

## 1. LEGAL STATUS AND OPERATIONS

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.

## 2. BASIS OF PREPARATION

2.1 These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges 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 the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2009.

## 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 unless otherwise specified.

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

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

## 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended September 30, 2009.

## 4. TRADE AND OTHER PAYABLES

	As at December 31, 2009	As at September 30, 2009 (Audited)
Note	(Rupees in '000)	
Trade creditors [including retention money of Rs 1,844.413 million (September 30, 2009: Rs 1,783.851 million)]	4.1 6,128,386	5,923,129
Accrued liabilities	1,856,715	1,633,119
Advances from customers		
- For goods	473,985	628,336
- For services including projects	2,327,237	2,747,396
Staff retirement benefits - gratuity	27,026	9,026
Accrued mark-up on short-term borrowings	2,614	425
Unearned portion of revenue and maintenance contracts	23,380	72,375
Workers' Profits Participation Fund	34,157	119,428
Workers' Welfare Fund	86,758	72,049
Unclaimed dividend	14,509	10,344
Derivative financial instruments	33,146	6,860
Other liabilities	384,941	271,159
	<b>11,392,854</b>	<b>11,493,646</b>

4.1 These include a sum of Rs 559.835 million (September 30, 2009: Rs 1,345.368 million) due to related parties.

5. PROVISIONS

	Warranties	Liquidated damages	Losses on sales contracts	Total
	(Rupees in '000)			
Balance as at October 1, 2009	564,031	1,466,191	62,713	2,092,935
Additional provision	29,855	101,687	1,595	133,137
Reversal of utilised and unutilised amounts	(35,710)	(48,813)	(28,331)	(112,854)
	<b>558,176</b>	<b>1,519,065</b>	<b>35,977</b>	<b>2,113,218</b>

6. SHORT-TERM BORROWINGS

	Note	As at December 31, 2009	As at September 30, 2009 (Audited)
		(Rupees in '000)	
<b>Short-term loans</b>			
From an associate - unsecured	6.1	1,148,886	-
		<b>1,148,886</b>	-
<b>Short-term running finances</b>			
From an associate - unsecured	6.2	1,525,203	1,518,990
From others - secured	6.3	503,534	155,706
		<b>2,028,737</b>	<b>1,674,696</b>
		<b>3,177,623</b>	<b>1,674,696</b>

- 6.1 The facility for short-term loans was arranged from Siemens Financial Services (SFS) of Siemens Aktiengesellschaft (Siemens AG), to be utilised in United Arab Emirates (UAE) at a mark up rate of 0.735% per annum.
- 6.2 This facility is available from SFS amounting to Rs 1,525 million (September 30, 2009: Rs 1,519 million), to be utilised in the UAE. The mark-up on this facility ranges between 0.88% and 1.50% per annum (September 30, 2009: 1.21% and 6.01% per annum).
- 6.3 These facilities available from various banks aggregated to Rs 3,171 million (September 30, 2009: Rs 3,261 million). The mark-up on these facilities ranges between 2.36% and 16.00% per annum (September 30, 2009: 5.23% and 18.10% per annum), and are secured against the 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 1,181 million (September 30, 2009: Rs 1,181 million), obtained in the UAE at mark-up rates ranging between 2.36% and 5.21% per annum (September 30, 2009: 5.23% and 6.82% per annum).

7. CONTINGENCIES AND COMMITMENTS

Contingencies:

- 7.1 There has been no change in the status of contingencies as stated in notes 10.1 and 10.2 to the financial statements of the Company for the year ended September 30, 2009.

Commitments:

- 7.2 As at December 31, 2009 capital expenditure contracted for but not incurred amounted to Rs 28.168 million (September 30, 2009: Rs 26.584 million).
- 7.3 The following amounts of forward exchange contracts have been taken to hedge the foreign currency liabilities:

	As at December 31, 2009	As at September 30, 2009 (Audited)
	(Rupees in '000)	
Forward exchange contracts		
- Purchased value	2,033,004	2,950,314
- Fair value	2,004,193	3,005,732
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets - at net book value	1,630,233	1,653,814
Capital work in progress - at cost	8,211	8,686
	<b>1,638,444</b>	<b>1,662,500</b>

- 8.1 Following is the cost of operating assets that have been added / disposed off:

	Additions		Disposals	
	For the three months period ended December 31, 2009	For the three months period ended December 31, 2008	For the three months period ended December 31, 2009	For the three months period ended December 31, 2008
	(Rupees in '000)		(Rupees in '000)	
Plant and machinery	7,886	24,758	966	215
Tools and patterns	890	703	51	96
Furniture and equipment	15,834	10,231	1,690	5,270
Vehicles	10,417	10,940	7,101	4,418
	<b>35,027</b>	<b>46,632</b>	<b>9,808</b>	<b>9,999</b>

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<b>9. INVENTORIES</b>		<b>As at December 31, 2009</b>	As at September 30, 2009 (Audited)
	<i>Note</i>	<b>(Rupees in '000)</b>	
Raw materials and components		971,535	1,151,734
Goods-in-transit		641,540	892,223
Work-in-process		1,617,569	1,629,687
Finished goods	9.1	1,079,188	1,198,627
		<b>4,309,832</b>	<b>4,872,271</b>
Provision for slow moving and obsolete items		<b>(498,313)</b>	<b>(504,840)</b>
		<b>3,811,519</b>	<b>4,367,431</b>

**9.1** These include items, costing Rs 4.612 million (September 30, 2009: Rs 4.253 million), valued at their net realisable value of Rs 4.268 million (September 30, 2009: Rs 3.838 million).

<b>10. TRADE RECEIVABLES</b>		<b>As at December 31, 2009</b>	As at September 30, 2009 (Audited)
	<i>Note</i>	<b>(Rupees in '000)</b>	
<b>Considered good</b>			
Due from related parties	10.1	5,635	32,760
Due from others		11,169,278	9,626,721
		<b>11,174,913</b>	<b>9,659,481</b>
Due against construction work in progress - others		5,013,063	3,923,911
		<b>16,187,976</b>	<b>13,583,392</b>
Considered doubtful - others		547,182	537,648
		<b>16,735,158</b>	<b>14,121,040</b>
Provision for doubtful receivables		<b>(547,182)</b>	<b>(537,648)</b>
		<b>16,187,976</b>	<b>13,583,392</b>

**10.1** These represent amounts due from the associates of the Company.

**11. CASH AND BANK BALANCES**

With banks in			
- Current accounts		493,981	233,785
- Deposit accounts	11.1	74,527	1,078,886
Cheques in hand		257,236	84,321
Cash in hand		30,828	6,102
		<b>856,572</b>	<b>1,403,094</b>

**11.1** These include Term Deposit Receipts of Rs Nil (September 30, 2009: Rs 425 million). The rate of mark-up on these accounts ranges between 10.90% and 11.25% per annum (September 30, 2009: 9.00% and 11.20% per annum).

**12. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE**

	For the three months period ended December 31, 2009 (Rupees in '000)	For the three months period ended December 31, 2008
Note		
There is no dilutive effect on the basic earnings / (loss) per share of the Company, which is based on:		
Profit / (loss) for the period	368,986	(41,682)
	<b>Number of shares</b>	
Weighted average number of Ordinary shares	8,247,037	8,247,037
	<b>(Rupees)</b>	
Basic and diluted earnings / (loss) per share	44.74	(5.05)

**13. CASH GENERATED FROM OPERATIONS**

	(Rupees in '000)	
Profit / (loss) before tax	564,847	(72,214)
Adjustment for non-cash expenses and other items:		
Depreciation and amortisation	59,336	53,955
(Reversal of provision) / provision for slow moving and obsolete inventories	(6,527)	2,144
Provision for doubtful trade receivables	9,534	59,023
Provision for Workers' Profit Participation Fund	31,106	-
Profit on sale of property, plant and equipment	(4,439)	(1,677)
Long-term receivables, deposits and prepayments	(45,296)	99,633
Retention money payable	29,995	(15,899)
Other non-current liabilities	334	71
Financial expenses	90,447	54,940
Financial income	(16,351)	(36,068)
Working capital changes	(2,124,206)	(2,495,465)
	<b>(1,411,220)</b>	<b>(2,351,557)</b>

**13.1 Working capital changes**

(Increase) / decrease in current assets		
Inventories	562,439	(1,025,808)
Trade receivables	(2,614,118)	(2,298,053)
Other receivables	(75,100)	(154,195)
	<b>(2,126,779)</b>	<b>(3,478,056)</b>
Increase / (decrease) in current liabilities		
Trade and other payables	(17,710)	622,868
Provisions	20,283	359,723
	<b>2,573</b>	<b>982,591</b>
	<b>(2,124,206)</b>	<b>(2,495,465)</b>

