade and other payables					2,373,398	(137,644)
Provisions					232,461	(11,714)
					2,605,859	(149,358)
					(2,185,027)	(1,405,313)
15. CASH AND CASH EQUIVALENTS					As at March 31, 2008 (Rupees in '000)	As at March 31, 2007
Cash and bank balances					2,425,483	2,588,373
Short-term running finances					(3,834,189)	(1,546,826)
					(1,408,706)	1,041,547

16. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of SAG, 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:

	For the six months period ended March 31, 2008 (Rupees in '000)	For the six months period ended March 31, 2007
<i>Note</i>		
Parent company (SAG)		
Sales of goods and rendering of services	107,263	2,248,809
Purchases of goods and receipt of services	1,439,672	1,001,595
Commission and allowances earned	20,305	132,734
Dividends	327,067	149,210
Associated companies		
Sales of goods and rendering of services	220,340	54,844
Purchases of goods and receipt of services	798,824	590,648
Commission and allowances earned	35,928	13,701
Commission paid	-	1,834
Financial expenses	56,431	47,650
Others		
Dividends	30	15
Contribution to employees retirement benefits	15,000	22,450
Compensation to key management personnel	65,097	72,386
	As at March 31, 2008	As at September 30, 2007 (Audited)
	(Rupees in '000)	
Receivable from		
- associates	952,526	452,767
- others	60,019	-
	1,012,545	452,767
Payable to associates (including short-term borrowings)	3,826,513	2,691,279
	For the six months period ended March 31, 2008 (Rupees in '000)	For the six months period ended March 31, 2007
16.1 The details of compensation to key management personnel are as follows:		
Short-term employee benefits	56,612	53,447
Post employment benefits	1,693	1,363
Other long-term benefits	31	125
Share based payments / accruals	6,761	17,451
	65,097	72,386

16.2 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 by SAG at uniform rates to all locations in the region.

17. INFORMATION ABOUT BUSINESS SEGMENTS

	Energy	Rotary machines and products	Industry automation and services	Other operations	Total for continuing operations	Communication (Discontinued)	Eliminations	(All rupees in '000) Company as a whole
For the six months period ended March 31, 2008								
REVENUE								
External sales	9,347,309	957,040	1,260,403	189,015	11,753,767	-	-	11,753,767
Inter-segment sales	428,941	166,510	55,302	352,721	1,003,474	-	(1,003,474)	-
Total revenue	<u>9,776,250</u>	<u>1,123,550</u>	<u>1,315,705</u>	<u>541,736</u>	<u>12,757,241</u>	<u>-</u>	<u>(1,003,474)</u>	<u>11,753,767</u>
RESULT								
Segment result	942,465	64,948	84,451	(26,402)	1,065,462	-	-	1,065,462
Unallocated corporate expenses								(78,797)
Interest expense								986,665
Interest income								(19,703)
Income tax								71,603
Profit for the period								(328,087)
Profit for the period from discontinued operations								710,478
Profit for the period from continuing operations								-
								710,478
OTHER INFORMATION								
Capital expenditure	55,939	15,217	28,177	4,190	103,523	-	-	
Depreciation and amortisation	40,306	8,022	16,044	7,852	72,224	-	-	
Non-cash expenses other than depreciation and amortisation	1,566	168	(247)	(100)	1,387	-	-	
As at March 31, 2008								
ASSETS AND LIABILITIES								
Segment assets	12,327,255	1,368,905	1,927,386	741,401	16,364,947	-	-	16,364,947
Unallocated corporate assets								5,330,154
Consolidated total assets								21,695,101
Segment liabilities	6,873,888	959,766	1,739,335	254,738	9,827,727	-	-	9,827,727
Unallocated corporate liabilities								6,300,296
Consolidated total liabilities								16,128,023
For the six months period ended March 31, 2007								
REVENUE								
External sales	5,482,777	610,200	1,438,759	305,182	7,836,918	3,159,562	-	10,996,480
Inter-segment sales	174,262	611,044	69,888	65,937	921,131	69,508	(990,639)	-
Total revenue	<u>5,657,039</u>	<u>1,221,244</u>	<u>1,508,647</u>	<u>371,119</u>	<u>8,758,049</u>	<u>3,229,070</u>	<u>(990,639)</u>	<u>10,996,480</u>
RESULT								
Segment result	688,630	47,928	80,954	225	817,737	529,690	-	1,347,427
Unallocated corporate expenses								(97,253)
Interest expense								1,250,174
Interest income								(74,947)
Income tax								85,481
Profit for the period								(592,273)
Profit for the period from discontinued operations								668,435
Profit for the period from continuing operations								(333,121)
								335,314
OTHER INFORMATION								
Capital expenditure	90,613	10,383	19,313	127	120,436	25,704	-	
Depreciation and amortisation	33,852	6,421	14,061	2,758	57,092	31,415	-	
Non-cash expenses other than depreciation and amortisation	137	(82)	19	(194)	(120)	(13)	-	
As at September 30, 2007 (Audited)								
ASSETS AND LIABILITIES								
Segment assets	8,545,980	1,388,023	1,541,925	1,581,097	13,057,025	-	-	13,057,025
Unallocated corporate assets								4,523,991
Consolidated total assets								17,581,016
Segment liabilities	4,869,636	1,068,448	1,428,378	242,639	7,609,101	-	-	7,609,101
Unallocated corporate liabilities								4,620,493
Consolidated total liabilities								12,229,594

Siemens (Pakistan) Engineering Company Limited
Notes to the Condensed Interim Financial Statements (Unaudited)
For the six months period ended March 31, 2008

17.1 Included in total sales is an amount of Rs. 5,583.932 million (March 31, 2007: Rs. 2,079.300 million) in respect of sales made in the region of UAE. The carrying value of segment assets in that region as at March 31, 2008 was Rs. 7,396.395 million (September 30, 2007: Rs. 4,470.834 million). The cost to acquire property, plant and equipment during the six months period ended March 31, 2008 was Rs. 14.375 million in that region (March 31, 2007: Rs. 14.924 million).

17.2 In order to comply with the requirements of International Accounting Standard 14 'Segment Reporting' the activities of the 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 and home appliances. Communication segment (discontinued) covered supply and installation of telecommunication and other related equipment and services.

17.3 The above mentioned segments do not necessarily match with the organisational structure of the Company.

17.4 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.

18. GENERAL

18.1 Comparative figures have been rearranged and reclassified wherever necessary for the purpose of comparison for better presentation of transactions in the condensed interim financial statements of the Company.

18.2 These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on April 28, 2008.

18.3 The Board of Directors in their meeting held on April 28, 2008 have declared an interim cash dividend of Rs 30 per share (March 31, 2007: Rs 30 per share) amounting to Rs 247.411 million (March 31, 2007: Rs 233.088 million) for the six months period ended March 31, 2008.

Sohail Wajahat H. Siddiqui
Chief Executive Officer

Gerhard Wilcke
Chief Financial officer & Director