



Annual Report 2019 Pakistan

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Mission

We make real what matters, by setting the benchmark in the way we electrify, automate and digitalize the world around us. Ingenuity drives us and what we create is yours. Together we deliver.

Vision 2020

With ingenuity we drive Electrification, Automation and Digitalization (EAD) for Pakistan creating sustainable value for stakeholders through our proximity, strong local value add and ownership culture. We anticipate and shape market trends by being continuously innovative. We identify and develop people to have the skills to ensure growth for our company and the society.

Together we make real what matters.

A lived Ownership Culture

- Equity
- Leadership
- Values
- Behaviors
- People Orientation

Seven Overarching Goals

- Implement Stringent Corporate Governance
- Execute Financial Target System
- Be a Partner of Choice for Customers
- Foster Ownership Culture
- Create Value Sustainably
- Expand Global Management
- Be an Employer of Choice

Key Operating and Financial data

Six Years Summary	2019	2018	2017	2016	2015	2014
	(Rupees in '000)					
Trading Results						
New orders	15,849,831	23,612,363	11,964,608	22,839,389	8,811,758	9,257,688
Net turnover	16,672,924	19,522,120	14,552,923	10,173,868	9,266,909	9,781,082
Export of goods and services	301,025	277,070	122,049	122,604	75,207	213,123
Contracts executed outside Pakistan	1,360,682	3,415,066	1,918,556	1,389,008	793,082	1,157,327
Gross profit	2,502,658	3,301,949	2,434,092	935,073	493,890	704,710
Operating profit / (loss)	1,431,148	2,276,409	1,315,504	85,225	(156,511)	41,126
Profit / (loss) before tax from continuing operations	1,198,487	2,233,661	1,451,968	241,892	(171,955)	688,562
Loss before tax from discontinued operations	-	-	-	(73,914)	(163,925)	(923,215)
Gain on sale of assets classified as held for sale - before tax	-	-	-	2,441,184	-	-
Profit / (loss) before tax	1,198,487	2,233,661	1,451,968	2,609,162	(335,880)	(234,653)
Profit / (loss) after tax	709,468	1,159,220	1,103,396	2,103,952	(528,234)	(523,795)
Earnings / (loss) before interest, taxes, depreciation and amortisation (excluding one time gain on sale of assets classified as held for sale)	1,600,862	2,473,235	1,589,118	265,596	(95,825)	165,690
Final dividend	379,364	618,528	618,528	989,644	82,470	82,470
Financial Position						
Share capital	82,470	82,470	82,470	82,470	82,470	82,470
Reserves and Retained Earnings	5,904,974	5,695,699	5,244,134	5,148,971	3,120,981	3,706,149
Property, plant and equipment	378,120	388,095	312,647	240,832	138,316	562,824
Net current assets	4,232,193	4,329,885	3,571,478	3,574,806	1,389,418	1,603,447
Long-term / deferred liabilities	90,033	170,904	68,668	23,750	20,822	27,966
Investors Information						
Gross profit ratio	15.01%	16.91%	16.73%	9.19%	5.33%	7.20%
EBITDA Margin to sales	9.60%	12.67%	10.92%	2.61%	-1.03%	1.69%
Return on equity / capital employed	11.85%	20.06%	20.71%	40.22%	-16.49%	-13.83%
Inventory turnover ratio (in times)	2.95	3.53	3.60	2.52	1.82	1.55
Inventory turnover ratio (no. of days)	124	104	101	145	200	235
Debtor turnover ratio (in times)	1.97	3.04	3.24	2.42	2.16	1.89
Debtor turnover ratio (no. of days)	186	120	113	151	169	193
Creditor turnover ratio (in times)	2.09	2.20	1.58	1.22	1.30	1.38
Creditor turnover ratio (no. of days)	175	166	231	299	281	264
Operating cycle (no. of days)	135	57	(17)	(3)	88	164
Total assets turnover ratio (in times)	0.97	1.20	1.00	0.75	0.70	0.63
Fixed assets turnover ratio (in times)	43.52	55.72	52.59	53.67	26.43	10.05
Current ratio	1.41	1.36	1.39	1.38	1.22	1.16
Quick / acid test ratio	1.29	1.25	1.22	1.17	0.74	0.87
Cash dividend per share (Rs)	46	75	75	120	10	10
Dividend yield ratio	0.7	0.8	0.10	0.13	0.01	0.01
Interest cover ratio	6.01	28.98	89.49	109.20	(1.28)	0.06
Breakup value per share (Rs)	726.01	700.64	645.88	634.34	388.44	459.39
Market value per share (Rs)	645	902	757	906	1,096	1,064
Share price during the year						
High (Rs)	992	1,154	1,570	1,100	1,360	1,599
Low (Rs)	515	708	650	717	838	933
Earnings / (loss) per share (Rs)	86.03	140.56	133.79	255.12	(64.05)	(63.51)
Profit / (loss) before tax in percent to sales	7.19%	11.44%	9.98%	25.65%	-3.62%	-2.40%
Profit / (loss) after tax in percent of sales	4.26%	5.94%	7.58%	20.68%	-5.70%	-5.36%
Cash Flows						
Net cash flow from operating activities	942,633	(3,195,999)	(624,268)	754,812	1,430,752	1,000,287
Net cash flow from investing activities	(140,220)	(197,888)	(28,645)	4,078,840	252,432	(14,379)
Net cash flow from financing activities	(616,239)	(613,325)	(984,662)	(82,470)	(1,508,950)	(488,461)
Net change in cash and cash equivalents	186,174	(4,007,212)	(1,637,575)	4,751,182	174,234	497,447

Company Information

Registered Office

Siemens (Pakistan) Engineering Co. Ltd.
B-72 Estate Avenue, S.I.T.E, Karachi-75700

Phone: +92 (0)21 32574910-19
UAN: +92 (0)21 111-077-088

Board of Directors

Chairman of the Board

Sebastian Andreas Brachert

Non-Executive Directors

Manuel Kuehn
Manzoor Ahmed
Tim Dawidowsky

Independent Director

Qazi Sajid Ali

Executive Director

Helmut von Struve

Female Director (Independent Director)

Sadia Khan

Committees of the Board

Audit Committee

Sadia Khan (Chairwoman)
Manuel Kuehn
Manzoor Ahmed
Tim Dawidowsky

Human Resource and Remuneration Committee

Qazi Sajid Ali (Chairman)
Sebastian Andreas Brachert
Helmut von Struve

Nomination Committee

Sebastian Andreas Brachert (Chairman)
Helmut von Struve

Management

Managing Director / CEO

Helmut von Struve

Chief Financial Officer

Umer Jalil Anwer

Other Information

Company Secretary

Muhammad Usman Ansari

Auditors

EY Ford Rhodes, Chartered Accountants

Bankers

Bank Alfalah Limited
BNP Paribas (Dubai)
Citibank N.A.
Deutsche Bank AG

Habib Bank Limited
Standard Chartered Bank, UAE
Standard Chartered Bank (Pakistan) Limited

Tax Advisor

KPMG Taseer Hadi & Co.

Legal Advisor

Jillani & Co. Advocates and Legal Consultants

Registrar and Share Transfer Agent

THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6
P.E.C.H.S., Karachi-75400

Phone: +92 (0)21 34168267
UAN: +92 (0)21 111-000-322
Fax : +92 (0)21 34168271
E-mail : sfc@thk.com.pk

Chairman's / Directors' Profile



Sebastian Andreas Brachert Chairman

Dr. Sebastian Brachert is the General Counsel for Middle East for Siemens AG, Germany, a position he holds since October 2014. Since 2015, he is located in Abu Dhabi, UAE.

From 2008 until 2014, he was the General Counsel for EMEA and Cross Sectors for Siemens AG.

From 2000 until 2008, he was Head of Siemens Legal Services (Munich) with special responsibility for Corporate Law, M&A, Antitrust, Capital Markets, Finance Law, Real Estate Law, Legal matters for Central Procurement, Venture Capital, Central Departments, Siemens IT Solutions and Services, Siemens Enterprise Networks and Coordinator for Legal Departments in Asia / Australia / C.I.S.

From 1997 until 2000, Dr. Brachert was Head of Legal for Siemens Financial Services and Head of Corporate Legal Affairs Finance Law (Project and Vendor Finance, Capital Markets, IPOs and Treasury), Munich.

From 1993 until 1997, he was Head of Corporate Legal Affairs Finance and Real Estate Law, Central Legal Department Siemens AG, Munich.

In 1990, Dr. Brachert joined Siemens in Erlangen/Germany where he was a Legal Advisor for Turnkey Projects for Transportation Systems, Automation and Industrial Plants, Central Legal Department Siemens AG. Before that he worked for Dresdner Bank AG, Nuremberg. He holds the first and second State Exam in Law of the State of Bavaria, a PhD of the University of Erlangen and a degree in Banking and Finance of IHK Nuremberg, all Germany. Dr. Brachert is admitted to the bar in Munich, Germany.

Other directorships and offices

- Director of Siemens Ltd./AELE, Kingdom of Saudi Arabia
- Director of Siemens Electrical and Electronic Services KSCC, Kuwait
- Member of the Human Resource and Remuneration Committee of Siemens (Pakistan) Engineering Co. Ltd.
- Member of the Nomination Committee of Siemens (Pakistan) Engineering Co. Ltd.



Helmut von Struve Managing Director

Mr. Helmut von Struve is the Managing Director of Siemens (Pakistan) Engineering Co. Ltd., a position which he holds since October 1, 2015.

Mr. von Struve has held various positions in the Power Generation Industrial Application division of Siemens AG, Germany, as Head of Business Development Services, Manager Regional Sales Middle East Region and Regional Sales Director, Middle East Region.

In 2006, Mr. von Struve was appointed Managing Director of Siemens Power Generation Oil and Gas and Industrial Application Service, Middle East Region. From 2009 to 2013, he worked as Managing Director Siemens Wind Power GmbH, Germany and Chief Executive Officer of Siemens Energy Service Division Wind Power for the region Europe, Middle East and Africa (EMEA). In 2014, he was appointed Chief Executive Officer of the Libya Branch of Siemens AG.

Mr. von Struve started his career in 1997 as Process Engineer in Thyssen Krupp Uhde, Germany, a leading global EPC contractor company.

Mr. von Struve holds a Master degree in Mechanical Engineering from Technical University, Darmstadt, Germany. He is also a Certified Director from the Pakistan Institute of Corporate Governance.

Other directorships and offices

- Member of the Industry Advisory Board, Habib University
- Represents Siemens at the Pakistan Business Council and OICCI (Member of the Managing Committee OICCI, 2016, 2018, 2019)
- Member of the Human Resource and Remuneration Committee of Siemens (Pakistan) Engineering Co. Ltd.
- Member of the Nomination Committee of Siemens (Pakistan) Engineering Co. Ltd.



Tim Dawidowsky
Director

Mr. Tim Dawidowsky, born on August 3, 1966 in Husum, Germany, studied Industrial Engineering and Business Administration with a main focus on Mechanical Engineering at the Technical University Berlin and graduated with an Engineering degree. In 1993, he took on his first job at Siemens AG with the division, Power Generation (PG), in Berlin as a System Analyst. There he continued two years later as a Group Leader for the Gas Turbine service business.

Mr. Dawidowsky moved to Mülheim a.d.R. in 1997, where he held positions as Project Leader in a Customer Documentation Project, as Director of Data Management and as Director of Supply Management. In 2003, he became Vice President of Procurement for the Industrial Solutions and Services (I&S) division in Erlangen. Within the same division he moved three years later to Beijing where he took over as a General Manager in the marketing of Oil & Gas, Marine and Postal Automation and at the same time as a General Manager in Business Development of I&S China. Also in Beijing in 2008, he was named CEO of the Industrial Solution (IS) division China and the IS division cluster North East Asia. Then in 2009, Mr. Dawidowsky became the Senior Vice President of Casting & Rolling for the Siemens VAI Metals Technologies GmbH in Austria. In 2012, he became CEO of the business unit Transmission Solutions in the Energy Management division. In October 2015, Mr. Dawidowsky became the CEO of the business unit Large Drives in the Process Industries and Drives division.

Since April 2019 he has been the CEO of the business unit Gas and Power EPC Projects in the Operational Company Gas and Power.

Other directorships and offices

- Member of the Audit Committee of Siemens (Pakistan) Engineering Co. Ltd.



Manuel Kuehn
Director

Born in 1980 in Giessen, Germany, Mr. Manuel Kuehn obtained his education at the Technical University Ilmenau and the Federal University of Santa Catharina (UFSC), Brazil. He holds a diploma in Industrial Engineering and a post-graduate diploma in Advanced Management from the European School of Management and Technology (ESMT) in Berlin.

Since mid-2014, Mr. Kuehn took on the position of Senior Vice President of Business Development at the company's Middle East headquarters in Masdar City, Abu Dhabi, UAE. He is the designated Sustainability Manager for Siemens in the Middle East and was from 2017 to 2019 member of the global Siemens Sales Excellence Advisory Board. Mr. Kuehn has been driving key strategic initiatives in the Middle East, such as the partnership between Siemens and Dubai Expo 2020, the first industrial scale green hydrogen generation project and transformational projects in the power sector e.g. in Egypt. Most recently, Mr. Kuehn is also leading activities regarding the Siemens Roadmap for the re-electrification of Iraq.

His prior career at Siemens spans over a decade from 2005 until 2014, where Mr. Kuehn worked across different functions with Siemens Management Consulting (SMC). As Vice President, Mr. Kuehn worked on auditing and stabilization of project business in the power generation and transmission businesses as well as reorganization, restructuring and M&A activities. His project experience extended to localization projects in the UAE's power generation sector, establishing a factory for Medium Voltage Equipment in India, as well as developing strategies how to excel growth in emerging economies. Mr. Kuehn was also responsible for recruiting, people development, training and staff disposition, for the consulting business with roughly 200 employees.

Other directorships and offices

- Member of the Audit Committee of Siemens (Pakistan) Engineering Co. Ltd.



Manzoor Ahmed

Director

Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT). As COO, since 9 years, he has been successfully managing the operations and investment portfolio worth Rs.70 billion approximately. He has experience of over 30 years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investments, research and liaising with the regulatory authorities. He is M.B.A. and also holds D.A.I.B.P. At present, he is a candidate for CFA Level III.

Mr. Ahmed has also attended various training courses organized by locally and internationally reputed institutions like London Business School (LBS) UK, Institute of Directors, London and Financial Markets World, New York (USA).

He represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

Other directorships and offices

- Director of Askari Bank Limited
- Director of Lucky Cement Limited
- Director of General Tyre & Rubber Co. Limited
- Director of Hub Power Company Limited
- Director of Soneri Bank Limited
- Director of Sui Northern Gas Pipelines Limited
- Member of the Audit Committee of Siemens (Pakistan) Engineering Co. Ltd.



Qazi Sajid Ali

Independent Director

Mr. Qazi Sajid Ali worked with BASF for 29 years, which includes 8 years as Director Finance and 12 years as Managing Director and Country Head. He retired from BASF in March 2014. His educational qualification is M.A., LLB. He joined Dadex Eternit Limited as Chief Executive Officer in May 2014 and has served on the Board of Dadex for 15 years, including 8 years as Chairman Audit Committee of Dadex.

Mr. Ali has attended several training seminars / workshops / courses from renowned national and international institutes and universities which includes Advance Management from University of Connecticut, USA, M-21 (Management-21st Century) from Michigan Business School, Michigan, USA, BMP (Basic Management Program) from Singapore, AMP (Advance Management Program) from Singapore Executive Development Centre, USA and Hong Kong, LS Seminars, Germany. He has represented Pakistan at the I.L.O. & United Nation's Conferences at New Delhi and Manila, International Personnel Management Conference, Washington D.C. USA & Bangkok, American Society for Training & Development (ASTD), Boston, USA, International Eye Bank Conference, Colombo, International Eye Bank Association, Washington and New York, USA.

Mr. Ali is President and Founder Member of Pakistan Eye Bank Society, which has established eye banks all over the country and now constructed Eye and General Hospital in North Karachi. He was elected twice as President of Pak German Business Forum. He also held the position of President IMPA (International Personnel Management Association, Pakistan Chapter).

Other directorships and offices

- Chief Executive Officer of Dadex Eternit Limited
- Member of the Human Resource and Remuneration Committee of Siemens (Pakistan) Engineering Co. Ltd.



Sadia Khan

Independent Director

Ms. Sadia Khan is the CEO designate of the Pakistan Institute of Corporate Governance. She has pursued a versatile career path traversing investment banking, financial regulation, family businesses and entrepreneurship across three continents. With Masters degrees in Economics from both Cambridge University and Yale University, Ms. Khan started her career at Lehman Brothers in New York. After obtaining her MBA from INSEAD in France, she has worked with various international institutions and local regulatory authorities, including the Asian Development Bank in the Philippines, the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan. For the past two decades, Ms. Khan has remained a passionate advocate of corporate governance and currently serves on various boards as an independent director, including Habib Bank Limited, Siemens (Pakistan) Engineering Co. Ltd., Pakistan Cables Limited, Engro Fertilizers Limited, Oil & Gas Development Company Limited, Karandaaz Pakistan and INSEAD. Her book entitled "Corporate Governance Landscape of Pakistan" was published by Oxford University Press in 2017.

In 2014, the French Government conferred on her, the prestigious French award, "Chevalier de l'Ordre National du Mérite" (Knight of the National Order of Merit). Ms. Khan is the President of the global INSEAD Alumni Association since 2015. She also serves as the Honorary Consul General of Finland in Karachi.

Other directorships and offices

- Chief Executive Officer of Pakistan Institute of Corporate Governance
- Director of Habib Bank Limited
- Director of Pakistan Cables Limited
- Director of Engro Fertilizers Limited
- Director of Oil & Gas Development Company Limited
- Director of Karandaaz Pakistan
- Director of INSEAD
- Director of Delta Transport (Private) Limited
- Director of Delta Shipping (Private) Limited
- Member of the Audit Committee of Siemens (Pakistan) Engineering Co. Ltd.

Chairman's Review Report



It gives me pleasure to present the FY 2019 Annual Report to the stakeholders of Siemens (Pakistan) Engineering Co. Ltd. and to comment on the Board's effectiveness in guiding the Company towards achievement of its aims and objectives.

The Company has a strong governance framework in place, which is instrumental in achieving long-term sustainability and growth. In this regard, the Board continues to play an effective role by steering the Company in a direction that focuses on its core business and competencies in-line with Siemens' global Vision 2020+ initiative.

The Board acknowledges that it requires members who bring a diverse set of skills, knowledge, core competencies and experience for the successful governance of the Company. An election of directors was held on January 15, 2019, wherein the number of independent directors on the Board was increased to two, in line with applicable laws and regulations. Ms. Sadia Khan is the most recent independent member to be welcomed to the Board, and her extensive experience in the field of Corporate Governance has added substantial value to the overall decision-making process of the Board.

I confirm that the current members of the Board have extensive expertise in the areas of business management, strategy, finance, corporate governance, legal and administration. Further, all members of the Board are cognizant of their fiduciary duty to the Company and its shareholders and have ensured that this obligation is always kept top of mind. As Chairman of the Board, I affirm that all directors are encouraged to contribute and deliberate on strategic and governance-related topics, and that inputs from the independent directors, the director representing minority shareholders, and the directors having relevant experience on such topics are consulted and given due consideration before taking any decision.

The Board has clearly defined the terms of reference of its committees, and the members are appointed after considering their requisite skills and experience. Further, the Board and its committees meet regularly during the year and exercise their governance roles after due deliberation on each matter placed before them.

The Board and its committees have in place a formal process for annual self-evaluation, to ensure that the performance of the directors, collectively and individually, remains highly satisfactory and the Board can continue to play an effective role in the Company's governance. In this regard, the most recent annual evaluation was carried out for FY 2019 in which the Board's overall performance and effectiveness was measured and benchmarked against pre-defined criteria. I am pleased to state that the Board's overall performance and effectiveness has been assessed as "strong". However, improvement is an ongoing process and I am confident that the Board will continue to deliver with the same level of dedication and commitment in the future.

I believe that the Company is well-positioned to play its part in the development of Pakistan under direction of the Board, and I am grateful for the efforts of my fellow board members.

On behalf of the Board, I take this opportunity to thank our employees, shareholders, customers, and other stakeholders for their utmost dedication, sustained support, and trust in the Company.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Brachert', written in a cursive style.

Dr. Sebastian Andreas Brachert
Chairman of the Board

Dear Shareholders,

We, the undersigned, for and on behalf of the Board of Directors are pleased to present the Siemens (Pakistan) Engineering Co. Ltd. ("Company") annual report and the audited financial statements for the financial year ended September 30, 2019 ("FY 2019"), together with auditors' report thereon.

During the year on comparable basis with FY 2018:

- Sales decreased by 15% mainly due to stiff competition with limited opportunities in the market resulting from unfavorable macroeconomic indicators in the Country and major projects completion in Afghanistan last year.
- Despite lower sales volume and an overall increase in cost of doing business on account of inflation and interest rates hikes, the Company posted healthy operating profit (9% of sales) and profit before tax (7% of sales) which also includes an exchange gain of Rs 708 million.