**14. CASH AND CASH EQUIVALENTS**

	As at December 31, 2009 (Rupees in '000)	As at December 31, 2008
Cash and bank balances	856,572	1,082,467
Short-term running finances	(2,028,737)	(1,837,077)
	<b>(1,172,165)</b>	<b>(754,610)</b>

15. 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:

	For the three months period ended December 31, 2009 (Rupees in '000)	For the three months period ended December 31, 2008
<i>Note</i>		
<b>Parent company (Siemens AG)</b>		
Sales of goods and rendering of services	25,628	33,801
Purchases of goods and receipt of services	1,019,793	729,899
Commission and allowances earned	7,031	5,646
Dividends	327,067	327,067
<b>Associated companies</b>		
Sales of goods and rendering of services	1,708	45,596
Purchases of goods and receipt of services	190,711	916,118
Commission and allowances earned	6,257	18,364
Financial expenses	4,212	4,225
Financial income	-	8,622
<b>Others</b>		
Dividends	30	30
Contribution to employees retirement benefit funds	27,864	17,495
Compensation to key management personnel	63,397	63,748
	<b>As at December 31, 2009</b>	<b>As at September 30, 2009 (Audited)</b>
	<b>(Rupees in '000)</b>	
Receivables from		
- associates	5,635	32,760
- others	34,221	-
	<b>39,856</b>	<b>32,760</b>
Payables to associates (including short-term borrowings)	<b>3,233,924</b>	<b>2,864,358</b>
	<b>For the three months period ended December 31, 2009 (Rupees in '000)</b>	<b>For the three months period ended December 31, 2008</b>
<b>15.1</b> The details of compensation to key management personnel are as follows:		
Short-term employee benefits	66,367	65,852
Post employment benefits	2,269	1,749
Other long-term benefits	195	95
Reversal of accrual for share based payments	(5,434)	(3,948)
	<b>63,397</b>	<b>63,748</b>

16. INFORMATION ABOUT BUSINESS SEGMENTS

	Energy	Industry	Healthcare	Eliminations	(All rupees in '000) Company as a whole
-----For the three months period ended December 31, 2009-----					
<b>REVENUE</b>					
Sales to external customers	5,641,082	2,155,815	211,115	-	8,008,012
Inter-segment sales	217,860	57,128	-	(274,988)	-
Total revenue	<u>5,858,942</u>	<u>2,212,943</u>	<u>211,115</u>	<u>(274,988)</u>	<u>8,008,012</u>
<b>RESULT</b>					
Segment result	<u>454,594</u>	<u>159,190</u>	<u>3,510</u>	<u>-</u>	<u>617,294</u>
Unallocated expenses					<u>(45,815)</u>
Interest expense					<u>571,479</u>
Interest income					<u>(21,787)</u>
Income tax					<u>15,155</u>
Profit for the period					<u>(195,861)</u>
					<u>368,986</u>
<b>OTHER INFORMATION</b>					
Capital expenditure	<u>5,578</u>	<u>13,510</u>	<u>13,891</u>	<u>-</u>	
Depreciation and amortisation	<u>26,258</u>	<u>14,092</u>	<u>2,000</u>	<u>-</u>	
Non-cash expenses other than depreciation and amortisation	<u>176</u>	<u>81</u>	<u>(25)</u>	<u>-</u>	
-----As at December 31, 2009-----					
<b>ASSETS AND LIABILITIES</b>					
Segment assets	<u>17,380,168</u>	<u>4,342,196</u>	<u>901,608</u>	<u>-</u>	<u>22,623,972</u>
Segment liabilities	<u>10,118,742</u>	<u>2,152,475</u>	<u>219,016</u>	<u>-</u>	<u>12,490,233</u>
-----For the three months period ended December 31, 2008-----					
<b>REVENUE</b>					
Sales to external customers	7,242,702	1,529,636	117,812	-	8,890,150
Inter-segment sales	534,980	107,293	189,672	(831,945)	-
Total revenue	<u>7,777,682</u>	<u>1,636,929</u>	<u>307,484</u>	<u>(831,945)</u>	<u>8,890,150</u>
<b>RESULT</b>					
Segment result	<u>(124,365)</u>	<u>85,290</u>	<u>(37,017)</u>	<u>-</u>	<u>(76,092)</u>
Unallocated expenses					<u>(8,781)</u>
Interest expense					<u>(84,873)</u>
Interest income					<u>(23,409)</u>
Income tax					<u>36,068</u>
Loss for the period					<u>30,532</u>
					<u>(41,682)</u>
<b>OTHER INFORMATION</b>					
Capital expenditure	<u>115,300</u>	<u>6,494</u>	<u>(670)</u>	<u>-</u>	
Depreciation and amortisation	<u>23,470</u>	<u>13,488</u>	<u>2,185</u>	<u>-</u>	
Non-cash expenses other than depreciation and amortisation	<u>23</u>	<u>(109)</u>	<u>(53)</u>	<u>-</u>	
-----As at September 30, 2009 (Audited)-----					
<b>ASSETS AND LIABILITIES</b>					
Segment assets	<u>15,791,436</u>	<u>3,950,791</u>	<u>1,000,595</u>	<u>-</u>	<u>20,742,822</u>
Segment liabilities	<u>10,181,408</u>	<u>2,174,638</u>	<u>242,180</u>	<u>-</u>	<u>12,598,226</u>