This performance highlights the strength of our team, which competed convincingly in a difficult economic environment, and achieved solid performance.

Key Performance Indicators	FY 2019	FY 2018
(Rupees in million)		
Net sales and services	16,673	19,522
Operating profit	1,431	2,276
Profit before income tax	1,199	2,234
Net profit for the year	710	1,159
Earnings per share (Rupees)	86.03	140.56

Appropriations

Following is the summary of appropriations made during FY 2019.

	(Rupees in million)
Accumulated profit as at October 1, 2018	873
Net profit after taxation for FY 2019	710
Final dividend of Rs 75 (750%) per share for FY 2018	(619)
Accumulated profit as at September 30, 2019	964

For details of movement in other reserves please refer to Statement of Changes in Equity in the financial statements.

Dividend

Keeping in view the Company's financial performance and future cash flow requirements, the Board is pleased to recommend a final cash dividend of Rs 46 (460%) per ordinary share.

Company Principle Activities and Business Segments

The Company is operating through the business portfolios Gas and Power, Smart Infrastructure and Digital Industries focusing on the areas of power generation and distribution, intelligent infrastructure for buildings and distributed energy systems, and automation and digitalization in the process and manufacturing.

Risks, Uncertainties and Mitigations

The Company is exposed, inter alia, to the following general risks which are mitigated through specific response plans:

A) Operational risks

The operational risks are related to project management (such as timely completion of the projects and change in estimates/plan costs), environment, health and safety, and supply chain management.

The Company addresses these risks in the course of its business by dedicating resources with requisite skills and expertise. The management determines risk response strategies for such risks, which include an “avoid, transfer, reduce, or accept” strategy.

B) Financial risks

Financial risk has been described in detail in note 42 of the attached financial statements that include market, credit, and liquidity risks.

C) Compliance risk

The Company has a zero-tolerance policy for non-compliant activities and behaviors. The Company further understands that non-compliance with laws and regulations may result in imposition of penalties, debarment, black-listing, license cancellation, etc. To mitigate such risks, the Company has implemented a very comprehensive and effective compliance function.

Further, the Business Conduct Guidelines (BCG) clearly define the Company’s expectations from all directors, executives and employees of the Company and from those with whom it conducts business. The Company encourages employees and business partners to report compliance violations that they encounter with confidence that there will be no adverse consequences for doing so. To facilitate the process, various reporting channels, such as the compliance helpdesk “Tell Us”, have been established on the Company’s website.

Environment, Health and Safety (EHS)

“Zero Harm Culture” remains a priority for all Company operations and activities. An exclusive initiative “We Care” was the focus of one of our leading manufacturing units, where we spoke to the hearts and minds of our people by organizing a Safety Day and several awareness campaigns on Siemens Safety Essentials.

Among our successes, we accomplished numerous projects safely with Zero LTI’s, achieved WWF Green Office certification after a thorough independent assessment, and significantly reduced the waste of water and paper through digitalization. Additionally, we encouraged our teams to fulfill our Environment Protection commitments by managing our carbon footprint through reducing the use of electricity in the form of lights and air conditioners in the office.

Commuting incidents remain a challenge due to inherent safety culture, dilapidated infrastructure and road conditions, and a lack of adherence to traffic rules in the major cities. We continue to focus on raising awareness of best practices and encouraging safe driving habits, in order to improve the general health and well-being of our employees.

Corporate Social Responsibility

Good corporate citizenship has been an integral component of the Company philosophy since Werner von Siemens founded the company in 1847. We have three focus areas for our corporate citizenship work: Access to Technology, Access to Education and Sustaining Communities. They emerged from our business strategy, core competencies, global targets for the betterment of society, global megatrends

(demographics, urbanization, climate change, globalization and digitalization), and stakeholder dialog. Our activities in Corporate Citizenship also contribute to advances in the SDGs across the board. Siemens attaches great importance on environmental and climate protection undertaking an ongoing program to encourage its employees to be more responsible in using resources.

In FY 2019, the Company has worked closely with the following organizations for fulfilling its Social responsibility:

- Family Educational Services Foundation (FESF)
- The Citizens Foundation (TCF)
- George Ludwig Rexroth
- Green Office Initiative in collaboration with WWF

For details please refer to the Sustainability and Corporate Citizenship section of the Annual Report.

Adherence to best practices of Corporate Governance

The Company is determined to meet and, wherever possible, exceed all legal and ethical requirements and to conduct all business according to the highest standards and practices. The Board defines a path of continuous improvement by constantly challenging existing processes. It also requires the Company to embrace change so that the Company is well-positioned when new opportunities arise. This also means attracting the best talent in the marketplace and providing them with the skills and opportunities required to achieve.

Composition of the Board and its Committees and number of Meetings and attendance during the Financial Year

Composition of the Board and its Committees, number of meetings of the Board and its Committees, and attendance therein, is as follows:

Composition		Board Meeting attended / held	Audit Committee Meeting attended / held	Human Resource and Remuneration Committee Meeting attended / held	Nomination Committee Meeting attended / held
Dr. Sebastian A. Brachert	Non-Executive Director	4/4 (Chairman)	N/A	2/2	1/1 (Chairman)
Mr. Helmut von Struve	MD - Executive Director	4/4	N/A	2/2	1/1
Mr. Qazi Sajid Ali	Independent Director	4/4	1/4 *	2/2 (Chairman)	N/A
Ms. Sadia Khan	Independent Director	3/4 **	3/4 * (Chairwoman)	N/A	N/A
Mr. Tim Dawidowsky	Non-Executive Director	3/4 **	3/4 ***	N/A	N/A
Mr. Manuel Kuehn	Non-Executive Director	3/4	2/4 ***	1/2 ****	N/A
Mr. Manzoor Ahmed	Non-Executive Director	4/4	4/4	N/A	N/A
Mr. Marco Schiffer	Non-Executive Director	1/4 **	1/4 ***	N/A	N/A
Ms. Beatrice Bock	Non-Executive Director	1/4 **	1/4 ***	N/A	N/A

* Ms. Sadia Khan was appointed as member and Chair of Audit Committee in place of Mr. Qazi Sajid Ali on January 23, 2019.

** Ms. Sadia Khan and Mr. Tim Dawidowsky were elected to the Board pursuant to elections of directors held on January 15, 2019, in place of retiring directors Ms. Beatrice Bock and Mr. Marco Schiffer.

*** Mr. Tim Dawidowsky and Mr. Manuel Kuehn were appointed as members of Audit Committee on January 23, 2019, in place of Ms. Beatrice Bock and Mr. Marco Schiffer, who retired from the Board pursuant to elections of directors held on January 15, 2019.

**** Mr. Manuel Kuehn served on Human Resource and Remuneration Committee till it was re-constituted on January 23, 2019.

For a detailed list of members of each Committee, please refer to serial no. 12 of the Statement of Compliance with the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'Codes'), duly reviewed by the external auditors.

Directors' Statements

We are pleased to state that:

- a) The financial statements, prepared by the management of the Company, fairly represent its state of affairs, including the result of its operations, cash flows and changes in equity;
- b) Proper books of account have been maintained by the Company;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements;
- d) The accounting estimates are based on reasonable and prudent judgment;
- e) International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements;
- f) The system of internal control, including internal controls over financial reporting, is sound in design and has been effectively implemented and monitored;
- g) There are no significant doubts upon the Company's ability to continue as a going concern; and
- h) There has been no material departure from the best practices of corporate governance, as detailed in the Codes.

Statement of Compliance

The Company strictly adheres to the principles of corporate governance and has implemented all prescribed stipulations. The same have been summarized in the enclosed Statement of Compliance with the Codes, duly reviewed by the external auditors.

Directors' Remuneration Policy

The Board has approved a Directors' Remuneration Policy, which describes in detail the policy's objectives and a transparent procedure for determination of the remuneration packages of individual directors for attending meetings of the Board and its Committees. Salient features, amongst others, of the Directors' Remuneration Policy are as follows:

- Level of remuneration shall be commensurate with the needs of the business, strategic alignment and the best interests of the Company and its shareholders.
- Level of remuneration shall be as per market practice of comparable companies/industry.
- While determining remuneration, no discrimination shall be made based on gender.
- Remuneration shall be sufficient to attract and retain qualified and skilled individuals on the Board to govern the Company successfully.
- Remuneration shall justify the time and expertise that is required to be spent by the directors to fulfil their responsibilities.
- Remuneration shall be sufficient to encourage value addition.
- Remuneration shall not be at a level that could be perceived to compromise the independence of

the directors.

- Managing Director/Chief Executive Officer, Executive Director and Directors representing the majority shareholder will not be entitled to any remuneration in accordance with the Articles of Association of the Company.
- Remuneration will be fixed for the entire term of the Board prior to each election of the directors (once every three years).
- Recommendation from Independent Consultant on level of remuneration to be fixed should be obtained for benchmarking.

Directors' Remuneration

Details of aggregate amount of remuneration separately of executive and non-executive directors are disclosed in note 38 to the financial statements.

Evaluation of the Board's Performance

The Board has approved a formal policy and a process has been put in place for conducting annual performance evaluation of the Board and its Committees. The purpose of the evaluation is to ensure that the Board's performance is measured with reference to overall corporate objectives, governance structure of the Company, statutory and regulatory compliance, effectiveness, collaboration and value addition. Performance evaluation was conducted as per the process approved by the Board for FY 2019, and overall performance and effectiveness of the Board is categorized as "strong". All members of the Board participated in performance evaluation and provided their feedback.

Directors' Training Program

For details on the director's training program, please refer to serial no. 9 of the Statement of Compliance with the Codes, duly reviewed by the external auditors.

Election of Directors

After completion of a three year term by the previous Board of Directors, an election of directors was held on January 15, 2019, at the 66th Annual General Meeting in which Dr. Sebastian Andreas Brachert, Mr. Helmut von Struve, Mr. Manuel Kuehn, Mr. Manzoor Ahmed, Mr. Qazi Sajid Ali, Ms. Sadia Khan and Mr. Tim Dawidowsky were elected in place of retiring directors namely Dr. Sebastian Andreas Brachert, Ms. Beatrice Bock, Mr. Helmut von Struve, Mr. Manuel Kuehn, Mr. Marco Schiffer, Mr. Manzoor Ahmed and Mr. Qazi Sajid Ali.

The total number of directors is seven (7) as per the following:

- Male: Six (6)
- Female: One (1)

The composition of the Board is as follows:

Category	Name
Independent Director	Mr. Qazi Sajid Ali
Non-Executive Directors	Dr. Sebastian Andreas Brachert Mr. Manuel Kuehn Mr. Manzoor Ahmed Mr. Tim Dawidowsky
Executive Director	Mr. Helmut von Struve
Female Director	Ms. Sadia Khan (Independent Director)

External Auditors

The current auditors, EY Ford Rhodes, Chartered Accountants (a member firm of Ernst & Young Global Limited) retire at the conclusion of the upcoming Annual General Meeting, and being eligible, offer themselves for reappointment.

As recommended by the Audit Committee, the Board recommends their reappointment at a remuneration of Rs 4.84 million (exclusive of applicable sales tax) for FY 2020.

Corporate Status

The Company is a subsidiary of Siemens Aktiengesellschaft, Germany (Siemens AG), which is incorporated under the laws of the Republic of Germany and holds 74.6% shares of the Company as at September 30, 2019.

Pattern of Shareholding

The Company is listed on Pakistan Stock Exchange Limited. The detailed pattern and categories of its shareholding including shares held by directors and executives, if any, are annexed to the Annual Report.

Investments in retirement benefits

The Company maintains provident and gratuity funds for its permanent employees, which are regulated through the respective board of trustees.

The value of investments of these funds as per their respective audited financial statements, are as follows:

	June 30, 2018	June 30, 2017	June 30, 2016
	(Rupees in million)		
Provident Fund	441.027	427.438	458.979

	September 30, 2018	September 30, 2017	September 30, 2016
	(Rupees in million)		
Gratuity Fund	176.958	146.109	168.925

Post Balance Sheet Event and Significant Developments during FY 2019

There have been no material changes or events from September 30, 2019, to the date of this report, which have an impact on the financial statements, except for the declaration of final dividend, which is subject to the approval of the Members of the Company at the forthcoming Annual General Meeting, the effect of which will be reflected in the FY 2020 financial statements.

As reported for FY 2018, and in line with the global reorganization of Siemens, the Company began operating through the business portfolios of Gas & Power, Smart Infrastructure, and Digital Industries with effect from April 1, 2019.

In addition, no significant / unusual development occurred during the year.

The Company's Future Outlook

While the Company remains well-positioned to leverage available opportunities in the market, the overall growth and economic condition of Pakistan remains a key driver to the success of Siemens. This year presented a significant challenge primarily due to a balance of payments crisis, growing budget deficit, and a substantial and extreme currency devaluation.

We expect that the difficult conditions of 2019 will prevail. External factors, such as foreign exchange fluctuation and market volatility, as well as the long, cyclical nature of our business, may continue to impact our profitability.

Acknowledgement

We take this opportunity to thank our valued customers who have continued to place trust in our products and services, and have provided sustained support in ensuring the progress of the Company. The Company is very proud of, and thankful to, its employees for their committed and passionate efforts, loyalty and dedication. We also greatly value the support and cooperation of all stakeholders who are helping and contributing towards the growth of our Company.

We would also like to extend our sincerest gratitude to our shareholders for the confidence and trust they have placed in us, and for their unwavering support.

On behalf of the Board



Dr. Sebastian Andreas Brachert
Chairman



Helmut von Struve
Managing Director

Karachi, 28 November 2019

Notes and Forward Looking Statement

This document contains statements related to our future business and financial performance and future events or developments that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders. Such statements are based on the current expectations and certain assumptions of management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in this report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens' neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Terms of Reference of Audit Committee

The Terms of Reference for the Audit Committee shall be as follows:

1. Determination of appropriate measures to safeguard the company's assets;
2. Review of annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - (i) major judgmental areas;
 - (ii) significant adjustments resulting from the audit;
 - (iii) going concern assumption;
 - (iv) any changes in accounting policies and practices;
 - (v) compliance with applicable accounting standards;
 - (vi) compliance with these regulations and other statutory and regulatory requirements; and
 - (vii) all related party transactions.
3. Review of preliminary announcements of results prior to external communication and publication;
4. Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
5. Review of management letter issued by external auditors and management's response thereto;
6. Ensuring coordination between the internal and external auditors of the company;
7. Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
8. Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
9. Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
10. Review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
11. Instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
12. Determination of compliance with relevant statutory requirements;
13. Monitoring compliance with these regulations and identification of significant violations thereof;
14. Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
15. Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof; and
16. Consideration of any other issue or matter as may be assigned by the board of directors.

Terms of Reference of Human Resources and Remuneration Committee

The Terms of Reference for the Human Resource and Remuneration Committee shall be as follows:

1. Recommend to the board for consideration and approval of a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the board which shall normally include the first layer of management below the chief executive officer level;
2. Undertaking annually a formal process of evaluation of performance of the board as a whole and its committees either directly or by engaging external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing name, qualifications and major terms of appointment;
3. Recommending human resource management policies to the board;
4. Recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
5. Consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and
6. Where human resource and remuneration consultants are appointed, their credentials shall be known by the committee and a statement shall be made by them as to whether they have any other connection with the company.

Terms of Reference of the Nomination Committee

The Terms of Reference for the Nomination Committee shall be as follows:

1. Responsible for considering and making recommendations to the Board in respect of the Board committees and the chairmanship of the Board committees.
2. Responsible for keeping the structure, size and composition of the Board under regular review and for making recommendations to the Board with regard to any changes necessary.
3. Any other matter which is ancillary to the TOR mentioned above.

In case of any conflict in the Terms of Reference of the Nomination Committee with the terms of the Human Resource and Remuneration Committee, the matter shall be referred to the Board of Directors for decision.

Sustainability at Siemens



1. Sustainable Development

Megatrends like climate change, urbanization, demographic change, globalization and digitalization are stimulating change in our world, all of which needs to be driven toward a more sustainable future. The aim is to improve the prosperity and quality of life of all people, while keeping within the limits of the planet. To globally strive toward sustainable development, 193 UN member states adopted the Agenda 2030 and its 17 Sustainable Development Goals (SDGs), which came into effect in January 2016. The SDGs and their related targets address the most important economic, social, environmental and governance-related challenges of our times and stimulate transformational change. This requires governments, businesses, cities and civil societies to contribute their fair share. As a global industrial conglomerate with businesses along the energy value chain and in the healthcare sector, Siemens is in a unique position to touch on substantial business opportunities from several trillion euros worth of investment per annum needed to drive the UN Agenda 2030 toward the SDGs and related targets. We are having an impact on most of the SDGs in four important ways:

- through our products and solutions,
- by responsibly operating our business,
- through our expertise and thought leadership,
- and through our Corporate Citizenship activities and community engagement

2. Sustainability Management

To us, being a sustainable business means ensuring profitable and long-term growth while balancing profit, people and planet. We believe that the SDGs are a responsibility, but that they also offer new business opportunities to Siemens, notably by opening doors for us to work with national and local governments that want to reshape their own development agenda. We hope to continue our collaboration with them in such areas as energy and decarbonization, transportation, infrastructure, industrial development, urban development, healthcare, innovation, job creation, education and the fight against corruption. Integrating the perspective of Siemens' contribution to the SDGs enriched the assessment of the most important issues and facilitated a well-informed materiality process.

Materiality Assessment

Analyzing our impact on the SDGs added a new perspective on our assessment of the most important issues for Siemens and confirmed our findings from the previous materiality assessments. In the course of this assessment process, 12 principles emerged from regular dialogues with external and internal stakeholders as they set priorities based on their importance for Siemens and its stakeholders. These

principles are clustered under the three headings – profit, people and planet – and reflect our ambition to contribute to societies as well as develop new business opportunities together with our customers:

Profit

- We contribute to the competitiveness of our customers with our products, solutions, and services.
- We partner with our customers to identify and develop sustainability-related business opportunities.
- We operate an efficient and resilient supply chain by using a supplier code of conduct, risk management, and capacity building.
- We take the initiative to work with our stakeholders to manage project and reputational risks and identify relevant business trends.
- We adhere to the highest compliance and anti-corruption standards and promote integrity via the Siemens Integrity Initiative, which fights corruption and fraud through collective action, education and training.

Planet

- We help our customers increase energy efficiency, save resources and reduce carbon emissions.
- We develop our products, solutions and services using a lifecycle perspective and sound eco-design standards.
- We minimize the environmental impact of our operations through environmental management programs, and we aim to become carbon neutral by 2030.

People

- We contribute to the sustainable development of societies with our portfolio, local operations, and thought leadership.
- We foster long-term relationships with local societies through Corporate Citizenship projects with partners.
- We live a zero-harm culture and promote the health of our employees.
- We live a culture of leadership based on common values, an innovation mindset, people orientation and diversity.

These 12 principles are the key statements that describe how we implement sustainability at Siemens at the corporate level, in our businesses and at the regional level.

Corporate Citizenship

Good corporate citizenship has been an integral component of the Company philosophy since Werner von Siemens founded the company in 1847. We have three focus areas for our corporate citizenship work: Access to Technology, Access to Education and Sustaining Communities. They emerged from our business strategy, core competencies, global targets for the betterment of society, global megatrends (demographics, urbanization, climate change, globalization and digitalization), and stakeholder dialog. Our activities in Corporate Citizenship also contribute to advances in the SDGs across the board. Siemens attaches great importance to environmental and climate protection undertaking an ongoing program to encourage its employees to be more responsible in using resources.

Family Educational Services Foundation (FESF)

Siemens has continued its support for Deaf Reach, a program of the Family Educational Services Foundation, that was established in 1995 to provide academic and vocational education to deaf children and youth, particularly in rural areas, with little access to formal education or vocational training.

Less than 5% of over 1 million deaf children in Pakistan have access to education. Over 65% of Pakistan's population lives in rural areas, where there currently exists no access to basic education for the Deaf, let alone technical and vocational programs. It is vital that programs with an integrated approach to developing literacy and technical and vocational skills be available to deaf youth, to prepare them to enter the workforce and/or to initiate microenterprise livelihood projects.

Siemens' partnership with FESF in reaching the Deaf children of Pakistan, is helping provide academic and vocational training to over 1000 deaf children and adolescents, 43% of who are females.



Support for The Citizens Foundation

The Citizens Foundation endeavors to bring about positive social change by providing quality education to children who would otherwise not be able to attend school due to financial constraints. Siemens continues to support the initiative 'Educate a Child – Transform a Life' through TCF's 'Sponsor-a-Classroom' program. Every child deserves an education and a better chance in life, and we are happy to provide the required support to help make it happen.



Georg Ludwig Rexroth School

Siemens provided financial support to a school run by the Georg Ludwig Rexroth Charitable Trust. The school, located in one of the less privileged neighborhoods of Karachi, Orangi Town, aims to provide a competitive standard of education to children who would otherwise have no access to it. The school not only provides regular education but also supports adult literacy and vocational training. Siemens contribution is an effort to alleviate illiteracy, arguably one of the most pressing issues for Pakistan.