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**16.1** For management purposes, the activities of the Company are organised into business units based on their products and services and has three reportable operating segments. The energy segment mainly relates to supply and installation of transformers, switchboards, and other related power generation, transmission, and distribution equipment and related services. Industry segment includes designing, engineering and construction services in electrical field, mechanical field, information technology services, diesel generating sets, motors, alternators and drives etc. Healthcare segment include supply and services of health care and related equipment.

**16.2 Geographical information**

**Sales to external customers**

	<b>For the three months period ended December 31, 2009</b>	For the three months period ended December 31, 2008
	<b>(Rupees in '000)</b>	
Pakistan	3,819,711	2,629,154
United Arab Emirates	3,846,953	5,638,855
Afghanistan	232,098	230,442
Germany	42,016	372,558
Others	67,234	19,141
	<b>8,008,012</b>	<b>8,901,150</b>

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

Revenues of Rs 2,031.238 million and Rs 1,111.476 million (December 31, 2008: Rs 3,099.546 million and Rs 909.893 million) are derived from two external customers. These revenues are attributable to the Energy segment of the Company.

**Non-current assets**

	<b>As at December 31, 2009</b>	As at September 30, 2009 (Audited)
	<b>(Rupees in '000)</b>	
Pakistan	1,677,340	1,694,822
United Arab Emirates	1,198,497	1,127,986
Afghanistan	10,024	42,708
	<b>2,885,861</b>	<b>2,865,516</b>

Non-current assets for this purpose consist of property, plant and equipment, intangible assets and long-term receivables, deposits and prepayments.

**16.3** Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions between third parties.

**16.4 Segment assets and liabilities**

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

	<b>As at December 31, 2009</b>	As at September 30, 2009 (Audited)
	<b>(Rupees in '000)</b>	
Segment assets for reportable segments	22,623,972	20,742,822
Corporate assets	1,037,021	767,897
<b>Unallocated</b>		
Other receivables	326,366	331,966
Deferred tax asset	1,090,633	1,012,666
Cash and bank balances	856,572	1,403,094
<b>Total assets as per balance sheet</b>	<b>25,934,564</b>	<b>24,258,445</b>

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

	As at December 31, 2009	As at September 30, 2009 (Audited)
	(Rupees in '000)	
Segment liabilities for reportable segments	12,490,233	12,598,226
Corporate liabilities	377,804	191,046
<b>Unallocated</b>		
Trade and other payables	866,221	995,166
Short-term borrowings	3,177,623	1,674,696
Provision for taxation	1,910,259	1,888,118
Dividend payable	327,067	-
<b>Total liabilities as per balance sheet</b>	<b>19,149,207</b>	<b>17,347,252</b>

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

16.5 Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, reduction in operating cost and free cash flows.

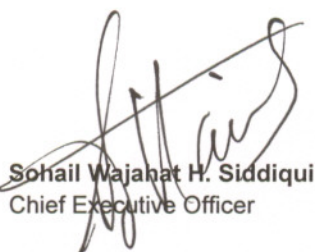
16.6 Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Company.

## 17. GENERAL

17.1 Exchange gain arisen from conversion of foreign currency denominated cash and bank balances amounting to Rs 58.249 million has been classified from 'Cost of sales' to 'Financial income'. This change was made for better presentation of transactions in these condensed interim financial statements of the Company.

17.2 The Board of Directors in their meeting held on January 22, 2010, decided that the Company will cease further bidding in the UAE due to prevalent market situation, however, it will continue to execute existing orders of approximately Rs 13 billion. An estimate of financial effect of this decision on the Company's financial statements can not be made at this point of time.

17.3 These condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on January 22, 2010.

  
**Sohail Wajahat H. Siddiqui**  
Chief Executive Officer

  
**Gerhard Wilcke**  
Chief Financial officer & Director