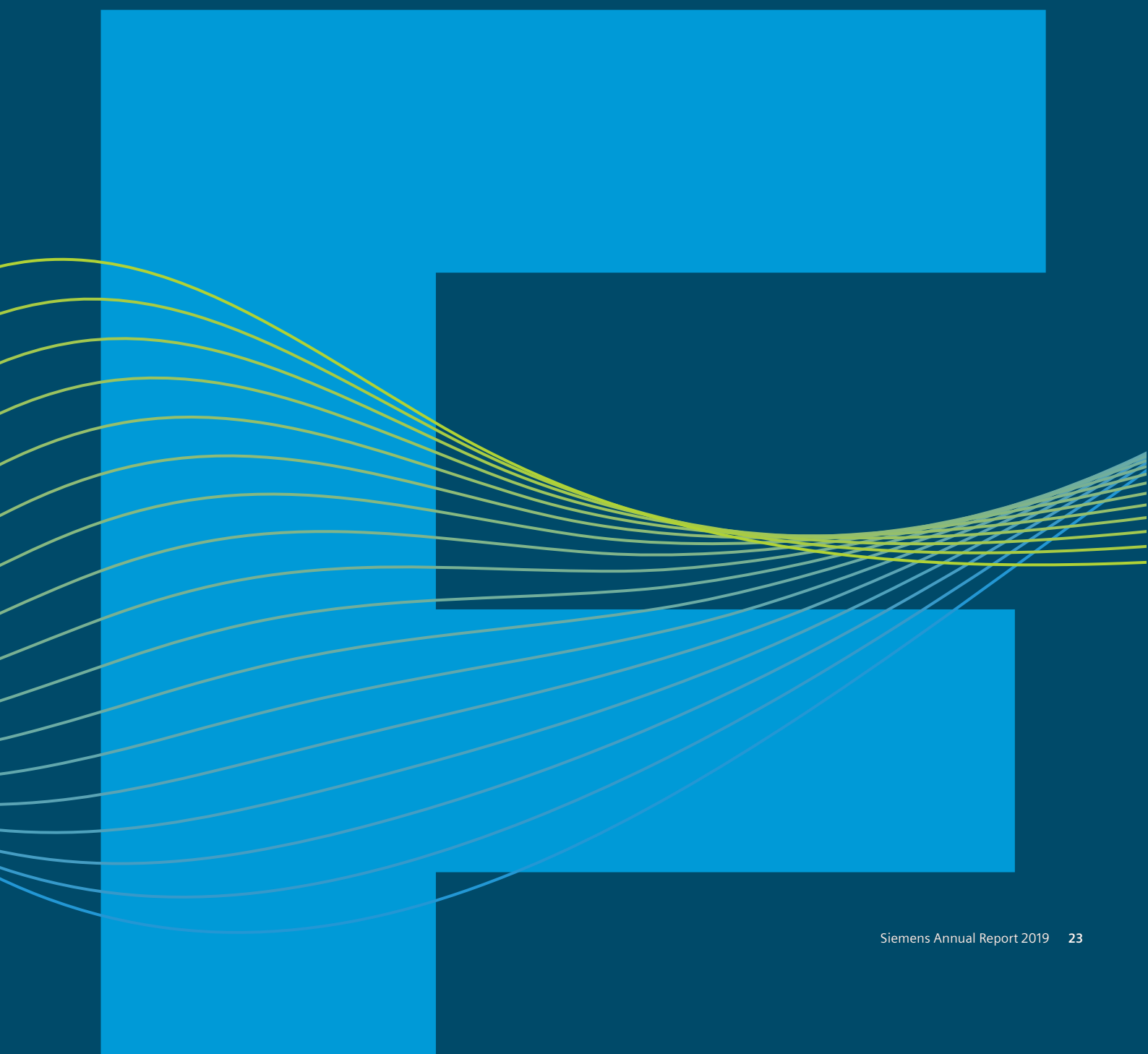
Green Office Initiative in collaboration with WWF

Siemens partnered with WWF Pakistan for its Green Office programme to address the environmental challenges and learn ways to be instrumental in improving our environment. Green Office Program is a practical and simple Environmental Management System specifically for office conditions to reduce overall carbon emissions. Green Office is a programme that will help us reduce our environmental footprint and in educating employees to be better and responsible citizens and understand their civic and environmental responsibilities.

The implementation of a Green Office will help Siemens cut down on energy costs, reduce waste and make better procurement choices.



Financial Report 2019



INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Siemens (Pakistan) Engineering Co. Ltd.

Review Report on the Statement of Compliance contained in the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred to as 'Codes'), prepared by the Board of Directors of Siemens (Pakistan) Engineering Co. Ltd. for the year ended 30 September 2019 in accordance with the requirements of Regulation 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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 requirements contained in the Codes as applicable to the Company for the year ended 30 September 2019.



Chartered Accountants
Place: Karachi
Date: 18 December 2019

Statement of Compliance with repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019

Siemens (Pakistan) Engineering Co. Ltd.

For the year ended September 30, 2019

The Company has complied with the requirements of the repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'Codes') in the following manner:

1. The total number of directors is seven (7) as per the following:

- Male: Six (6)
- Female: One (1)

2. The composition of Board is as follows:

Category	Names
Independent Director	Mr. Qazi Sajid Ali
Non-executive Directors	Dr. Sebastian Andreas Brachert Mr. Manuel Kuehn Mr. Manzoor Ahmed Mr. Tim Dawidowsky
Executive Director	Mr. Helmut von Struve
Female Director	Ms. Sadia Khan (Independent Director)

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. The Company has prepared a Code of Conduct called "Business Conduct Guidelines" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Codes.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the Codes with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and the Codes.
9. The Board has duly complied with the Directors' Training Program requirements and the criteria as prescribed in the Codes. As at 30 September 2019, all directors of the Company are compliant with the required training program.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Codes.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed following Committees comprising of members given below:

Members of Audit Committee	Designation
Ms. Sadia Khan Mr. Manuel Kuehn Mr. Manzoor Ahmed Mr. Tim Dawidowsky	Chairwoman (Independent Director) Non-Executive Director Non-Executive Director Non-Executive Director
Members of Human Resource and Remuneration Committee	Designation
Mr. Qazi Sajid Ali Dr. Sebastian Andreas Brachert Mr. Helmut von Struve	Chairman (Independent Director) Non-Executive Director Executive Director
Members of Nomination Committee	Designation
Dr. Sebastian Andreas Brachert Mr. Helmut von Struve	Chairman (Non-Executive Director) Executive Director

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.

14. The frequency of meetings of the Committees were as per following:

- Audit Committee: Four quarterly meetings during FY 2019 ended 30 September 2019
- Human Resource and Remuneration Committee: Two half yearly meetings during FY 2019 ended 30 September 2019
- Nomination Committee: One annual meeting during FY 2019 ended 30 September 2019

15. The Board has outsourced the internal audit function to Siemens AG who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory 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 and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, the Codes or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 have been complied with.

19. We confirm that all the requirements of repealed Listed Companies (Code of Corporate Governance) Regulations, 2017 have been complied with.



Dr. Sebastian Andreas Brachert
Chairman of the Board



Helmut von Struve
Managing Director

INDEPENDENT AUDITORS' REPORT

To the members of Siemens (Pakistan) Engineering Co. Ltd.

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of **Siemens (Pakistan) Engineering Co. Ltd.** (the Company), which comprise the statement of financial position as at **30 September 2019**, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Accounting for construction and engineering contracts	
The Company earns a significant portion of its revenue from long term construction and engineering contracts which is recognized over the term of contract in accordance with the stage of completion method. Further, the valuation of trade receivables and contract assets as well as the recognition and measurement of provision for warranties, liquidated damages and losses on sales contracts requires management to exercise significant judgement to develop these estimates. The recognition of revenue and related contract assets and liabilities therefore involves significant estimate with respect to stage of completion of contracts and measurement of the amount of revenue considering the costs, price and its allocation to various components of performance obligation. Due to the above mentioned estimates in relation to the revenue recognition and related provisions, we identified this area as a key audit matter. Refer notes 2.4, 3.2, 3.3, 3.10, 3.14, 8, 9, 19, 20 and 25 to the financial statements.	Our audit procedures amongst others included obtaining an understanding of the Company's processes and controls for project management in the bid and execution phase of construction contracts and the process for recognition of provisions. We evaluated management's estimates and assumptions based on a risk based selection of a sample of contracts. We inspected the terms and conditions of the sample contracts including contractually agreed milestones, penalties for delay/breach and liquidated damages, etc. We also evaluated whether revenues were recognized in the appropriate period for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized and examined the accounting for the associated positions in the statement of financial position. We also carried out inquiries of project management with respect to the development and amendments of the projects. We considered management process for determining the related provisions, discussed judgment exercised by them and checked approval of the Board in this regard. We also circularized confirmations to counterparties and inspected the confirmation responses received. Further, we inspected the specific contract terms to ensure the completeness and valuation of provisions recorded by the management.

Key audit matter	How our audit addressed the key audit matter
2. Recognition and realization of deferred tax asset	
As disclosed in note 17, the Company has recognized deferred tax asset amounting to Rs. 861.508 million. In order to ascertain that sufficient future taxable profits will be available, the management has prepared future projections of taxable profits by taking into account various assumptions mainly comprising of expected future revenues, business and operational assumptions and timing of reversals. The analysis of the recognition and recoverability of the deferred tax asset was significant to our audit because of the significant value of deferred tax asset and the assessment of future taxable income involves significant management judgement about future business and economic factors. Therefore, we identified this area as a key audit matter.	Our audit procedures among others, included obtaining an understanding of the process and controls on this area relevant to our audit. We evaluated the appropriateness of the components on which the Company has recognized deferred tax asset in light of the requirements of the Income Tax Ordinance, 2001, considering the factors including age and the expiry of the deferred tax asset and tax rates enacted. For this purpose, we involved our internal tax specialist to assist us. We evaluated the Company's assumptions and estimates in relation to the likelihood of generating future taxable income, principally by performing sensitivity analysis and testing the key assumptions used by the management. We have also assessed the adequacy of the Company's disclosures in accordance with applicable financial reporting framework in Pakistan.
3. Estimates and assumptions involved in staff retirement benefits	
The Company operates a funded gratuity scheme for all its regular permanent employees with liabilities amounting to Rs. 528.512 million, which were significant in the context of the overall statement of financial position of the Company. In determining the obligation in respect of staff retirement benefits, the Company engaged an actuarial expert to perform the actuarial valuation of the present value of the defined benefit obligation, which involves use of key assumptions including discount rates, expected rate of increase in future salaries, medical costs and mortality rates. Changes in any of these key assumptions can have a material impact on the calculation of the liability. Accordingly we have identified this area as a key audit matter. Refer notes 2.4, 3.1.1 and 7.2 to the financial statements.	We obtained an understanding of the process for recognition of defined benefit plan and Company's control in this area relevant to our audit. We evaluated the competence and objectivity of the qualified actuary engaged by the Company to value the defined benefit obligation under International Accounting Standard 19 'Employee Benefits'. We engaged our external expert to assess the appropriateness of the methodology and assumptions used to determine the obligation in respect of defined benefit plan. We tested data provided by the Company to actuary for purpose of valuation. We have also assessed the adequacy of the Company's disclosures in accordance with applicable financial reporting framework in Pakistan.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

The engagement partner on the audit resulting in this independent auditors' report is Shariq Ali Zaidi.



Chartered Accountants

Place: Karachi

Date: 18 December 2019

A member firm of Ernst & Young Global Limited

Siemens (Pakistan) Engineering Co. Ltd.

Statement of Financial Position

As at September 30, 2019

	Note	2019 (Rupees in '000)	2018
Equity and liabilities			
Share capital and reserves			
Share capital			
- Authorised 20,000,000 (2018: 20,000,000) Ordinary shares of Rs 10 each		200,000	200,000
- Issued, subscribed and paid-up	5	82,470	82,470
Reserves			
Capital	6	624,192	624,192
Revenue	6	5,280,782	5,071,507
		5,904,974	5,695,699
		5,987,444	5,778,169
Non-current liabilities			
Retention money		57,958	143,698
Others		32,075	27,206
		90,033	170,904
Current liabilities			
Trade and other payables	7	6,244,694	7,330,409
Contract liabilities	8	2,043,467	1,574,356
Provisions	9	652,033	634,416
Short-term running finance	10	793,642	1,876,320
Taxation - net	11	495,827	615,468
Unclaimed dividend		32,076	29,787
		10,261,739	12,060,756
Total liabilities		10,351,772	12,231,660
Contingencies and commitments			
	12		
Total equity and liabilities		16,339,216	18,009,829
Assets			
Non-current assets			
Fixed assets			
Property, plant and equipment	13	378,120	388,095
Intangible assets	14	1,342	3,842
		379,462	391,937
Long-term loans and trade receivables	16	604,139	350,268
Long-term deposits and prepayments		175	3,793
Deferred tax asset	17	861,508	873,190
		1,845,284	1,619,188
Current assets			
Inventories	18	1,305,741	1,314,431
Trade receivables	19	9,040,768	7,909,930
Contract assets	20	2,514,935	4,479,227
Loans and advances	21	253,478	227,741
Deposits and short-term prepayments	22	111,768	156,387
Other receivables	23	714,038	853,217
Cash and bank balances	24	553,204	1,449,708
		14,493,932	16,390,641
Total assets		16,339,216	18,009,829

The annexed notes 1 to 48 form an integral part of these financial statements.


Helmut von Struve
 Managing Director


Umer Jalil Anwer
 Chief Financial Officer


Sebastian A. Brachert
 Director

Siemens (Pakistan) Engineering Co. Ltd.

Statement of Profit or Loss

For the year ended September 30, 2019

	Note	2019 (Rupees in '000)	2018
Net sales and services	25	16,672,924	19,522,120
Cost of sales and services	26	(14,170,266)	(16,220,171)
Gross profit		2,502,658	3,301,949
Marketing and selling expenses	27	(737,527)	(753,896)
General administrative expenses	28	(267,103)	(222,208)
		(1,004,630)	(976,104)
Other income	29	22,449	116,660
Other operating expenses	29	(89,329)	(166,096)
Net other operating expenses		(66,880)	(49,436)
Operating profit		1,431,148	2,276,409
Financial income	30	6,604	37,080
Financial expenses	30	(239,265)	(79,828)
Net finance expense		(232,661)	(42,748)
Profit before income tax		1,198,487	2,233,661
Income tax	31	(489,019)	(1,074,441)
Net profit for the year		709,468	1,159,220
Basic and diluted earnings per share (Rupees)	32	86.03	140.56

The annexed notes 1 to 48 form an integral part of these financial statements.



Helmut von Struve
Managing Director



Umer Jalil Anwer
Chief Financial Officer



Sebastian A. Brachert
Director

Siemens (Pakistan) Engineering Co. Ltd.

Statement of Other Comprehensive Income

For the year ended September 30, 2019

	2019	2018
	(Rupees in '000)	
Net profit for the year	709,468	1,159,220
Other comprehensive income / (loss) for the year not to be reclassified to statement of profit or loss in subsequent periods:		
Recognition of remeasurement gain / (loss) on defined benefit plan	146,930	(111,048)
Deferred tax thereon	(28,595)	21,921
Other comprehensive income / (loss) for the year - net of tax	118,335	(89,127)
Total comprehensive income for the year	827,803	1,070,093

The annexed notes 1 to 48 form an integral part of these financial statements.


Helmut von Struve
 Managing Director


Umer Jalil Anwer
 Chief Financial Officer


Sebastian A. Brachert
 Director

Siemens (Pakistan) Engineering Co. Ltd.

Statement of Cash Flows

For the year ended September 30, 2019

	Note	2019 (Rupees in '000)	2018
Cash flows from operating activities			
Cash generated from / (used in) operations	33	1,843,929	(2,489,954)
Payment to gratuity fund		(67,607)	(50,970)
Financial expenses paid		(208,116)	(49,024)
Income tax paid		(625,573)	(606,051)
Net cash generated from / (used in) operating activities		942,633	(3,195,999)
Cash flows from investing activities			
Capital expenditure incurred		(151,651)	(237,898)
Proceeds from sale of property, plant and equipment		9,563	7,449
Financial income received		1,868	32,561
Net cash used in investing activities		(140,220)	(197,888)
Cash flows from financing activities			
Dividends paid		(616,239)	(613,325)
Net cash used in financing activities		(616,239)	(613,325)
Net increase / (decrease) in cash and cash equivalents		186,174	(4,007,212)
Cash and cash equivalents at beginning of the year		(426,612)	3,580,600
Cash and cash equivalents at end of the year	34	(240,438)	(426,612)

The annexed notes 1 to 48 form an integral part of these financial statements.



Helmut von Struve
Managing Director



Umer Jalil Anwer
Chief Financial Officer



Sebastian A. Brachert
Director

Siemens (Pakistan) Engineering Co. Ltd.

Statement of Changes in Equity

For the year ended September 30, 2019

	Issued, subscribed and paid-up share capital	Capital reserves			Revenue reserves			Total
		Share premium	Treasury shares reserve	Other capital reserve	General reserves	Remeasurement gain / (loss) on defined benefit plan	Accumulated profit	
	(Rupees in '000)							
Balance as at September 30, 2017	82,470	619,325	567	4,300	4,523,026	(235,800)	332,716	5,326,604
Final dividend @ Rs 75/- per Ordinary share of Rs 10/- each for the year ended September 30, 2017	-	-	-	-	-	-	(618,528)	(618,528)
Net profit for the year ended September 30, 2018	-	-	-	-	-	-	1,159,220	1,159,220
Other comprehensive loss for the year	-	-	-	-	-	(89,127)	-	(89,127)
Total comprehensive income for the year	-	-	-	-	-	(89,127)	1,159,220	1,070,093
Balance as at September 30, 2018	82,470	619,325	567	4,300	4,523,026	(324,927)	873,408	5,778,169
Final dividend @ Rs 75/- per Ordinary share of Rs 10/- each for the year ended September 30, 2018	-	-	-	-	-	-	(618,528)	(618,528)
Net profit for the year ended September 30, 2019	-	-	-	-	-	-	709,468	709,468
Other comprehensive income for the year	-	-	-	-	-	118,335	-	118,335
Total comprehensive income for the year	-	-	-	-	-	118,335	709,468	827,803
Balance as at September 30, 2019	82,470	619,325	567	4,300	4,523,026	(206,592)	964,348	5,987,444

The annexed notes 1 to 48 form an integral part of these financial statements.


Helmut von Struve
 Managing Director


Umer Jalil Anwer
 Chief Financial Officer


Sebastian A. Brachert
 Director

Siemens (Pakistan) Engineering Co. Ltd.

Notes to the Financial Statements

For the year ended September 30, 2019

1. LEGAL STATUS AND OPERATIONS

Siemens (Pakistan) Engineering Co. Ltd. (the Company) was incorporated in Pakistan in the year 1953. The Company is a public limited company and its shares are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in the execution of projects under contracts and in manufacturing, sale and installation of electronic and electrical capital goods. The Company's registered office is situated at B-72, Estate Avenue, S.I.T.E., Karachi. The geographical location of other offices and plant is given in note 47 to these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act differ from IFRS, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the 'historical cost' convention except as mentioned in note 3 to these financial statements.

2.3 Functional and presentation currency

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

2.4 Use of estimates, assumptions and judgements

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

These estimates 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 estimates, assumptions and judgements made by the management in applying accounting policies include:

- Contract liabilities (note 3.2)
- Provision for warranty obligations (note 3.3)
- Method of depreciation and amortisation, residual values, useful lives and impairment on property, plant and equipment and intangible assets (note 3.5 and 3.6)
- Allowance for expected credit losses (loss allowances) on doubtful contract assets, trade and other receivables (note 3.7.1)
- Provision for taxation and deferred taxation (note 3.8)
- Provisions against inventories (note 3.9)
- Actuarial assumptions for the gratuity scheme and provision thereagainst (note 7.2); and
- Costs of completion of contracts in progress (note 3.14 and 25.1)

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 a defined benefit plan and a defined contribution plan.

3.1.1 Defined Benefit Plan

The Company operates a funded gratuity scheme for all its regular permanent employees. 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. Remeasurement gains / losses are recognised directly to equity through statement of other comprehensive income (OCI) and are not reclassified to statement of profit or loss in subsequent periods.

3.1.2 Defined Contribution Plan

The Company also operates a provident fund scheme for all its regular permanent employees. Equal monthly contributions are made to the fund, both by the Company and the employees at the rate of 10 percent of the aggregate of basic salary and cost of living allowance, wherever applicable.

3.2 Contract liabilities

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

It also includes refund liabilities arising out of customers' right to claim amounts from the Company on account of contractual delays in delivery of performance obligations and incentive on target achievements for dealers.

3.3 Provisions

A provision is recognised in the statement of financial position when the Company has a present (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 warranty obligations when the underlying products or services are sold or rendered. The provision is estimated based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

When it is probable that a contract's costs will exceed total contract's revenue, the expected loss is recognised as an expense immediately.

3.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying capital asset under construction are capitalised and added to the project cost until such time the assets are substantially ready for their intended use, i.e., when they are capable of commercial production. All other borrowing costs are recognised as an expense in the statement of profit or loss in the period in which they are incurred.

3.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work in progress which are stated at cost less accumulated impairment losses, if any. Cost in relation to self manufactured assets includes direct cost of materials, labour and applicable manufacturing overheads. If the cost of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of assets are taken to the Statement of profit or loss.

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

Repairs and maintenance are charged to statement of profit or loss as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or the performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Depreciation is charged to statement of profit or loss applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the month of deletion, if not already fully depreciated. The residual value, depreciation method and the useful lives of each class of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date.

3.6 Intangible assets

Intangible assets having definite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight line method over the estimated useful lives. Amortization on additions is charged from the month in which the asset is available for use and on disposals upto the month of deletion, if not already fully depreciated.

3.7 Impairment

3.7.1 Financial assets

The Company recognises an impairment for lifetime expected credit losses (loss allowance) for all financial assets, other than those held at fair value through profit and loss. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company has also considered a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

3.7.2 Non-Financial assets

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

3.8 Taxation

3.8.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001.

3.8.2 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 date of statement of financial position.

Deferred tax liability is recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits. 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. Deferred tax charged is recognised in statement of profit and loss, however deferred tax relating to items recognised in OCI / Equity is recognised directly in OCI / Equity.

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.

The Company reviews the carrying amount of inventories on an on-going basis and as appropriate, inventory is written down to its net realisable value or provision is made for obsolescence if there is any change in usage pattern and / or physical form of related inventory.

Net realisable value signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessarily to be incurred to make the sale.

3.10 Contract assets

Contract assets arise on long term construction contracts when the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. It is measured at cost plus profit recognised to date less progress billing and recognised losses; and any related loss allowance thereagainst. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred.

The Company generally becomes entitled to invoice customers for execution of construction contract based on achieving a series of performance-related milestones as per the respective contracts.

3.11 Cash and cash equivalents

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

3.12 Segment reporting

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loans and borrowings and related expenses, cash and bank balances and related income, corporate assets and tax assets and liabilities.

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

3.13 Foreign currencies

Foreign currency transactions are translated into Pakistani Rupees at exchange rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are re-translated at the rates of exchange prevailing at the reporting date. Exchange gains and losses are included in the statement of profit or loss. Non monetary items that are measured in terms of a historical cost in a foreign currency are not re-translated.

3.14 Revenue recognition

Revenue from sale of goods is recognised at a point in time when the customer obtains control of the goods or services.

Service revenue is recognised over the contractual period or as and when services are rendered to customers.

The Contract revenue generated from execution of long term construction-type contracts is accounted for under the percentage-of-completion method as the customer obtains control of the goods or services over the time. Contract revenue and contract costs relating to such contracts are recognised as revenue and expenses respectively by reference to stage of completion of contract activity at the reporting date. Stage of completion of a contract is determined by applying 'cost-to-cost method' by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. Contract revenue on construction contracts valuing less than Rs 10 million and / or duration upto six months is recognised using completed contract method.

When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Contract modifications which may be a change in the scope or price (or both) are included in contract revenue to the extent that they have been agreed with the customer and create enforceable rights and obligations.

Commission income is recognised on receipt / acknowledged basis. Financial income is recognised as it accrues, using the effective mark-up rates.

3.15 Financial assets and liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through OCI or fair value through profit or loss. This classification depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, the Company initially measures all financial assets at cost, which is the fair value of consideration given. Trade receivables are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, the financial asset gives rise on specified dates to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding and the Company holds such financial assets with an objective to collect contractual cash flows. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading (including derivatives unless they are designated as effective hedging instruments), financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. These are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. These are subsequently measured at fair value or amortised cost as the case may be. Gains or losses are recognised in statement of profit or loss.

The Company derecognises the financial assets and financial liabilities when it ceases to be a party to contractual provisions of such instruments.

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 amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.16 Derivative financial instruments

The Company uses derivative financial instruments to cover its exposure to foreign exchange arising from operational activities, if possible. Any gain or loss from re-measuring the derivative financial instrument at fair value is recognised in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through statement of profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss.

3.17 Dividends

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

3.18 Share based payment transactions

The fair value of the amount payable in cash to employees in respect of share based schemes is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as salaries, wages and employee welfare expense in the statement of profit or loss.

3.19 Ijarah contracts

Leases in which a significant portion of the risks and rewards of ownership is retained by the Muj'ir (lessor) and Ijarah agreements have been entered into, are classified as Ijarah. Lease rentals paid under Ijarah are charged to statement of profit or loss on a straight-line basis over the period of Ijarah.

3.20 Standards, amendments, interpretations and improvements adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as stated below:

New / amended standards, interpretations and improvements

The Company has adopted the new / amended standards, interpretations and improvements to IFRSs which became effective for the current year except for IFRS 15 'Revenue from Contracts with Customers' which was already early adopted by the Company:

IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
IFRS 9	Financial Instruments
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Improvements to accounting standards issued by IASB in December 2016

IAS 28 Investments in Associates and Joint Ventures

The adoption of the above standards, interpretations and improvement to standards did not have any material effect on these financial statements in the period of initial application except for adoption of IFRS 9 'Financial Instruments' as explained below:

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments', has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) for annual periods beginning on or after July 01, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9 categorizes financial assets at (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (c) fair value through profit or loss (FVTPL) and their classification is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. It requires to recognise a loss allowance on debt instruments measured subsequently at amortised cost or at FVOCI. There are no significant changes in the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

As allowed under IFRS 9, the comparative periods have not been restated in the enclosed financial statements, as initial application of IFRS 9 did not have any significant impact on the classification, measurement and impairment of the Company's existing financial assets and liabilities as at October 01, 2018, as enumerated below:

a) Classification and measurement

Financial assets (i.e. trade and other receivables, contract assets, loans, deposits and cash at banks') previously classified as 'loans and receivables' under IAS 39 and measured at amortised cost, continue to be classified and measured at amortised cost under IFRS 9. Similarly, derivative financial assets continue to be classified and measured at FVTPL. Therefore, the classification and measurement requirements of IFRS 9 do not have any material impact in the period of initial application. Further details about classification requirements are explained in note 3.15 to these financial statements.

b) Impairment

For financial assets carried at amortised cost, the Company has applied simplified approach to calculate loss allowance as explained in note 3.7.1 to these financial statements. All bank balances are assessed to have a low credit risk, as they are held with reputable banking institutions.

3.21 Standards, improvements and amendments to approved accounting standards that are not yet effective

The following revised standards and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards:

Standard		Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	January 01, 2020
IFRS 3	Business Combinations: Previously held interests in a joint operation	January 01, 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	January 01, 2019
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 11	Joint Arrangements Previously held interests in a joint operation	January 01, 2019
IFRS 16	Leases	January 01, 2019
IAS 1/ IAS 8	Definition of Material (Amendments)	January 01, 2020
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity	January 01, 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation	January 01, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 16 - Leases. This standard supersedes:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases Incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. Under the new standard, distinction between operating and finance leases has been removed for lessee and all lease contracts, with limited exceptions, will be recognized in statement of financial position by way of right-of-use assets along with their corresponding lease liabilities. Further, it will also have an impact on classification of expenses, cash flows and the timing of expenses recognized in the statement of profit or loss.

The Company will adopt IFRS 16 with effect from October 1, 2019 using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application with no restatement of comparative information.

The Company has lease contracts for properties on rental arrangement. Before the adoption of IFRS 16, the Company classified each of these leases at the inception date as an operating lease. Upon adoption of IFRS 16, the Company will apply single recognition and measurement approach for all leases, except for short-term leases, low-value assets and those under ijarah arrangements. The Company expects to recognise right-of-use assets and lease liabilities of Rs 123.359 million. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2020. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

4. OPERATIONS IN AFGHANISTAN

Effective December 31, 2015 the Company ceased to participate in further business in Afghanistan due to withdrawal of sales rights by Siemens AG for the Afghanistan territory. However, the Company will continue to execute the orders in hand as at September 30, 2019 amounting to Rs 965.264 million (2018: Rs 853.449 million). Information relating to Afghanistan operations is presented in note 46 to these financial statements.

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

Ordinary shares of Rs 10/- each
2019 2018
(No. of shares)

			2019	2018
			(Rupees in '000)	
6,217,780	6,217,780	Issued for cash	62,178	62,178
81,700	81,700	Issued for consideration other than cash	817	817
1,526,800	1,526,800	Issued as bonus shares	15,268	15,268
(56,683)	(56,683)	Treasury shares	(567)	(567)
477,440	477,440	Issued under a scheme of amalgamation	4,774	4,774
8,247,037	8,247,037		82,470	82,470

5.1 Siemens Aktiengesellschaft (Siemens AG, the parent company) held 6,156,782 Ordinary shares (2018: 6,156,782 Ordinary shares) of Rs 10/- each of the Company as at September 30, 2019.

5.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the respective shareholding.

5.3 Dividends and other appropriations

The Board of Directors have, in their meeting held on November 28, 2019 proposed a final cash dividend of Rs 46 per Ordinary share of Rs 10/- each (2018: Rs 75/- per share), amounting to Rs 379.364 million (2018: Rs 618.528 million).

6. RESERVES

	Note	2019	2018
		(Rupees in '000)	
Capital			
Share premium	6.1	619,325	619,325
Treasury shares reserve	6.2	567	567
Other capital reserve		4,300	4,300
		624,192	624,192
Revenue			
General reserves		4,523,026	4,523,026
Remeasurement loss on defined benefit plan		(206,592)	(324,927)
Accumulated profit		964,348	873,408
		5,280,782	5,071,507

6.1 This represents premium of Rs 50/- per share on the issue of 186,340 Ordinary shares of Rs 10/- each and Rs 70/- per share on the issue of 223,608 Ordinary shares of Rs 10/- each during the years ended September 30, 1988 and 1990, respectively, and premium of Rs 1,277/- per share on the issue of 477,440 Ordinary shares of Rs 10/- each under the scheme of amalgamation during the year ended September 30, 2007. This amount was reduced by Rs 15.334 million on account of 56,683 Ordinary shares of Rs 10/- each bought back by the Company during the year ended September 30, 2003.

6.2 This represents the amount by which the share capital of the Company was reduced on the buy back of 56,683 Ordinary shares of Rs 10/- each and transferred from the distributable profits of the Company to treasury shares during the year ended September 30, 2003. This reserve was created to comply with the requirements of section 95A of the repealed Companies Ordinance, 1984.

7. TRADE AND OTHER PAYABLES

	Note	2019	2018
		(Rupees in '000)	
Trade creditors [including retention money of Rs 644.263 million (2018: Rs 494.327 million)]	7.1	4,511,442	5,528,372
Accrued liabilities		963,466	912,279
Defined benefit plan - Gratuity Fund	7.2	293,328	403,308
Accrued interest		180,620	149,471
Workers' Welfare Fund (WWF)		174,520	157,893
Workers' Profit Participation Fund (WPPF)		-	6,218
Derivative financial instruments		-	19,795
Withholding tax payable		20,409	10,160
Other liabilities		100,909	142,913
		6,244,694	7,330,409

7.1 These include sums aggregating to Rs 1,694.349 million (2018: Rs 1,339.566 million) due to a related party.

7.2 Defined benefit plan - gratuity

The actuarial valuation of gratuity scheme was carried out on September 30, 2019. The Projected Unit Credit Method, using the following significant financial assumptions, has been used for the actuarial valuation:

- Discount rate 12.7% per annum compound (2018: 10%).
- Expected rate of increase in salaries 11.5% per annum (2018: 11.5%).

The amounts recognised in the statement of financial position are as follows:

	Note	2019 (Rupees in '000)	2018
Fair value of plan assets	7.2.1	235,184	210,032
Present value of defined benefit obligation	7.2.2	(528,512)	(613,340)
Deficit - recognised as liability in the statement of financial position	7.2.3	(293,328)	(403,308)

7.2.1 Movement in the fair value of plan assets

Opening balance		210,032	176,525
Interest income		21,142	15,244
Contributions made by the Company		67,607	50,970
Benefits paid		(79,284)	(27,338)
Remeasurement gain / (loss)	7.2.4	15,687	(5,369)
		235,184	210,032

7.2.2 Movement in the present value of defined benefit obligation

Opening balance		613,340	448,453
Current service cost		67,607	50,970
Interest expense		58,092	35,576
Benefits paid		(79,284)	(27,338)
Remeasurement (gain) / loss	7.2.4	(131,243)	105,679
		528,512	613,340

7.2.3 Movement in net liability in the statement of financial position is as follows:

Opening balance of liability		(403,308)	(271,928)
Expense recognised for the year	7.2.5	(104,557)	(71,302)
Contributions made by the Company		67,607	50,970
Net remeasurement gain / (loss) for the year recognised in OCI	7.2.4	146,930	(111,048)
		(293,328)	(403,308)

7.2.4 Remeasurement (gain) / loss recognised in statement of other comprehensive income:

Remeasurement of present value of defined benefit obligation			
Financial assumptions		(106,508)	93,819
Experience adjustments		(15,100)	19,086
Demographic assumptions		(9,635)	(7,226)
		(131,243)	105,679
Remeasurement of fair value of plan assets		(15,687)	5,369
		(146,930)	111,048

7.2.5 The following amounts have been charged in the statement of profit or loss in respect of these benefits:

Current service cost		67,607	50,970
Interest expense		58,092	35,576
Interest income on plan assets		(21,142)	(15,244)
		104,557	71,302

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

	2019	2018
	----- % -----	
Treasury bills	90	83
Cash and cash equivalents	10	17
	<u>100</u>	<u>100</u>

7.2.7 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Assumptions	Impact on defined benefit obligation	
	0.5% increase	0.5% decrease
	(Rupees in '000)	
Effect of change in discount rate	(16,182)	17,180
Effect of change in future salary increases	<u>17,291</u>	<u>(16,422)</u>

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

7.2.9 As per the recommendation of the actuary, the Company plans to contribute Rs 51.607 million to the gratuity fund during the year ending September 30, 2020.

	Note	2019 (Rupees in '000)	2018
8. CONTRACT LIABILITIES			
Advances from customers			
- Secured	8.1	520,333	628,062
- Unsecured	8.2	<u>1,103,937</u>	<u>573,465</u>
		1,624,270	1,201,527
Unearned portion of revenue		151,828	120,465
Refund liabilities		<u>267,369</u>	<u>252,364</u>
		<u>2,043,467</u>	<u>1,574,356</u>

8.1 This includes advance of Rs 194.312 million (2018: Rs 127.355 million) from a related party as per the contractual payment terms.

8.2 This includes billings in excess of Rs. 578.676 million (2018: Rs 390.899 million) as per the contractual milestones.

	Warranties	Losses on sales contracts	Total
	----- (Rupees in '000) -----		
9. PROVISIONS			
Balance at beginning of the year	603,805	30,611	634,416
Additional provision	184,705	26,801	211,506
Cost incurred	(102,073)	(7,952)	(110,025)
Reversal of unutilised amounts	(76,286)	(7,578)	(83,864)
Balance at end of the year	<u>610,151</u>	<u>41,882</u>	<u>652,033</u>

	Note	2019 (Rupees in '000)	2018
10. SHORT-TERM RUNNING FINANCE			
Unsecured - from a related party	10.1	198,791	360,438
- from others	10.2	-	35,560
		198,791	395,998
Secured - from others	10.3	<u>594,851</u>	<u>1,480,322</u>
		<u>793,642</u>	<u>1,876,320</u>

10.1 This facility is available from Siemens Financial Services (SFS) of Siemens AG, in respect of the projects in the United Arab Emirates (UAE). The mark-up on this facility ranges between 3.07% and 4.21% per annum (2018: 2.32% and 3.31% per annum).

10.2 These facilities arranged with commercial banks in the United Arab Emirates (UAE) aggregated to Rs 106.8 million (2018: Rs 84.6 million) at interest rates ranges between 5.92% and 6.00% per annum (2018: 5.07% and 5.94% per annum).

10.3 These facilities arranged with commercial banks in Pakistan aggregated to Rs 4,900 million (2018: Rs 4,300 million) including Islamic murabaha facility with sub-limit of USD 10.500 million in equivalent Pakistani rupee (2018: Rs 2,000 million), at interest rates ranges between 8.72% and 14.21% per annum (2018: 6.48% and 8.41% per annum). These are secured against the joint hypothecation charges over inventories and trade receivables of the Company.

	2019	2018
	(Rupees in '000)	
11. TAXATION - net		
Provision for taxation	1,917,520	2,076,929
Advance tax	(1,421,693)	(1,461,461)
	<u>495,827</u>	<u>615,468</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Company is defending various suits filed against it in various courts in Pakistan for sums aggregating to Rs 142.603 million (2018: Rs 144.853 million) related to its business operations. The Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in Company's favour and, accordingly, no provision has been made for any liability against these law suits in these financial statements.

	2019	2018
	(Rupees in '000)	
12.1.2 Guarantees		
- limit	13,179,902	11,908,553
- unutilised portion	<u>3,317,380</u>	<u>2,401,919</u>

12.2 Commitments

12.2.1 As at September 30, 2019 capital expenditure contracted for but not incurred amounted to Rs 27.523 million (2018: Rs 23.145 million).

12.2.2 Post dated cheques issued to the Collector of Customs against import duty aggregate to Rs 24.424 million (2018: Rs 44.824 million).

	2019	2018
	(Rupees in '000)	
12.2.3 Letters of credit		
- limit	1,200,000	1,200,000
- unutilised portion	<u>800,582</u>	<u>1,059,118</u>

12.2.4 The Company has entered into various lease arrangements for vehicles with a commercial bank. The aggregate amount of commitments against these arrangements are as follows:

	2019	2018
	(Rupees in '000)	
- Not later than one year	3,550	16,494
- Later than one year but not later than five years	<u>380</u>	<u>6,118</u>
	<u>3,930</u>	<u>22,612</u>

12.2.5 The Company has entered into various lease arrangements for rental premises. The aggregate amount of commitments against these arrangements are as follows:

	2019	2018
	(Rupees in '000)	
- Not later than one year	37,911	37,713
- Later than one year but not later than five years	117,309	118,335
- Later than five years	<u>21,222</u>	<u>-</u>
	<u>176,442</u>	<u>156,048</u>

13. PROPERTY, PLANT AND EQUIPMENT

2019
2018
Note
(Rupees in '000)

Operating fixed assets
Capital work in progress

13.1	371,413	367,270
	6,707	20,825
	<u>378,120</u>	<u>388,095</u>

13.1 Operating assets

2019	As at October 1, 2018			During the year ended September 30, 2019				As at September 30, 2019			Depreciation rates %	
	Cost	Accumulated depreciation	Net book value	Additions / (deletions)	Depreciation / (on deletions)	(Impairment / reversal) / (transfer)	Net book value of disposals	Cost	Accumulated depreciation	Accumulated impairment		Net book value
Leasehold land	2,016	-	-	2,016	-	-	-	-	-	-	2,016	-
Buildings on leasehold land	23,843	11,426	-	9,853	6,822	-	-	33,696	18,248	-	15,448	2.5 & 20
Plant and machinery	311,975	186,886	-	5,675 (3,250)	17,417 (3,250)	-	-	314,400	201,053	-	113,347	10 & 100
Furniture and fixtures	136,528	82,511	-	21,961 (3,596)	21,467 (3,261)	-	335	154,893	100,717	-	54,176	20, 25 & 100
Office equipment	205,974	140,650	-	44,488 (29,835)	40,986 (29,154)	-	681	220,627	152,482	-	68,145	20 & 33.33
Vehicles	172,750	150,495	-	18,779 (14,120)	15,987 (14,120)	-	-	177,409	152,362	-	25,047	25
Tools and patterns	298,876	212,724	-	65,013 (2,065)	57,931 (2,065)	-	-	361,824	268,590	-	93,234	20, 50 & 100
	1,151,962	784,692	-	165,769 (52,866)	160,610 (51,850)	-	1,016	1,264,865	893,452	-	371,413	

13.1.2 Particular of immovable assets in the name of the Company are as follows:

Nature of Asset	Address	Measured Area
Leasehold land	A3 Link Street, 7th Central Avenue Phase 2, DHA Karachi	1,672 Sq.m
Buildings on leasehold land	A3 Link Street, 7th Central Avenue Phase 2, DHA Karachi	250 Sq.m

14. INTANGIBLE ASSETS

2019	As at October 1, 2018			During the year			As at September 30, 2019			Amortisation rate
	Cost	Accumulated amortisation	Net book value	Additions / (Deletions)	Amortisation / on (deletions)	Net book value of deletion	Cost	Accumulated amortisation	Net book value	
(Rupees in '000)										%
Software	86,679	82,837	3,842	-	2,500	-	86,679	85,337	1,342	33.33
				-	-	-				
2018										
Software	85,744	81,528	4,216	1,999	2,373	-	86,679	82,837	3,842	33.33
				(1,064)	(1,064)	-				

14.1 Intangible assets include items having an aggregate cost of Rs 83.739 million (2018: Rs 78.409 million) which have been fully amortised and are still in use of the Company.

15. Depreciation and amortisation have been allocated as follows:

		2019			2018
		Depreciation	Amortisation	Total	Total
Note		(Rupees in '000)			
Cost of sales	26.1	132,721	2,066	134,787	131,965
Marketing and selling expenses	27	20,100	307	20,407	19,652
General administrative expenses	28	7,789	127	7,916	8,129
		160,610	2,500	163,110	159,746

16. LONG-TERM LOANS AND TRADE RECEIVABLES

LONG-TERM LOANS AND TRADE RECEIVABLES		2019	2018
	Note	(Rupees in '000)	
Loans			
Due from non-executive employees		5,351	1,657
Receivable within one year shown under current assets	21	(2,017)	(569)
Long term portion		3,334	1,088
Discounting to present value		(222)	(222)
		3,112	866
Trade receivables			
Considered good		670,832	397,511
Considered doubtful		80,156	9,506
		750,988	407,017
Loss allowance		(80,156)	(9,506)
Discounting to present value		(69,805)	(48,109)
		601,027	349,402
		604,139	350,268

17. DEFERRED TAX ASSET - NET

Debit balances arising in respect of:		
Unadjusted tax credits / tax losses	209,723	193,645
Provisions	549,365	562,544
Remeasurement loss on defined benefit plan	59,247	87,815
Discounting of long-term receivables	15,609	10,283
Accelerated tax depreciation and amortisation	27,564	18,903
	861,508	873,190

17.1 The Company has not recognised deferred tax asset of Rs 72.725 million (2018: Rs 150.910 million) in respect of minimum tax in these financial statements in accordance with the policy as stated in note 3.8.2 to these financial statements. Minimum tax amounting to Rs 72.725 million will expire during the year ending September 30, 2020.

18. INVENTORIES	Note	2019	2018
		(Rupees in '000)	
Raw materials and components		457,089	417,521
Work-in-process		664,179	438,543
Finished goods		313,793	323,543
		1,435,061	1,179,607
Provision for slow moving and obsolete items		(228,994)	(146,847)
		1,206,067	1,032,760
Goods-in-transit		99,674	281,671
		1,305,741	1,314,431

19. TRADE RECEIVABLES

Considered good			
Due from related parties	19.1	6,224	20,973
Due from others		9,034,544	7,888,957
		9,040,768	7,909,930
Considered doubtful		999,594	1,052,495
		10,040,362	8,962,425
Loss allowance		(999,594)	(1,052,495)
	19.2	9,040,768	7,909,930

19.1 Represents amounts due from Rousch (Pakistan) Power Limited and Mentor Graphics Pakistan Development (Private) Limited having maximum aggregate amounts due of Rs 47.145 million (2018: Rs 44.467 million) and Rs 1.715 million (2018: Nil) respectively.

19.2 Information relating to trade receivable ageing is presented in note 42.2 to the financial statements.

20. CONTRACT ASSETS	Note	2019	2018
		(Rupees in '000)	
Considered good	20.1	2,514,935	4,479,227
Considered doubtful		252,326	273,526
		2,767,261	4,752,753
Loss allowance		(252,326)	(273,526)
		2,514,935	4,479,227

20.1 The significant decrease in the contract assets balance is mainly due to invoicing on high value projects in current year as per the completion of respective performance-related milestones.

21. LOANS AND ADVANCES	Note	2019	2018
		(Rupees in '000)	
Current portion of loans due from non-executive employees	16	2,017	569
Advances to:			
Suppliers		210,941	202,561
Executive employees	21.2	29,116	14,695
Non-executive employees		11,404	9,916
		251,461	227,172
		253,478	227,741

21.1 These represent interest free loans to non-executive employees, salary advances to executive and non-executive employees and advances for purchase of vehicles for official use as per Company's policy. These are payable over a period of one to four years. Any outstanding amount due from an employee at the time of leaving the service of the Company is adjustable against the final dues including the retirement benefits.

21.2 This includes advance to key management personnel of Rs 9.418 million (2018: 11.068 million). Further, the maximum amount of advance to key management personnel outstanding at the end of any month during the year ended September 30, 2019 was Rs 12.969 million (2018: Rs 11.068 million).

22.	DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2019	2018
			(Rupees in '000)	
	Deposits			
	Considered good		100,189	137,924
	Considered doubtful		38,839	17,417
			139,028	155,341
	Loss allowance		(38,839)	(17,417)
			100,189	137,924
	Prepayments		11,579	18,463
			111,768	156,387
23.	OTHER RECEIVABLES			
	Considered good			
	Costs reimbursable from customers		258,494	567,498
	Sales tax refundable		79,039	174,691
	Interest accrued		35,836	31,100
	Derivative financial instruments		308,743	66,373
	Workers' Profit Participation Fund (WPPF)		5,571	–
	Others		26,355	13,555
			714,038	853,217
	Considered doubtful			
	Costs reimbursable from customers		16,612	110,724
	Sales tax refundable		54,373	54,373
	Others		89,413	127,989
			160,398	293,086
			874,436	1,146,303
	Loss allowance		(160,398)	(293,086)
			714,038	853,217
24.	CASH AND BANK BALANCES			
	With banks in			
	Current accounts	24.1	102,974	167,711
	Deposit accounts		409,480	1,231,561
			512,454	1,399,272
	Cheques in hand		39,928	49,187
	Cash in hand		822	1,249
			553,204	1,449,708
24.1	Includes security deposits of Rs 5.066 million (2018: Rs 5.066 million) from vendors kept in a special account maintained by the Company with a scheduled bank.			
25.	NET SALES AND SERVICES		2019	2018
			(Rupees in '000)	
	Sales disaggregation by type of contracts			
	Execution of contracts		9,509,014	11,110,280
	Sale of goods		3,598,950	5,560,922
	Rendering of services		3,564,960	2,850,918
			16,672,924	19,522,120
	Sales tax		2,670,792	1,796,266
	Gross sales and services		19,343,716	21,318,386
	Sales tax		(2,670,792)	(1,796,266)
			16,672,924	19,522,120

- 25.1 The transaction price are generally fixed as per the contract with customers. Any variable consideration is estimated by using the most likely amount which is the single most likely amount in a range of possible consideration amounts.

In some cases, the transaction price needs to be allocated on the basis of relative stand-alone selling prices among the distinct performance obligations. The best evidence of a stand-alone selling price is the observable price of goods or services when the Company sells those goods or services separately in similar circumstances and to similar customers.

The revenue generated from execution of contracts is accounted for under the percentage-of-completion method wherein 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.

The payment terms are governed by the contractual rights and obligations as defined in the contracts with customers. Generally, in case of sales of goods and rendering of services, the Company has the present right to payment when the same has been delivered, rendered or accepted. Whereas, in case of execution of contracts, the right to payment is established on achieving performance-related milestones.

25.2 Revenue recognised during the year that was included in the contract liability balance at the beginning of year is Rs 864.461 million (2018: Rs 818.851 million).

25.3 The following shows the most appropriate maturity time bands of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting year:

	Note	2019 (Rupees in '000)	2018
Subsequent 1st year		11,681,030	11,553,662
Subsequent 2nd year		741,806	3,051,213
Beyond 2nd year		9,514,109	8,393,075
		<u>21,936,945</u>	<u>22,997,950</u>

26. COST OF SALES AND SERVICES

Opening inventory of finished goods	18	323,543	383,091
Cost of goods manufactured and services rendered	26.1	13,282,192	15,044,227
Finished goods purchased		878,324	1,116,396
		<u>14,484,059</u>	<u>16,543,714</u>
Closing inventory of finished goods	18	(313,793)	(323,543)
		<u>14,170,266</u>	<u>16,220,171</u>

26.1 Cost of goods manufactured and services rendered

Opening inventories			
Raw materials and components	18	417,521	410,932
Work-in-process	18	438,543	862,278
Goods-in-transit	18	281,671	211,712
		<u>1,137,735</u>	<u>1,484,922</u>
Purchase of goods and services		10,983,074	11,781,581
Salaries, wages and employees welfare expenses		1,440,033	1,584,173
Gratuity		62,422	50,253
Provident fund contribution		31,575	31,380
Royalty	26.1.1	12,820	9,902
Commission		20,670	15,354
Fuel, power and water		70,719	68,653
Repairs and maintenance		77,340	115,656
Rent, rates and taxes		156,574	196,999
Vehicle lease rentals		1,732	13,133
Provision / (reversal of provision) for penalty on account of contractual delays		70,680	(24,054)
Provision / (reversal of provision) for warranty		6,346	(45,955)
Provision / (reversal of provision) for losses on sales contracts		19,223	(22,711)
Insurance		47,531	60,496
Provision for slow moving and obsolete items of inventories - net		82,147	-
Inventories written off		-	13,529
IT, networking and data communication		192,334	158,944
Depreciation and amortisation	15	134,787	131,965
Travelling and conveyance		231,572	205,687
Transportation		267,722	418,807
Stationery, telex and telephone		22,713	43,542
Security		77,515	75,833
Exchange gain - net		(707,791)	(296,348)
Legal and professional charges		783	4,681
Bank charges		76,605	133,380
Penalty		-	1,932
Others		7,465	7,190
		<u>14,524,326</u>	<u>16,218,924</u>
Closing inventories			
Raw materials and components	18	(457,089)	(417,521)
Work-in-process	18	(664,179)	(438,543)
Goods-in-transit	18	(99,674)	(281,671)
		<u>(1,220,942)</u>	<u>(1,137,735)</u>
		<u>13,303,384</u>	<u>15,081,189</u>
Sale of scrap		(21,192)	(36,962)
		<u>13,282,192</u>	<u>15,044,227</u>

26.1.1 Represents royalty paid to the parent Company, Siemens AG, having registered office in Wittlesbacherplatz 2, 80333 Munich, Germany.

		2019	2018
27. MARKETING AND SELLING EXPENSES	Note	(Rupees in '000)	
Salaries and employees welfare expenses		426,835	320,483
Gratuity		37,318	18,816
Provident fund contribution		21,810	11,737
Business support services		76,739	–
Fuel, power and water		14,240	12,447
Repairs and maintenance		16,841	14,910
Rent, rates and taxes		36,400	28,799
Vehicle lease rentals		3,733	9,975
Advertising and sales promotion		12,340	20,174
Insurance		10,621	6,539
Loss allowance on trade receivables - net		207,452	99,193
Trade, other receivables and deposits written off		19,506	12,112
(Reversal of loss allowance) / loss allowance on contract assets - net		(21,200)	46,340
Loss allowance on long term deposit		2,887	–
(Reversal of loss allowance) / loss allowance on deposits and other receivables - net		(94,191)	108,198
Discounting of long-term loans and trade receivables - net		21,696	(29,381)
IT, networking and data communication		50,420	36,388
Depreciation and amortisation	15	20,407	19,652
Travelling and conveyance		48,702	42,919
Transportation		6,837	4,625
Stationery, telex and telephone		10,893	9,872
Security		4,995	2,227
Legal and professional charges		6,971	6,334
Bank charges		21,080	13,760
Others		13,240	9,146
		<u>976,572</u>	<u>825,265</u>
Commission income		(238,840)	(71,271)
Sale of scrap		(205)	(98)
		<u>737,527</u>	<u>753,896</u>
28. GENERAL ADMINISTRATIVE EXPENSES			
Salaries and employees welfare expenses		155,177	139,802
Gratuity		4,817	2,233
Provident fund contribution		770	513
Fuel, power and water		8,241	5,031
Repairs and maintenance		10,386	5,748
Rent, rates and taxes		16,915	11,749
Insurance		2,309	2,553
IT, networking and data communication		2,217	2,414
Auditors' remuneration	35	6,301	6,228
Depreciation and amortisation	15	7,916	8,129
Travelling and conveyance		13,536	12,317
Stationery, telex and telephone		2,259	1,612
Security		9,411	7,326
Legal and professional charges		11,048	298
Donations		1,052	830
Others		14,748	15,425
		<u>267,103</u>	<u>222,208</u>

	2019	2018
	(Rupees in '000)	
29. OTHER INCOME AND OTHER OPERATING EXPENSES		
Gain on sale of property, plant and equipment	8,547	4,371
Insurance claim	4,364	23,400
Liabilities no longer payable written back	9,538	88,889
Other income	22,449	116,660
WPPF	64,429	120,218
WWF	24,900	45,878
Other operating expenses	89,329	166,096
Net other operating expenses	(66,880)	(49,436)
30. FINANCIAL INCOME AND EXPENSES		
Interest on other receivables	4,736	4,519
Income on amounts placed with banks under deposit accounts	1,868	32,561
Financial income	6,604	37,080
Interest on short-term borrowings	224,740	61,461
Interest on other payables	14,525	18,367
Financial expenses	239,265	79,828
Net finance expense	(232,661)	(42,748)
31. INCOME TAX		
Current		
For the year	505,932	751,495
For prior years	-	59,941
	505,932	811,436
Deferred	(16,913)	263,005
	489,019	1,074,441
31.1 Reconciliation of income tax		
Accounting profit	1,198,487	2,233,661
Enacted tax rate (%)	29%	29%
Tax on accounting profit at enacted rate	347,561	647,762
Tax effect of income assessed under Final Tax Regime	24,380	125,032
Super tax current year	-	39,818
Prior year tax - net	-	59,941
Foreign tax	117,078	201,888
	489,019	1,074,441
32. BASIC AND DILUTED EARNINGS PER SHARE		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Net profit for the year	709,468	1,159,220
	(No. of shares)	
Weighted average number of Ordinary shares	8,247,037	8,247,037
	(Rupees)	
Basic and diluted earnings per share	86.03	140.56

	Note	2019 (Rupees in '000)	2018
33. CASH GENERATED FROM / (USED IN) OPERATIONS			
Profit before tax for the year		1,198,487	2,233,661
Adjustment for non-cash items:			
Depreciation and amortisation		163,110	159,746
Provision for slow moving and obsolete items of inventories - net		82,147	-
Loss allowance on trade receivables - net		17,749	13,855
Trade and other receivables written off		19,506	12,112
(Reversal of loss allowance) / loss allowance on contract assets		(21,200)	46,340
(Reversal of loss allowance) / loss allowance on deposits and other receivables - net		(111,266)	82,215
Discounting of long-term loans and trade receivables - net		21,696	(29,381)
Gain on sale of property, plant and equipment - net		(8,547)	(4,371)
Liabilities no longer payable written back		(9,538)	(88,889)
Gratuity		104,557	71,302
Financial expenses		239,265	79,828
Financial income		(6,604)	(37,080)
Adjustment for other items:			
Long-term loans and trade receivables		(346,217)	55,023
Long-term deposits and prepayments		3,618	3,714
Retention money payable		(85,740)	93,496
Other non-current liabilities		4,869	8,740
Working capital changes	33.1	578,037	(5,190,265)
		1,843,929	(2,489,954)
33.1 Working capital changes			
(Increase) / decrease in current assets			
Inventories		(73,457)	303,008
Trade receivables		(1,097,443)	(2,999,316)
Contract assets		1,985,492	(2,941,115)
Loans and advances		(25,737)	(98,056)
Deposits and short-term prepayments		23,197	(83,354)
Other receivables		276,603	(387,798)
		1,088,655	(6,206,631)
Increase / (decrease) in current liabilities			
Trade and other payables		(997,346)	1,230,338
Contract liabilities		469,111	(96,566)
Provisions		17,617	(117,406)
		(510,618)	1,016,366
		578,037	(5,190,265)
34. CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	553,204	1,449,708
Short-term running finances	10	(793,642)	(1,876,320)
		(240,438)	(426,612)
35. AUDITORS' REMUNERATION			
Audit fee		3,863	3,863
Fee for special reports and certifications, review of half yearly interim financial information, code of corporate governance and audits of Gratuity fund and WPPF fund		1,610	1,539
Out of pocket expenses		828	826
		6,301	6,228

36. PROVIDENT FUND

Investments out of provident fund have been made in accordance with the provisions of the Section 218 of the Act and the rules formulated for this purpose.

37. EMPLOYEES

	2019	2018
Total number of employees as of reporting date	602	665
Average during the year	633	711

38. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executives	
	2019	2018	2019	2018
	(Rupees in '000)			
Salaries and allowances - fixed	54,188	35,833	906,204	795,712
Salaries and allowances - bonus	11,502	17,408	233,706	227,409
Compensation for loss of office	–	–	1,581	2,866
Retirement benefits and Company's contribution to provident fund	707	382	75,190	55,127
Perquisites and benefits:				
- Medical / social security	–	–	13,292	11,326
- Share based benefits	4,855	3,186	7,965	9,345
- Education fees (children)	–	1,869	2,709	2,115
- Club membership	162	361	136	113
	71,414	59,039	1,240,783	1,104,013
Number of persons	1	1	183	171

38.1 In addition to the above, the Chief Executive has also been provided with a Company maintained furnished accommodation and two cars along with security.

38.2 The aggregate amount charged in these financial statements in respect of directors' fee paid to three non-executive directors (2018: two) was Rs 3.830 million (2018: Rs 2.984 million).

38.3 Certain executives of the Company are also provided with accommodation, free use of Company's cars, security and generating set in accordance with their entitlements.

38.4 An amount of Rs 150.793 million (2018: Rs 135.011 million) was incurred on account of compensation to key management personnel, the details of which are as follows:

	2019	2018
	(Rupees in '000)	
Short-term benefits	137,735	124,826
Post-employment benefits	1,970	1,780
Share based benefits	11,088	8,405
	150,793	135,011

Comparative figures have been restated to reflect changes in the definition of key management personnel as per the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018.

39. SHARE BASED BENEFITS

Certain employees are entitled to participate in the share based payment plans of Siemens AG. Siemens AG grants stock awards as a form of share-based payment to the employees. These awards are subject to a restriction period of three to four years. Stock awards forfeit if the employment with the Company terminates prior to the expiration of the restriction period and can not be transferred, sold, pledged or otherwise encumbered.

The allocation of stock awards as a share-based payment has been increasingly tied to corporate performance criteria. The target achievement for the performance criteria ranges between 0% and 200%.

Further, the Share Matching Plan gives employees an opportunity to invest in Siemens AG's shares. After a holding period of three years, the Company will match every three shares bought with one free share.

These stocks are remeasured to their fair value at each reporting date. Details of stock awards are as follows:

	2019	2018
	Number of Awards	
Balance as at beginning of the year	4,273	2,533
Granted during the year	2,248	1,784
Expired / paid during the year	(168)	(44)
Balance as at end of the year	6,353	4,273

Total expenses for share based benefits during the year ended September 30, 2019 was Rs 13.926 million (2018: Rs 13.705 million). The liabilities as of September 30, 2019 aggregated to Rs 28.615 million (2018: Rs 15.753 million) and is reported under accrued liabilities and other non-current liabilities.

40. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Siemens AG (parent company), 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	2019 (Rupees in '000)	2018
Parent company			
Sales of goods and rendering of services		151,088	68,222
Purchases of goods and receipt of services		3,523,044	2,370,382
Commission and allowances earned		26,972	43,744
Dividends paid		461,759	461,759
Associated companies			
Sales of goods and rendering of services		367,056	309,882
Purchases of goods and receipt of services		1,750,453	1,487,638
Commission and allowances earned		211,868	27,527
Financial expenses		7,688	6,371
Others			
Dividends paid		75	38
Contribution to employees' retirement benefit funds		121,762	94,600
Compensation to key management personnel	38.4	150,793	135,011

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

- 40.2 During the year the Company entered into various transactions, arrangements or agreements with related parties, including those incorporated outside Pakistan. The Company has no shareholdings in any of the below mentioned companies.

Name & Country of Incorporation

Parent Company

Siemens AG, Germany

Affiliated / Group Companies

Siemens Bank GmbH, Germany
Siemens Industriegetriebe GmbH, Germany
Siemens Financial Services GmbH, Germany
Dresser Rand Sales Company GmbH, UAE
Siemens Capital Middle East Ltd, UAE
Siemens LLC, UAE
Rousch (Pakistan) Power Limited, Pakistan
Mentor Graphics Pakistan Development (Private) Limited, Pakistan
Siemens Healthcare (Private) Limited, Pakistan
Dresser Rand SAS, France
Trench France SAS, France
Dresser Rand Company, USA
Siemens Corporation, USA
Siemens Energy INC., USA
Siemens Government Technologies, USA
Siemens Industry Inc., USA
Siemens Power Generation Service, USA
Dresser Rand Arabia LLC, Saudi Arabia
ISCOSA Industries and Maintenance, Saudi Arabia
Siemens Ltd., Saudi Arabia
Siemens Aktiengesellschaft, Austria
Trench Austria GmbH, Austria
Siemens Industrial, United Kingdom
Siemens PLC., United Kingdom
Siemens Technologies SAE, Egypt
Siemens Transformers SPA, Italy
Trench Italia SRL, Italy
PT Siemens Indonesia, Indonesia
Siemens Industrial, Sweden
Siemens K.K. Japan
Siemens LLC, Oman
Siemens Ltd. Seoul, South Korea
Siemens Ltd., Vietnam
Siemens LTDA., Brazil
Flender Ltd., China
Siemens Electrical Apparatus Ltd., China
Siemens Electrical Drives Ltd., China
Siemens Factory Automation, China
Siemens High Voltage, China
Siemens Ltd., China
Siemens Power Automation Ltd., China
Siemens Standard Motors Ltd., China
Siemens Switchgear Ltd Shanghai, China
Siemens Transformer Guangzhou Co Ltd., China
Siemens Transformer Wuhan Company, China
Siemens Malaysia Sdn.Bnd., Malaysia
Siemens Pte. Ltd., Singapore
Siemens SA DE CV, Mexico
Siemens SA, Portugal
Siemens Sanayi Ve Ticaret As, Turkey
Siemens Schweiz AG, Switzerland
Siemens WLL, Qatar
Siemens Zrt., Hungary
Siemens, s.r.o., Czech Republic
Trench Ltd, Canada

41. PLANT CAPACITY AND ACTUAL PRODUCTION

Switchgears

Capacity 2019	Actual Production 2019	Actual Production 2018
2,200 Nos.	1,465 Nos.	2,052 Nos.

- 41.1 The under utilisation is mainly attributed to reduced demand.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

42.1 Market risk

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company manages its foreign currency risk by hedging its exposure to fluctuations on the translations into Rupees through derivatives such as forward covers against its foreign currency denominated payables and receivables, where possible in line with the regulations of State Bank of Pakistan. However, as of reporting date there were no such contracts.

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

	2019 (AED in '000)	2018
Trade and other receivables	13,585	46,331
Cash and bank balances	1,476	-
Trade and other payables	(10,418)	(7,792)
Short-term running finances	(4,658)	(11,702)
	<u>(15)</u>	<u>26,837</u>

	2019 (EUR in '000)	2018
Trade and other receivables	8,132	5,891
Trade and other payables	(8,746)	(9,124)
	<u>(614)</u>	<u>(3,233)</u>

	2019 (USD in '000)	2018
Trade and other receivables	23,117	26,135
Cash and bank balances	2,726	10,034
Trade and other payables	(3,073)	(11,607)
	<u>22,770</u>	<u>24,562</u>

Sensitivity of Company's profit before tax to a reasonably possible change in exchange rate of currencies applied to foreign currency assets and liabilities as at September 30, 2019 keeping all other variables constant is as follows:

	2019	2018
Change in exchange rate	± 1%	1%
Effect on profit before tax (Rs '000)	± 36,611	34,223

Interest rate risk

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

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

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

	2019 Effective rates (%)	2018	2019 (Rupees in '000)	2018
Financial Assets				
Bank balances (PKR)	8.75	5.82	15,745	147,809
Financial Liabilities				
Short-term running finances (PKR)	11.37	7.70	594,851	1,480,322
Short-term running finances (AED)	3.52	2.51	198,791	395,998

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

	2019	2018
Effect on profit before tax (Rs '000)	± 22,855	4,818

Equity price risk

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

42.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. It mainly comprise of trade and other receivables, contract assets, advances to suppliers, trade deposits and bank balances. The Company's maximum exposure to credit risk at the reporting date is as follows:

	2019 (Rupees in '000)	2018
Category - at amortised costs (2018: Loans and receivables)		
Advances to suppliers	210,941	202,561
Trade deposits	100,189	140,812
Trade receivables	9,641,795	8,259,332
Contract assets	2,514,935	4,479,227
Other receivables	320,685	666,526
Bank balances	552,382	1,448,459
	13,340,927	15,196,917

Concentration of credit risk

The sector wise analysis of receivables including trade receivables, contract assets, advances to suppliers, trade deposits and other receivables based on their gross values is given below:

	2019 (Rupees in '000)	%	2018 (Rupees in '000)	%
Government sector				
Energy	2,448,525	17	5,034,174	33
Finance	1,089,281	9	1,473,045	10
Housing	673,131	5	687,757	5
Aviation	349,726	2	356,489	2
Engineering	210,605	1	366,545	2
Civil works	111,667	1	126,576	1
Petroleum	53,691	0	47,098	0
Health and Education	45,724	0	44,325	0
Others	76,352	1	78,533	1
Sub-total	5,058,702	36	8,214,542	54
Private sector				
Energy	6,925,976	48	5,728,664	38
Civil works	750,731	6	194,998	1
Fertilizer	290,475	2	20,649	0
Housing	198,026	1	120,084	1
Steel	186,447	1	673	0
Dealers and agents	172,419	1	115,629	1
Sugar	88,876	1	165,404	1
Cement	66,643	0	49,741	0
Petroleum	52,228	0	79,122	1
Others	547,654	4	473,080	3
Sub-total	9,279,475	64	6,948,044	46
Total	14,338,177	100	15,162,586	100

Trade receivables

To mitigate the credit risk against trade receivables, the Company has a system of assigning credit limits to its customers based on an extensive credit rating scorecards. Outstanding customer receivables are regularly monitored. The Company endeavors to cover the credit risks on trade receivables, where possible, by restricting credit facility to the projects which are financed by multilateral financial institutions and / or financed by special allocation of funds by the provincial / federal governments. Business with customers is also secured by way of letters of credits where possible. As at September 30, 2019, trade receivables amounting to Rs 1,522.458 million (2018: Rs 1,289.746 million) were secured through letters of credit and bank guarantees.

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

	2019	2018
	(Rupees in '000)	
- Related parties		
Not yet due	6,224	8,361
Past due 1-180 days	–	12,612
	6,224	20,973
- Others		
Not yet due	7,281,593	5,863,809
Past due 1-180 days	1,459,150	1,711,937
Past due 181-360 days	524,948	361,758
Past due 361-720 days	450,419	360,764
Past due 721-1080 days	178,851	184,257
Over 1080 days	890,165	865,944
	10,785,126	9,348,469
Less: Loss allowance	(1,079,750)	(1,062,001)
Less: Discounting on long-term receivables	(69,805)	(48,109)
	(1,149,555)	(1,110,110)
	9,635,571	8,238,359
	9,641,795	8,259,332

The movement in the loss allowance in respect of trade receivables during the year was as follows:

	2019	2018
	(Rupees in '000)	
Balance at beginning of the year	1,062,001	1,048,146
Loss allowance during the year - net	207,452	99,193
Write offs	(189,703)	(85,338)
Balance at end of the year	1,079,750	1,062,001

Contract assets

The movement in the loss allowance in respect of contract assets during the year was as follows:

	2019	2018
	(Rupees in '000)	
Balance at beginning of the year	273,526	227,186
(Reversal of loss allowance) / loss allowance during the year	(21,200)	46,340
Balance at end of the year	252,326	273,526

Trade deposits and other receivables

The movement in the loss allowance in respect of trade deposits and other receivables during the year was as follows:

	2019	2018
	(Rupees in '000)	
Balance at beginning of the year	310,503	228,288
(Reversal of loss allowance) / loss allowance during the year - net	(94,191)	108,198
Write offs	(17,075)	(25,983)
Balance at end of the year	199,237	310,503

Cash and bank balances

The Company keeps its surplus funds with the banks having good credit rating. Currently the surplus funds are kept with a bank having rating of A1+ and AA.

42.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the Company's business, the treasury maintains flexibility in funding by maintaining availability under control committed credit lines. The facilities available to the Company have been detailed in notes 10.1 to 10.3 to these financial statements.

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

	Carrying amount	Less than 12 months	1 to 2 years	2 to 5 years
----- (Rupees in '000) -----				
Financial liabilities				
2019				
Long-term retention money	57,958	–	35,429	22,529
Trade and other payables	6,049,765	6,049,765	–	–
Short-term borrowings	793,642	793,642	–	–
	<u>6,901,365</u>	<u>6,843,407</u>	<u>35,429</u>	<u>22,529</u>
2018				
Derivative financial instruments	19,795	19,795	–	–
Long-term retention money	143,698	–	118,517	25,181
Trade and other payables	7,136,343	7,136,343	–	–
Short-term borrowings	1,876,320	1,876,320	–	–
	<u>9,176,156</u>	<u>9,032,458</u>	<u>118,517</u>	<u>25,181</u>

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

44. 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.

The Company is not subject to externally imposed capital requirements.

As of the date of statement of financial position, the Company does not have any long-term interest bearing loan.

45. INFORMATION ABOUT OPERATING BUSINESS SEGMENTS

The Company is operating through three business portfolios, namely Gas and Power (GP), Smart Infrastructure (SI) and Digital Industries (DI) focusing on the areas of power generation and distribution, intelligent infrastructure for buildings and distributed energy systems, and automation and digitalization in the process and manufacturing.

Effective April 1, 2019, the Company has changed the composition of its reportable segments. Now there are three reportable segments as mentioned above. The main change in composition is reclassification of Energy Transmission business previously reported in Energy Management (EM) into GP, while the remaining business in EM has been renamed to SI. Similarly, Digital Factory and Process Industries and Drives segment under previous organisation structure has been merged into DI with some portfolios re-organised. Accordingly, the comparative segment information for the year ended September 30, 2019 has been restated to bring it in line with the current organisation structure of the Company.

45.1 INFORMATION ABOUT OPERATING BUSINESS SEGMENTS

(All rupees in '000)

Segment	Gas and Power			Smart Infrastructure			Digital Industries			Others	Eliminations	Company as a whole
Business Units	Engineering, Procurement and Construction	Power Gen. & services	Total	Distribution Systems	Digital Grid	Others	Total	Software	Others	Total		
(Rs in '000)												
REVENUE												
Sales to external customers	7,966,476	1,320,180	9,286,656	2,259,349	894,933	137,203	3,291,485	2,169,215	1,130,091	3,299,306	795,477	16,672,924
Inter-segment sales	-	-	-	281,948	1,925,073	38,175	2,245,196	2,002	49,605	51,607	-	(2,296,803)
Total revenue	7,966,476	1,320,180	9,286,656	2,541,297	2,820,006	175,378	5,536,681	2,171,217	1,179,696	3,350,913	795,477	16,672,924
RESULT												
Segment result	773,177	367,775	1,140,952	(103,960)	166,951	31,043	94,034	114,465	40,935	155,400	87,747	1,478,133
Financial expense												(225,507)
Other operating expenses												1,868
Income tax												(56,007)
Net profit for the period												(489,019)
OTHER INFORMATION												709,468
Capital expenditure	71,075	7,571	78,646	15,977	3,837	2,668	22,482	3,849	6,286	10,135	812	
Depreciation, impairment and amortisation	65,879	11,317	77,196	23,399	4,611	8,882	36,892	8,120	8,069	16,189	1,644	
Non-cash expenses other than depreciation and amortisation	(763)	313	(450)	(74)	96	(198)	(176)	165	(136)	29	(342)	
ASSETS AND LIABILITIES												
Segment assets	8,708,512	411,090	9,119,602	1,998,073	684,752	56,752	2,739,577	1,673,572	597,296	2,270,868	582,538	14,712,585
Segment liabilities	3,752,690	624,436	4,377,126	925,520	900,054	163,754	1,989,328	881,087	473,353	1,354,440	558,977	8,279,871
2018												
REVENUE												
Sales to external customers	10,179,886	1,784,423	11,964,309	1,722,656	1,139,152	122,493	2,984,301	2,320,270	1,190,492	3,510,762	1,062,748	19,522,120
Inter-segment sales	-	7,103	7,103	661,041	646,332	44,216	1,351,589	8,957	28,316	37,273	-	(1,395,965)
Total revenue	10,179,886	1,791,526	11,971,412	2,383,697	1,785,484	166,709	4,335,890	2,329,227	1,218,808	3,548,035	1,062,748	19,522,120
RESULT												
Segment result	947,949	461,125	1,409,074	75,527	207,188	25,969	308,684	134,257	97,854	232,111	374,018	2,323,887
Financial expense												(66,250)
Other operating expenses												32,561
Income tax												(56,537)
Net profit for the period												(1,074,441)
OTHER INFORMATION												1,159,220
Capital expenditure	33,114	17,144	50,258	97,825	9,838	351	108,014	17,206	8,184	25,390	2,786	
Depreciation and amortisation	61,722	8,761	70,483	16,278	2,733	97	19,108	7,351	8,843	16,194	4,180	
Non-cash expenses other than depreciation and amortisation	(46)	(172)	(218)	(236)	(49)	(3)	(288)	(88)	(127)	(215)	51	
ASSETS AND LIABILITIES												
Segment assets	9,912,391	234,888	10,147,279	1,482,087	645,852	53,863	2,181,802	1,819,779	644,360	2,464,139	605,780	15,399,000
Segment liabilities	4,494,700	484,084	4,978,784	1,006,670	456,703	72,718	1,536,091	1,222,366	539,138	1,761,504	665,009	8,941,388

45.2 Geographical information

Revenues

	2019	2018
	(Rupees in '000)	
Pakistan	15,011,217	15,829,984
Afghanistan	1,343,041	3,028,025
United Arab Emirates	116,218	431,704
Saudi Arabia	93,354	101,462
Germany	—	60,202
Oman	35,238	57,454
Others	73,856	13,289
	<u>16,672,924</u>	<u>19,522,120</u>

The revenue information above is based on the location of customers. Sales in Afghanistan amounting to Rs 1,087.252 million (2018 : Rs 2,607.148) are confirmed against letters of credit and trade receivables against the same as at the year end is Rs 402.445 million (2018: Rs 512.299 million).

	2019	2018
	(Rupees in '000)	
Non-current assets		
Pakistan	982,222	743,788
Afghanistan	1,554	2,210
	<u>983,776</u>	<u>745,998</u>

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

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

45.4 Segment assets and liabilities

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

	2019	2018
	(Rupees in '000)	
Assets for reportable segments	14,712,585	15,399,000
Corporate assets	211,919	287,931
Unallocated		
Deferred tax asset	861,508	873,190
Cash and bank balances	553,204	1,449,708
Total assets as per statement of financial position	<u>16,339,216</u>	<u>18,009,829</u>

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

	2019	2018
Liabilities for reportable segments	8,279,871	8,941,388
Corporate liabilities	128,467	193,450
Unallocated		
Trade and other payables	852,756	965,472
Short-term borrowings	594,851	1,515,882
Taxation - net	495,827	615,468
Total liabilities as per statement of financial position	<u>10,351,772</u>	<u>12,231,660</u>

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.

45.5 Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, marketing and selling expenses, profit from operations and free cash flows.

45.6 Financial income and expense (other than directly attributable to a contract) 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.

45.7 One major customer contributed Rs 5,067.423 million (2018: Rs 5,034.910 million) to the Company's total revenue.

46. OPERATIONS IN AFGHANISTAN

2019 2018
(Rupees in '000)

46.1 Results of the Afghanistan Operations

Net sales and services	1,343,041	3,028,025
Cost of sales and services	(1,086,604)	(2,434,379)
Gross profit	256,437	593,646
Marketing and selling expenses	30,518	(151,744)
General administrative expenses	(15,364)	(31,162)
	15,154	(182,906)
Other operating expenses - net	(19,654)	(28,738)
Profit before tax	251,937	382,002
Income tax	(156,920)	(302,824)
Net profit for the year	95,017	79,178

46.2 Cash flows from the Afghanistan Operations

Net cash generated from operating activities	842,832	424,520
Net cash used in investing activities	(168)	(925)
Net cash flows from Afghanistan Operations	842,664	423,595

46.3 Assets of the Afghanistan Operations

Property, plant and equipment	1,554	2,210
Trade receivables	836,098	853,766
Contract assets	28,031	102,429
Inventories	1,306	13,573
Other receivables	1,165	392,085
Cash	311	483
	868,465	1,364,546

46.4 Liabilities of the Afghanistan Operations

Long term retention money	-	50,624
Other non-current liabilities	177	267
Trade and other payables	694,188	617,822
Provisions	19,683	7,940
	714,048	676,653

46.5 For segment reporting, operations in Afghanistan have been classified in EPC under Gas and Power business segment (note 45).

47. The geographical location of Company's offices and plant are given below:

Karachi

Head office & Plant
B-72 Estate Avenue, S.I.T.E

City Office
Office Wing Suite No. 209(b)
2nd floor, Park Towers, Clifton

Lahore

15-A 2nd floor, State Life Building
Davis Road

Islamabad

11th floor, UBL Building
Jinnah Avenue, Blue Area

Dubai

Office No. 2005, 2nd floor
Al Waha Community Building
Nad Al Hamar Road

Afghanistan

House No. 635, Street No. 11
Dar-ul-Aman Road, District 6
Kartahe Seeh
Kabul

48. GENERAL

48.1 Previous year's figures have been reclassified wherever necessary for the purposes of better presentation and comparison of transactions in the financial statements of the Company. However, there are no material reclassifications to report.

48.2 These financial statements were authorised for issue by the Board of Directors of the Company in the meeting held on November 28, 2019.



Helmut von Struve
Managing Director



Umer Jalil Anwer
Chief Financial Officer



Sebastian A. Brachert
Director

Siemens (Pakistan) Engineering Co. Ltd.

Incorporation Number: CUIN 0000617

Pattern of holding of the Shares held by the Shareholders

As at September 30, 2019

Number of Shareholders	Shareholding		Total Shares held
	From	To	
947	1	100 shares	26,766
468	101	500 shares	112,137
78	501	1,000 shares	60,084
58	1,001	5,000 shares	118,345
8	5,001	10,000 shares	61,480
3	10,001	15,000 shares	38,110
2	20,001	25,000 shares	46,812
1	25,001	30,000 shares	28,400
1	30,001	35,000 shares	32,700
1	45,001	50,000 shares	47,880
1	55,001	60,000 shares	60,000
1	70,001	75,000 shares	70,031
1	85,001	90,000 shares	86,308
1	130,001	135,000 shares	134,700
1	145,001	150,000 shares	148,131
1	705,001	710,000 shares	705,662
1	1,015,001	1,020,000 shares	1,018,371
1	5,450,001	5,455,000 shares	5,451,120
1575			8,247,037

Siemens (Pakistan) Engineering Co. Ltd.

Categories of Shareholders

As on September 30, 2019

Particulars		Shares held	Percentage
Directors		1,000	0.02%
Mr. Qazi Sajid Ali	500		
Ms. Sadia Khan	500		
Associated companies, undertakings and related parties			
Siemens AG, Germany		6,156,782	74.65%
NIT and ICP			
National Investment Trust Limited		1,042,683	12.64%
Banks		146,509	1.78%
The Bank of Punjab	134,700		
MCB Bank Limited	11,280		
National Bank of Pakistan	529		
Insurance Companies			
Adamjee Insurance Company Limited		148,131	1.80%
Modarabas and Mutual Funds			
CDC-Trustee NIT-Equity Market Opportunity Fund		47,880	0.58%
Public Sector Companies			
Pakistan National Shipping Corporation		6,930	0.08%
General Public		442,823	5.37%
Others		254,299	3.08%
Trustee National Bank of Pakistan Employees Pension Fund	86,308		
IGI Investments (Pvt) Limited	70,031		
Acacia Partners LP	32,700		
Noman Abid Holdings Limited	28,400		
Acacia Conservation Master Fund-Offshore Ltd	13,500		
Premier Fashion (Pvt) Limited	5,000		
Acacia Institutional Partners LP	3,400		
Sherman Securities (Pvt) Limited	3,400		
Trustee National Bank of Pakistan Employees Benevolent Fund Trust	3,029		
Siza (Pvt) Limited	2,840		
Pak Ping Carpets (Pvt) Limited	1,600		
United Trading & Manufacturing (Pvt) Limited	1,500		
Trustees Al-Badar Welfare Trust	864		
FDM Capital Securities (Pvt) Limited	500		
Acacia II Partners LP	500		
Fikree's (Pvt) Limited	250		
Dossa Cotton & General Trading (Pvt) Limited	200		
Fortune Securities Limited	150		
Shaffi Securities (Pvt) Limited	100		
UHF Consulting (Pvt) Limited	20		
NH Capital (Pvt) Limited	5		
Maple Leaf Capital Limited	1		
IGI Finex Securities Limited	1		
Total		8,247,037	100.00%

Notice of Annual General Meeting

Notice is hereby given that the Sixty-Seventh (67th) Annual General Meeting ("Meeting") of the Members of Siemens (Pakistan) Engineering Company Limited (the "Company") will be held on January 20, 2020, at 10:30 a.m. at The Dawood Foundation Business Hub, Ground Floor, Dawood Centre, M.T. Khan Road, Karachi, to transact the following business:

Ordinary business

1. To confirm the minutes of the annual general meeting held on January 15, 2019.
2. To receive, consider and adopt the audited financial statements for the financial year ended September 30, 2019, and reports of the auditors and directors thereon.
3. To consider and declare cash dividend of Rs. 46 per share (460%) for the financial year ended September 30, 2019.
4. To appoint EY Ford Rhodes, Chartered Accountants, as Auditors of the Company till conclusion of next annual general meeting and to fix their remuneration for the financial year ending September 30, 2020. The present auditors EY Ford Rhodes, Chartered Accountants, 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.

By order of the Board of Directors

M. Usman Ansari
Company Secretary

Karachi: December 27, 2019

Notes:

Share Transfer Book Closure:

The Share Transfer Books of the Company shall remain closed from January 10, 2020, to January 20, 2020 (both days inclusive). Transfers received by Company's Share Registrar by the close of business on January 9, 2020, will be considered in time for the purpose of Annual General Meeting. Final cash dividend, if any approved in the Meeting, will be paid to Members whose name appears in the register of the Members on January 9, 2020.

Procedure and requirement for attending the Meeting

Presentation of original Computerized National Identity Card ("CNIC") by Member or his/her proxy to participate in the Meeting is mandatory.

Central Depository Company ("CDC") account holders are also required to follow the guidelines as laid down in Circular No.1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan ("SECP") and shall comply with following requirements to the extent applicable:

- 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.
- ii) The Members registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS.
- iii) 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.

Procedure and requirement for Appointing Proxies

A Member entitled to attend and vote may appoint another Member as his/her proxy to attend and vote on his/her behalf. A Member shall not be entitled to appoint more than one proxy. Duly completed Proxy forms in order to be valid must be received by the Share Registrar or at the Registered Office of the Company not less than 48 hours before the time of Meeting.

CDC account holders are also required to follow the guidelines as laid down in Circular No.1 dated January 26, 2000, issued by the SECP and shall comply with following requirements to the extent applicable:

- 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 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) Corporate entities shall submit the Board of Directors' resolution/Power of Attorney with specimen signature along with proxy form.

Change of Address and Zakat Status

Members with physical shareholding are requested to promptly notify the Company's Registrar of any change in their addresses and also submit Non-deduction of Zakat form if applicable to them. Further, Members holding their shares through CDC are requested to update their address and zakat status with their participants.

Submission of CNIC, Dividend Bank Mandate and Payment of Cash Dividend (e-dividend)

In accordance with the requirements of the Companies Act, 2017, and Companies (Distribution of Dividends) Regulations, 2017, Members are requested to provide their CNIC and Bank Account details including name of the bank, address of bank branch and International Bank Account Number (IBAN) to receive their cash dividend directly into their bank account.

Therefore, all Members who have not yet provided their CNIC and Bank Account details are once again reminded to immediately submit a copy of their CNIC and duly filled Dividend Bank Mandate form to the Share Registrar or to the Company. In the absence of valid bank account details and CNIC, dividend amount will be withheld in compliance with the afore-referred provisions of the Act and the Regulations.

The dividend mandate form has been attached in the Annual Report and also uploaded on the Company's website - www.siemens.com.pk/investor.html.

The Members who hold shares in dematerialized form are requested to submit the dividend bank mandate form duly filled to their participant/investor account services in the CDC.

The corporate Members having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate Members having physical shares should send a copy of their NTN certificate to the Share Registrar. The Members while sending NTN or NTN certificates, as the case may be, must quote the Company name and their respective folio numbers.

Withholding Tax on Dividend

The rates for deduction of withholding tax on the amount of dividend paid by the companies are @ 15% for filers of income tax returns and @ 30% for non-filers of income tax returns. All Members are advised to ensure their names are on Active Tax-payers list (ATL) provided on the website of Federal Board of Revenue (FBR) otherwise tax on dividend will be deducted @ 30% instead of 15%.

In order to comply with directive of FBR for determining the shareholding ratio of the joint account holders for deduction of withholding tax on dividend, Members are requested to provide shareholding proportions of principal shareholder and joint holder(s) in respect of shares held by them to the Share Registrar in the following format:

Folio / CDC Account No.	Total Shares	Principal Shareholder			Joint Shareholder(s)		
		Name	CNIC	Shareholding Proportion (No. of Shares)	Name	CNIC	Shareholding Proportion (No. of Shares)

Annual Accounts of the Company

Annual accounts of the Company for the financial year ended September 30, 2019 can be downloaded from the Company's website- www.siemens.com.pk/annual_report.html.

Members are hereby informed that for electronic transmission of Annual Report, request form is provided in the Annual Report and also uploaded on the Company's website-www.siemens.com.pk/investor.html. Members who wish to avail this facility are requested to submit the request form duly filled to the Share Registrar.

Consent for Video Conferencing Facility

Members may avail video conferencing facility for the Meeting, provided the Company receives at least seven (7) days prior to the date of the Meeting consent in the format provided below from Members residing at particular geographical location having 10% or more shareholding. The Company will intimate Members regarding venue of video conference facility at least five (5) days before the date of the Meeting along with complete information necessary to enable them to access the facility.

"I/We _____ of _____ being member of Siemens (Pakistan) Engineering Co. Ltd. holder of _____ Ordinary shares as per registered folio No./ CDC Account No. _____ hereby opt for video conference facility at _____ in respect of Annual General Meeting of the Company to be held on January 20, 2020."

Voting through Postal Ballot

Members may exercise their right to vote as per provisions of the Companies (Postal Ballot) Regulations, 2018, subject to the requirements of Section 143 and 144 of the Companies Act, 2017. Further details in this regard will be communicated to the shareholders within legal time frame as stipulated under these said regulations, if required.

Miscellaneous

This notice has been sent to all Members of the Company in accordance with Section 134(1)(a) of the Companies Act, 2017.

For any query/problem/information, Members may contact the Share Registrar at the following address:

THK Associates (Pvt) Ltd
1st Floor, 40-C, Block-6, P.E.C.H.S.,
Karachi-75400

Telephone No: 021-111-000-322, 021-34168267
E-Mail: ops_dept3@thk.com.pk
Contact Person: Mr. Kashif Naseer Shaikh

بورڈ کی کمپوزیشن درج ذیل ہے:

نام	کیٹگری
جناب قاضی ساجد علی	خود مختار ڈائریکٹر
ڈاکٹر سیسٹمن اینڈ ریسرچ برکارت	ٹیکنالوجی ڈائریکٹر
جناب میمن کیون	
جناب منظور احمد	
جناب ثم ڈیوی ڈوسکی	
جناب ہیلٹ وون اسٹرو	ایگزیکٹو ڈائریکٹر
مس سعیدہ خان (خود مختار ڈائریکٹر)	خاتون ڈائریکٹر

بیرونی آڈیٹرز

کمپنی کے موجودہ آڈیٹرز ای وائی فورڈ رھوڈز، چارٹرڈ اکاؤنٹنٹس (جو کہ ارنسٹ اینڈ یونگ گلوبل لیمنڈ کی ممبر فرم ہے) جو کہ آنے والی سالانہ عام اجلاس میں ریٹائر ہو رہے ہیں انہوں نے اپنی دوبارہ تقرری کیلئے پیشکش کی ہے۔

جیسا کہ آڈٹ کمیٹی کی جانب سے تجویز دی گئی، بورڈ نے سال 2020 کے لئے 4.84 ملین روپے (علاوہ لاگو سیلز ٹیکس کے) مشاہرہ پر ان کی دوبارہ تقرری کے لئے تجویز دی ہے۔

کارپوریٹ جیٹھ

کمپنی Siemens Aktiengesellschaft، جرمنی (سیمنس AG) کی ڈیپٹی کمپنی ہے جو کہ ری پبلک آف جرمنی کے قوانین کے تحت قائم کی گئی ہے اور 30 ستمبر 2019 تک کمپنی کے 74.6 فیصد حصص کی حامل ہے۔

شیر ہولڈنگ کا طرز

کمپنی پاکستان اسٹاک ایکسچینج کی فہرست میں شامل ہے۔ شیر ہولڈنگ بشمول شیرز کا تفصیلی بیورن اور کیٹگریز ڈائریکٹرز اور ایگزیکٹوز نے منعقد کئے، اگر کوئی ہو، سالانہ رپورٹ کے ساتھ انیکسڈ ہیں۔

ریٹائرمنٹ کے فوائد میں سرمایہ کاری

کمپنی اپنے مستقل ملازمین کے لئے پروویڈنٹ اور گریجویٹ فنڈز پیش کرتی ہے، جو بذریعہ متعلقہ بورڈ آف ٹرسٹرز کے ریگولیٹڈ ہوتے ہیں۔

ان فنڈز کی سرمایہ کاری کی ویلیو متعلقہ آڈٹڈ فنڈز فیصل اسٹیٹمنٹس کے مطابق ہے جو درج ذیل ہے:

30 جون 2016	30 جون 2017	30 جون 2018	
	روپے ملین میں		
458.979	427.438	441.027	پروویڈنٹ فنڈ
30 ستمبر 2016	30 ستمبر 2017	30 ستمبر 2018	
168.925	146.109	176.958	گریجویٹ فنڈ

مالی سال 2019 کے دوران بعد از سیلنس شیٹ ایونٹ اور اہم پیش رفت

30 ستمبر 2019 سے اس رپورٹ کی تاریخ تک کوئی میٹرل تھریلی یا ایونٹس نہیں ہوئے، جس نے فنڈز اسٹیٹمنٹس پر اثر ڈالا، ماسوائے فیکسل ڈیویڈنڈ کی ڈیکلیئریشن کے، جو کہ آنے والے سالانہ اجلاس عام پر کمپنی کے ممبران کی منظوری سے مشروط ہے، جس کا مالی سال 2020 کے فنڈز اسٹیٹمنٹس میں نظر آئے گا۔

مالی سال 2018 کی رپورٹ کے مطابق، سیمنس کی گلوبل ری آرگنائزیشن کے ساتھ، کمپنی نے یکم اپریل 2019 سے اثر انداز ذریعہ گیس اور پاور، اسمارٹ انفراسٹرکچر، اور ڈیجیٹل انڈسٹریز کی کاروباری پورٹ فولیو آپریٹ کرنا شروع کر دیا ہے۔

مزید برآں، کوئی اہم / غیر معمولی ڈیویڈنڈ سال کے دوران نہیں ہوئی۔

تعمیل کا بیانیہ

کمپنی کارپوریٹ گورننس کے اصولوں پر سختی سے عمل کرتی ہے اور تمام مجوزہ قوانین پر عمل درآمد کرتی ہے۔ منسلک کپلائنس کے اسٹیٹمنٹ میں اس کا خلاصہ دیا گیا ہے، جس کا بیرونی آڈیٹرز نے باقاعدہ جائزہ لیا ہے۔

ڈائریکٹروں کے معاوضوں کی پالیسی

بورڈ نے ڈائریکٹروں کے معاوضوں کی پالیسی کی منظوری دے دی ہے، جس میں پالیسی کے مقاصد اور بورڈ اور اس کی کمیٹیوں کی اجلاس میں شرکت کے لئے انفرادی ڈائریکٹرز کے معاوضوں کے معیجز کے تعین کے لئے شفاف طریقہ کار کو تفصیل سے بیان کیا گیا ہے۔ ڈائریکٹرز کے معاوضوں کی پالیسی کے اہم نکات درج ذیل ہیں:

- معاوضہ کی سطح کاروباری ضروریات، اسٹریٹجک الاائنمنٹ اور کمپنی اور اس کے شیئرز ہولڈرز کے بہترین مفاد میں ہوگی۔
- معاوضہ کی سطح متبادل کی کمیٹی / انڈسٹری کے مارکیٹ کے طرز عمل کے مطابق ہوگی۔
- معاوضہ کے تعین کے وقت، جنس کے لحاظ سے کوئی امتیازی سلوک نہیں ہوگا۔
- معاوضہ قابل اور ماہر افراد کیلئے پرکشش ہو جو کمپنی کے ساتھ رہیں اور اس کو کامیابی کے ساتھ چلائیں۔
- معاوضہ میں ڈائریکٹرز کو اپنی ذمہ داریاں ادا کرنے کیلئے درکار وقت اور مہارت کے لحاظ سے منصفانہ ہونا چاہیے۔
- معاوضہ اضافی فائدے کے حصول کیلئے کافی ہونا چاہیے۔
- معاوضہ اتنا کم نہ ہو کہ جو ڈائریکٹرز کو خود مختاری پر کوئی سمجھوتہ کرنا پڑے۔
- چیف ڈائریکٹر / چیف ایگزیکٹو آفیسر، ایگزیکٹو ڈائریکٹر اور ڈائریکٹر جو شیئرز ہولڈرز کی اکثریت کی نمائندگی کر رہے ہیں وہ کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق کسی معاوضہ کے اہل نہیں ہوں گے۔
- ڈائریکٹروں کے ہر انتخاب سے پہلے (ہر تین سال میں ایک بار) بورڈ کے پوری مدت کے لئے معاوضہ مقرر کیا جائے گا۔
- معاوضہ کی سطح کا معیار مقرر کرنے کیلئے خود مختار کنسلٹنٹ کی سفارشات حاصل کی جائیں۔

ڈائریکٹروں کا معاوضہ

ایگزیکٹو اور غیر ایگزیکٹو ڈائریکٹروں کے علیحدہ معاوضوں کی مجموعی رقم کی تفصیلات مالیاتی بیانات کے نوٹ 38 میں بیان کی گئی ہیں۔

بورڈ کی کارکردگی کی جانچ

بورڈ نے ایک رسمی پالیسی منظور کی ہے اور بورڈ اور اس کی کمیٹیوں کی سالانہ کارکردگی کی جانچ کے لئے ایک طریقہ کار مقرر کیا گیا ہے۔ اس جانچ کا مقصد بورڈ کی کارکردگی کو مجموعی کارپوریٹ مقاصد، کمپنی کے گورننس ڈھانچے، قانونی اور ریگولیٹری کپلائنس، اثر اندازی، شراکت اور ویلیو ایڈیشن کی مد میں ماپا جاتا ہے۔ مالی سال 2019 کے لئے بورڈ کی جانب سے منظور شدہ طریقہ کار کے مطابق کارکردگی کی جانچ کی گئی اور بورڈ کی مجموعی کارکردگی اور اثر اندازی کو مضبوط پایا گیا۔ بورڈ کے تمام ممبران کارکردگی میں جانچ میں شرکت کی اور اپنا فیڈ بیک فراہم کیا۔

ڈائریکٹر کی ٹریننگ کا پروگرام

ڈائریکٹر کی ٹریننگ کے پروگرام کی تفصیلات کے لئے، برائے مہربانی کپلائنس کے اسٹیٹمنٹ مع کوڈز کا شمار نمبر 9 ملاحظہ کریں، جس کا باقاعدہ جائزہ بیرونی آڈیٹرز نے کیا ہے۔

بورڈ آف ڈائریکٹرز کا انتخاب

بورڈ آف ڈائریکٹرز کی گزشتہ تین سال کی مدت کی پیمائش کے بعد، ڈائریکٹرز کا انتخاب 15 جنوری، 2019 کو 66 ویں سالانہ اجلاس عام میں منعقد ہوا جس میں ڈاکٹر سیٹیشن اینڈریش براکارٹ، جناب ہیلٹ ووڈ اسٹروو، جناب منوئل کیو بن، جناب منظور احمد، جناب قاضی ساجد علی، مس سعدیہ خان اور جناب تم ڈیویڈ ولسکی شامل تھے جو کہ رہنماز ہونے والے ڈائریکٹرز ڈاکٹر سیٹیشن اینڈریش براکارٹ، مس بیٹرلیس بوک، جناب ہیلٹ ووڈ اسٹروو، جناب منوئل کیو بن، جناب مارکو شفر، جناب منظور احمد اور جناب قاضی ساجد علی کی جگہ منتخب ہوئے۔

ڈائریکٹرز کی کل تعداد درج ذیل کے مطابق سات (7) ہے:

مرد:	چھ (6)
خاتون:	ایک (1)

کارپوریٹ گورننس کے بہترین طرز عمل کی پیروی

کمپنی تمام قانونی اور اخلاقی شرائط کو پورا کرنے اور جہاں ممکن ہو اس سے بڑھ کر عمل کرنے اور تمام کاروباری معاملات میں اعلیٰ ترین معیار اور طرز عمل کے مطابق انجام دینے کے عہد پر کاربند ہے۔ بورڈ موجودہ طریقہ کار کو چیلنج کرتے ہوئے مسلسل بہتری کے راستے کی طرف رہنمائی کرتا رہتا ہے۔ اس کیلئے کمپنی کو تہذیبی سے بھی ہم آہنگ ہونا پڑتا ہے تاکہ جب بھی نئے مواقع پیدا ہوں تو وہ ان کا فائدہ اٹھا سکے۔ اس کیلئے مارکیٹ میں بہترین صلاحیتوں کا انتخاب کرنا اور ان کو مہارت اور مواقع فراہم کر کے ہدف حاصل کرنا ہے۔

بورڈ اور اس کی کمیٹیوں کی تشکیل اور میٹنگ کی تعداد اور مالی سال کے دوران میں ان میں حاضری کی تعداد

بورڈ اور اس کی کمیٹیوں کی تشکیل اور میٹنگ کی تعداد اور مالی سال کے دوران میں ان میں حاضری درج ذیل کے مطابق ہے:

تشکیل	بورڈ کی میٹنگز اور ان میں حاضری	آڈٹ کمیٹی کی میٹنگز اور ان میں حاضری	ہیومن ریسورس اینڈ ریوژنیشن کمیٹی کی میٹنگز اور ان میں حاضری	نومینیشن کمیٹی کی میٹنگز اور ان میں حاضری
ڈاکٹر سیببشمن اینڈریش براکارٹ نان ایگزیکٹو ڈائریکٹر	4/4 چیزر میں	N/A	2/2	1/1 چیزر میں
جناب ہیلٹ وون اسٹروو ایم ڈی۔ ایگزیکٹو ڈائریکٹر	4/4	N/A	2/2	1/1
جناب قاضی ساجد علی خود مختار ڈائریکٹر	4/4	1/4*	2/2 چیزر میں	N/A
مس سعدیہ خان خود مختار ڈائریکٹر	3/4**	3/4* چیزر دو میں	N/A	N/A
جناب غم ڈیوڈ و سکی نان ایگزیکٹو ڈائریکٹر	3/4**	3/4***	N/A	N/A
جناب منوئل کیو ہن نان ایگزیکٹو ڈائریکٹر	3/4	2/4***	1/2****	N/A
جناب منظور احمد نان ایگزیکٹو ڈائریکٹر	4/4	4/4	N/A	N/A
جناب مارکو شیفہر نان ایگزیکٹو ڈائریکٹر	1/4**	1/4***	N/A	N/A
مس بیڑا راکس بوک نان ایگزیکٹو ڈائریکٹر	1/4**	1/4***	N/A	N/A

- * 23 جنوری 2019 کو جناب قاضی ساجد علی کی جگہ مس سعدیہ خان کو ممبر اور چیزر آف دی آڈٹ کمیٹی مقرر کیا گیا۔
- ** مس سعدیہ خان اور جناب غم ڈیوڈ و سکی، راجاڑ ہونے والے ڈائریکٹر ز مس، بیڑک بوک اور جناب مارکو شیفہر کی جگہ 15 جنوری 2019 کو ہونے والے ڈائریکٹر ز کے انتخابات میں بورڈ کیلئے منتخب ہو گئے۔
- *** جناب غم ڈیوڈ و سکی اور جناب منوئل کیو ہن، 23 جنوری 2019 کو مس بیڑک بوک اور جناب مارکو شیفہر کی جگہ آڈٹ کمیٹی کا ممبر مقرر کیا گیا جو 15 جنوری 2019 کو ہونے والے ڈائریکٹر ز کے انتخابات میں بورڈ سے راجاڑ ہو گئے۔
- **** جناب منوئل کیو ہن نے ہیومن ریسورس اینڈ ریوژنیشن کمیٹی میں 23 جنوری 2019 کو دوبارہ تشکیل تک خدمات انجام دیں۔

ہر کمیٹی کے ممبران کی تفصیلی فہرست کیلئے اسٹیٹمنٹ آف کپلائنس کے سیریل نمبر 12 مع منسوخ شدہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 (اس کے بعد حوالہ 'کوڈز') ملاحظہ کریں جس کا بیرونی آڈیٹر نے باقاعدہ جائزہ لیا ہے۔

ڈائریکٹر ز کا بیانیہ

ہم بسرت بیان کرتے ہیں کہ:

- (الف) کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی اسٹیٹمنٹس میں تمام امور بشمول اس کے آپریٹرز کے نتائج، کیش فلو ز اور ایکویٹی میں تبدیلی، شفاف طریقے سے پیش کئے گئے ہیں۔
- (ب) کمپنی کی جانب سے اکاؤنٹس کی درست دیکھ بھال کی گئی۔
- (ج) فنانس اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیز پر عمل درآمد کیا گیا ہے۔
- (د) اکاؤنٹنگ کا تخمینہ مناسب اور دانشمندانہ طرز پر مبنی ہے۔
- (ه) اسٹیٹمنٹس کی تیاری میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز (IAS) اور پاکستان میں لاگو انٹرنیشنل فنانس رپورٹنگ اسٹینڈرڈز (IFRS) کی پیروی کی گئی ہے۔
- (و) اندرونی کنٹرول کے سسٹم، بشمول فنانس رپورٹنگ پر اندرونی کنٹرول مضبوط ڈیزائن اور ان پر موثر طور پر عمل اور مانیٹر کیا جاتا ہے۔
- (ز) کمپنی کو موجودہ صورتحال کے مطابق اپنا کام جاری رکھنے میں کوئی نمایاں خفک و شبہ نہیں ہے۔
- (س) کوڈز کی تفصیلات کے مطابق، کارپوریٹ گورننس کی بہترین مشقوں سے کوئی انحراف نہیں کیا گیا ہے۔

خداشات، غیر یقینی کیفیت اور ان پر کنٹرول

کمپنی کیلئے درج ذیل مختلف خداشات کے امکانات موجود ہیں جن کے خلاف خصوصی کارروائی کے ذریعہ قابو پایا جاتا ہے۔

(الف) آپریشنل خداشات

آپریشنل خداشات منصوبوں کے انتظامات سے متعلق ہیں۔ (مثلاً منصوبہ جات کی مقررہ وقت پر تکمیل، اخراجات / منصوبہ کی لاگت میں تبدیلی، ماحول، صحت، تحفظ اور سپلائی چین منجھٹ وغیرہ۔

کمپنی اپنے کاروباری عمل کے دوران میں خصوصی وسائل اور مطلوبہ صلاحیت اور مہارت کے ساتھ قابو پانے کیلئے کارروائی کرتی ہے۔ انتظامیہ نے ایسے خداشات پر کنٹرول کرنے کی حکمت عملی تیار کی ہے جسے ”گریز کرنا، منتقل کرنا، کم یا قبول کرنا“۔

(ب) مالیاتی خداشات

مالیاتی خداشات کی تفصیل منسلک مالیاتی اسٹیٹمنٹس میں نوٹ 42 میں درج ہے جو مارکیٹ، کریڈٹ اور لیکویڈٹی کے خداشات پر مشتمل ہے۔

(ج) (ضوابط کی) بیرونی خداشات

کمپنی نے سرگرمیوں اور روپوں میں (ضوابط کی) بیرونی نہ کرنے پر صفر عدم برداشت کی پالیسی اپنائی ہے کیونکہ کمپنی بخوبی آگاہ ہے کہ قوانین و ضوابط کی بیرونی نہ کرنے کے نتیجے میں جرمانہ، پابندی، بلیک لسٹ ہونے، لائسنس کی منسوخی وغیرہ کا سامنا ہو سکتا ہے۔ لہذا ان خداشات کے خاتمے کیلئے کمپنی نے ایک جامع اور موثر پروگرام کا نفاذ کیا ہے۔ اس کے علاوہ بزنس کنڈکٹ گائیڈ لائنز (BCG) میں کمپنی کی اپنے تمام ڈائریکٹرز، ایگزیکٹوز اور ملازمین اور اپنے کاروباری ساتھیوں سے ان پر عمل کی توقعات کو واضح طور پر بیان کیا گیا ہے۔

کمپنی اپنے ملازمین اور کاروباری ساتھیوں کو کسی بھی خلاف ضابطہ عمل کے بارے میں اطلاع دینے کی حوصلہ افزائی کرتی ہے اور ان کو یقین دلاتی ہے کہ ایسا کرنے سے ان کو کسی قسم کا نقصان نہیں ہو گا۔ اس طریقہ کار کو مزید آسان بنانے کیلئے مختلف رپورٹنگ چینل قائم کئے گئے ہیں جیسے عمل درآمد ہیپ ڈیسک ”Tell Us“، جو کمپنی کی ویب سائٹ پر موجود ہیں۔

ماحول، صحت اور تحفظ (EHS)

ہماری کمپنی کے تمام آپریشنز اور سرگرمیوں میں ”Zero Harm Culture“ کو اولین ترجیح دی جاتی ہے۔ اس کے علاوہ ایک اضافی اقدام ”We Care“ بھی ہے جو ہمارے بڑے مینوفیکچرنگ یونٹس کے اہم ترین امور میں شامل ہے جس کے مطابق ہم سیمنس سیفٹی ایسینشیلز (Siemens Safety Essentials) کے تحت سیفٹی ڈسے اور مختلف آگاہی مہمات کا اہتمام کرتے ہیں۔

اس سلسلے میں ہماری کامیابیوں میں متعدد پروجیکٹس کی زیر نگرانی LTI کے ساتھ بحفاظت تکمیل، تفصیلی آزادانہ جانچ کے بعد WWF Green Office سرٹیفیکیشن اور ہینچیلڈ انزیشن کے ذریعہ پانی اور کھانے کی شے میں نمایاں کمی لانا شامل ہے۔ اس کے علاوہ ہم اپنے ماحول کے تحفظ کے عہد کی پابندی کرنے کیلئے اپنی نیٹوں کی حوصلہ افزائی کرتے ہیں اور دفتر میں لائسنس اور ایئر کنڈیشنرز کے استعمال میں بجلی کی بچت کرتے ہیں۔

ذرائع آمد و رفت میں حادثات کا بڑا خلیج موجود ہے جس کی وجہ پر اتنا خطراتی کلچر، خستہ حال انفراسٹرکچر اور سڑکوں کی حالت زار اور بڑے شہروں میں ٹریفک قوانین کی پابندی نہ کرنا شامل ہیں۔ ہم اپنے ملازمین کی عمومی صحت اور تحفظ کیلئے بہترین طرز عمل کے بارے میں آگاہی فراہم کرنے کے ساتھ ساتھ مستقل طور پر محفوظ ذرائع کی عادت اپنانے کی حوصلہ افزائی کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری

1847 میں Werner von Siemens کے کمپنی قائم کرتے وقت اچھی اجتماعی شہریت کے احساس کو کمپنی کی فلاسفی کا لازمی حصہ بنایا گیا۔ اجتماعی شہریت کے سلسلے میں تین شعبہ جات پر ہماری توجہ مرکوز ہے: ٹیکنالوجی تک رسائی، تعلیم تک رسائی اور کمیونٹیز کا تحفظ۔ یہ احساس ہماری کاروباری حکمت عملی، بنیادی اہلیت، معاشرے کیلئے مقررہ عالمی اہداف، عالمی سطح کے رجحانات (ڈیو گرافکس، شہر کی طرف آبادی کے بہاؤ، آب و ہوا کی تبدیلی، گلوبلائزیشن اور ڈیجیٹلائزیشن) اور اسٹیک ہولڈرز انیالگ سے واضح ہوتا ہے۔

ہماری تمام SDGs کے ایڈوانسز میں اجتماعی شہریت کا احساس ہماری سرگرمیوں کا حصہ رہا ہے۔ ماحول اور فضا کے تحفظ کیلئے سیمنس ہمیشہ اہم کردار ادا کرتا رہا ہے جسے ملازمین کو وسائل کے استعمال میں زیادہ ذمہ داری کا مظاہرہ کرنے کی ذمہ داری کی حوصلہ افزائی کرنا وغیرہ۔

مالی سال 2019 میں کمپنی نے اپنی سماجی ذمہ داریوں کی ادائیگی کیلئے درج ذیل اداروں کے ساتھ قریبی تعاون پیش کیا:

- فیملی ایجوکیشنل سروس فائونڈیشن (FESF)
 - دی سٹیزن فائونڈیشن (TCF)
 - George Ludwig Rexroth
 - WWF کے اشتراک سے گرین آفس کے اقدامات
- مزید تفصیلات کیلئے سالانہ رپورٹ میں Sustainability and Corporate Citizenship سیکشن ملاحظہ فرمائیں۔

عزیز شیئر ہولڈرز،

ہم، زیر دستخط، بورڈ آف ڈائریکٹرز کی جانب سے ہمسرت سیمنس (پاکستان) انجینئرنگ کمپنی لمیٹڈ ("کمپنی" کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی اسٹیٹمنٹس برائے مالی سال ختم شدہ 30 ستمبر 2019 ("FY2019") مع ان پر آڈیٹرز کی رپورٹ پیش کرتے ہیں۔

سال کے دوران میں 2018 کے مقابلے میں صورتحال درج ذیل رہی:

- سیلز میں 15% کمی ہوئی جس کی بڑی وجہ ملک میں میکرو اکنامکس کے ناموافق اشارات کے نتیجے میں مارکیٹ میں مقابلہ سخت اور مواقع محدود رہے۔ نیز افغانستان میں بڑے پروجیکٹ مکمل ہو گئے۔
- سیلز کی مقدار میں کمی اور افراط زر اور شرح سود میں اضافہ کے باعث کاروباری لاگت میں اضافے کے باوجود کمپنی نے اچھا آپریٹنگ منافع (سیلز کا 9%) اور قبل از ٹیکس منافع (سیلز کا 7%) حاصل کیا جس میں 708 ملین روپے کا زرمبادلہ بھی شامل ہے۔
- اس کارکردگی سے ہماری ٹیم کی بھرپور کاوشوں کا اندازہ ہوتا ہے جس نے مشکل معاشی ماحول میں مسلسل جدوجہد کی اور ایک مضبوط کارکردگی کا مظاہرہ کیا۔

بنیادی کارکردگی کے اشارے	FY 2019	FY 2018
(Rupees in million)		
خالص سیلز اور سروسز	16,673	19,522
آپریٹنگ منافع	1,431	2,276
قبل از ٹیکس منافع	1,199	2,234
خالص منافع برائے سال	710	1,159
آمدنی فی شیئر (روپے)	86.03	140.56

تخصیصات

مالی سال 2019 کے دوران کی جانے والی تخصیصات کا خلاصہ درج ذیل ہے:	(Rupees in million)
مجموعی منافع برطانیہ یکم اکتوبر 2018	873
خالص منافع بعد از ٹیکس برائے مالی سال 2019	710
حقیقی منافع منقسمہ بحساب - 75 روپے (750%) فی شیئر برائے مالی سال 2018	(619)
مجموعی منافع برطانیہ 30 ستمبر 2019	964

دیگر ریزروز (Reserves) میں کمی کی پیش کی تفصیلات کیلئے مالیاتی اسٹیٹمنٹس میں شامل لیکویٹی میں تبدیلیوں کا اسٹیٹمنٹ ملاحظہ کریں۔

منافع منقسمہ

کمپنی کی مالیاتی کارکردگی اور مستقبل کے کیش فلو کی ضروریات کو مد نظر رکھتے ہوئے بورڈ ہمسرت 46 روپے (460%) فی شیئر حقیقی نقد منافع منقسمہ کی سفارش کرتا ہے۔

کمپنی کی نمایاں سرگرمیاں اور کاروبار کے شعبہ جات

کمپنی گیس اینڈ پاور، اسمارٹ انفراسٹرکچر اور ڈیجیٹل اینڈ سٹریٹجک کاروباری پورٹ فولیوز میں کام کر رہی ہے جس میں پاور جزییشن اور ڈسٹری بیوشن، عمارات کیلئے بہترین انفراسٹرکچر اور تعمیر شدہ انرجی سسٹمز اور پروسس اور مینوفیکچرنگ میں آٹومیشن اور ڈیجیٹلائزیشن کے شعبہ جات پر خاص توجہ دی جاتی ہے۔

چیئر مین کی جائزہ رپورٹ

مجھے سیمنس (پاکستان) انجینئرنگ کمپنی لمیٹڈ کے اسٹیک ہولڈرز کیلئے مالی سال 2019 کی سالانہ رپورٹ اور کمپنی کو اپنے اغراض و مقاصد کے حصول کیلئے بورڈ کی موثر رہنمائی کے بارے میں اپنی رائے کا اظہار کرتے ہوئے بہت خوشی محسوس ہو رہی ہے۔

کمپنی کا اپنا مضبوط فریم ورک موجود ہے جو ہماری طویل المدت استحکام اور ترقی کے حصول کا ذریعہ ہے۔ اس سلسلے میں بورڈ نے کمپنی کا رخ متعین کرنے کیلئے موثر کردار ادا کیا ہے جو اس کے بنیادی کاروبار اور سیمنس کے گلوبل وژن +2020 کے حصول کیلئے کئے جانے والے اقدامات کے مطابق ہے۔

بورڈ اس بات کا اعتراف کرتا ہے کہ اسے ایسے ممبران کی ضرورت ہے جو کمپنی کی کامیاب گورننس کیلئے مختلف نوعیت کی صلاحیتوں، علم، بنیادی اہلیت اور تجربہ حامل ہوں۔ چنانچہ 15 جنوری 2019 کو ڈائریکٹرز کا انتخاب عمل میں آیا جس میں قواعد اور ضوابط کے مطابق بورڈ کے خود مختار ڈائریکٹرز کی تعداد بڑھا کر دو کر دی گئی۔ مس سعدیہ خان بورڈ میں شامل ہونے والی حالیہ ترین خود مختار ڈائریکٹر ہیں جو کارپوریٹ گورننس کے شعبہ کا وسیع تجربہ رکھتی ہیں اور انہوں نے بورڈ کے فیصلہ سازی کے مجموعی مراحل میں قابل قدر اضافہ کیا ہے۔

میں یہ بات یقین سے کہہ رہا ہوں کہ بورڈ کے موجودہ ممبران کاروباری انتظامات، حکمت عملی، فننس، کارپوریٹ گورننس، قانون اور ایڈمنسٹریشن کے شعبہ میں بھرپور مہارت رکھتے ہیں۔ نیز بورڈ کے ممبران کمپنی اور اس کے شیئر ہولڈرز کے مفاد میں مخلصانہ فرائض انجام دینے کی اہلیت رکھتے ہیں اور اپنی ذمہ داریوں کی ادائیگی کو اپنا فرض اولین سمجھتے ہیں۔ بورڈ کے چیئر مین کی حیثیت سے میں اس بات کا اعادہ کرتا ہوں کہ تمام ڈائریکٹرز حکمت عملی اور گورننس سے متعلق موضوعات پر غور و خوض کریں اور خود مختار ڈائریکٹرز اور اقلیتوں کے نمائندہ ڈائریکٹرز اور ان موضوعات پر متعلقہ تجربہ کے حامل ڈائریکٹرز سے مشاورت کی جائے اور کسی بھی فیصلے سے پہلے ان کی رائے حاصل کی جائے۔

بورڈ نے اپنی کمٹیوں کی ٹرمز آف ریفرینش واضح طور پر بتادی ہیں، اور ضروری مہارت اور تجربہ کو مد نظر رکھتے ہوئے ممبران کا تقرر کیا گیا ہے مزید برآں بورڈ اور اس کی کمیٹیز سال کے دوران میں باقاعدہ ملاقات کرتے ہیں اور اپنے سامنے پیش کئے گئے ہر معاملہ پر غور و خوض کے بعد اپنا گورننس کا کردار ادا کرتے ہیں۔

بورڈ اور اس کی کمیٹیوں کیلئے سالانہ جانچ کا اپنا ایک رسمی طریقہ کار موجود ہے جس کے ذریعہ یہ اطمینان کیا جائے کہ ڈائریکٹرز کی مجموعی اور انفرادی کارکردگی انتہائی تسلی بخش ہے اور بورڈ کمپنی کی گورننس میں اپنا موثر کردار ادا کرتا رہے گا۔ اس سلسلے میں حال ہی میں مالی سال 2019 کے لئے ایک سالانہ جانچ کی گئی جس میں بورڈ کی مجموعی کارکردگی اور اثر اندازی کو متعین کردہ معیار کے مطابق پایا گیا۔ مجھے یہ بتاتے ہوئے خوشی ہے کہ بورڈ کی مجموعی کارکردگی اور اثر اندازی کو مستحکم پایا گیا ہے۔ تاہم بہتری ایک مسلسل عمل ہے اور مجھے یقین ہے کہ بورڈ مستقبل میں پورے عزم کے ساتھ اور متحرک ہو کر کامیابی کی اسی سطح کو برقرار رکھے گا۔

مجھے یقین ہے کہ کمپنی بورڈ کی ہدایت کی روشنی میں پاکستان کی ترقی میں اپنا کردار ادا کرنے کیلئے مستحکم ہے اور میں ساتھی بورڈ ممبران کی کاوشوں کا بھی شکر گزار ہوں۔

میں اس موقع پر بورڈ کی جانب سے اپنے ملازمین، شیئر ہولڈرز، صارفین اور دیگر اسٹیک ہولڈرز کی انتہائی انتھک کاوشوں اور کمپنی پر بھروسے اور معاونت کے لئے شکر یہ ادا کرتا ہوں۔

آپ کا مخلص،



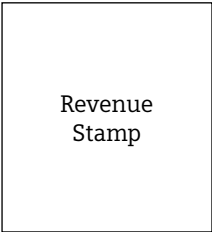
ڈاکٹر سیڈیشن ایڈورٹس برکارت

بورڈ چیئر مین

Proxy Form

I/We _____
of _____ in the district of _____ being a member
of SIEMENS (PAKISTAN) ENGINEERING COMPANY LIMITED hereby appoint
_____ of _____
or failing him _____ of _____
as my/our proxy to vote for me/us and my/our behalf at the Annual General Meeting of the company to be held at Karachi on January 20, 2020
and at any adjournment thereof.
Dated this _____ day of _____

Signature of the shareholder _____
Folio No: _____
CDS Account No: _____



Witnesses:

1. Signature: _____
Name: _____
Address: _____
CNIC No.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

2. Signature: _____
Name: _____
Address: _____
CNIC No.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Notes:

1. This proxy form duly completed and signed across five rupees revenue stamp must be deposited at the company's registered office not less than 48 hours before the time for holding the meeting.
2. Witnessed by two persons for CDC account holder only.
3. CDC account holder shall also submit attested copies of their CNIC/passport and that of the proxy.
4. The proxy of CDC account holder shall produce his/her original CNIC/passport at the time of the meeting.
5. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the proxy shall be submitted along with this form.

میں / ہم

ضلع

متعلقہ

سیمنس (پاکستان) انجینئرنگ کمپنی لمیٹڈ کے ممبر ہونے کی حیثیت سے

متعلقہ

متعلقہ

کو یا

کو اپنا متبادل مقرر کرتا ہوں / کرتے ہیں جو کراچی میں مورخہ 20 جنوری 2020ء کو یا کسی تبدیلی کے ساتھ منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں میری / ہماری جگہ ووٹ دیں گے۔

متعلقہ دن

آج بتاریخ

دستخط سینئر ہولڈرز

فولیو نمبر:

CDS اکاؤنٹ نمبر:

گواہان:

دستخط

نام:

پتہ:

قومی شناختی کارڈ نمبر:

ریونیو اسٹیپ

دستخط

نام:

پتہ:

قومی شناختی کارڈ نمبر:

نوٹس:

- یہ پراکسی فارم مکمل طور سے پُر کر کے پانچ روپے کی رسیدی ٹکٹ پر دستخط کے ساتھ کمپنی کے رجسٹرڈ دفتر میں اجلاس کے شروع ہونے کے وقت سے کم از کم 48 گھنٹے قبل لازمی طور پر جمع کرایا جائے۔
- صرف CDS اکاؤنٹ ہولڈرز کے لئے دو افراد کے بحیثیت گواہ دستخط ہونا ضروری ہے۔
- CDS اکاؤنٹ ہولڈرز کو اپنے اور اپنے پراکسی کے قومی شناختی کارڈ / پاسپورٹ کی فوٹوکاپی بھی جمع کرانی ہوگی۔
- CDC اکاؤنٹ ہولڈرز کے پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل قومی شناختی کارڈ / پاسپورٹ پیش کرنا ہوگا۔
- کارپوریٹ ادارے ہونے کی صورت میں بورڈ کی قرارداد / پاور آف اٹارنی مع پراکسی کے دستخط کا نمونہ اس فارم کے ہمراہ جمع کرانے ہوں گے۔

Dividend Mandate Form

THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6,
P.E.C.H.S.,
Karachi- 75400.
E-Mail: sfc@thk.com.pk

I, Mr./Mrs./Ms. _____ S/O,W/O,D/O _____
hereby authorize **Siemens (Pakistan) Engineering Company Limited** to directly credit cash dividend declared by it, if any, in the below
mentioned bank account:

i) Personal Information	
Name of shareholder	
Folio No. /CDC Participant ID A/C No.	
CNIC No*	
Passport No, (in case of foreign shareholder)**	
Land Line Phone Number	
Cell Number	
E mail address	

ii) Bank Details	
Title of Bank Account	
Name of Bank	
Branch Name and Address	
IBAN	
ISO Country code	
IBAN Check Digits	
BBAN	
Bank Identifier	
Account Number	
SEPA Member	

Signature of the Shareholder

Date: _____

Request Form for Annual Report and Notices through E-mail

THK Associates (Pvt.) Limited

1st Floor, 40-C, Block-6,

P.E.C.H.S.,

Karachi- 75400.

E-Mail: sfc@thk.com.pk

Date: _____

Dear Sirs

I hereby instruct you to send from now onwards the Annual Report of **Siemens (Pakistan) Engineering Company Limited** and all notices under Companies Act, 2017 at my E-mail address given below:

(E-mail address of the shareholder)

The above E-mail address will be recorded in the members register maintained under section 119 of the Companies Act, 2017. I will inform the Company and the Registrar about any change in my E-mail address immediately. Henceforth, I will receive the Accounts and Notices only on the above E-mail address, unless a hard copy has been specifically requested by me.

(Signature)

Name of the shareholder:

Folio No: _____

(In case of physical shareholding)

CDC Account No.: _____

Note: Individual CDC Account holders should submit copy of their Computerized National Identity Card (CNIC) along with this request form.



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