

BIBOJEE GROUP



# 68th ANNUAL REPORT 2015



**GAMMON PAKISTAN LIMITED**

## **COMPANY INFORMATION**

### **President of Gammon Pakistan Limited**

Lt. Gen (Retd) Ali Kuli Khan Khattak

### **Board of Directors**

Syed Wajid Hussain Bukhari  
Mr. Mushtaq Ahmed Khan-FCA  
Mr. A. Karim Khan  
Mr. Khalid Kuli Khan Khattak  
Mr. Hussain Kuli Khan Khattak  
Muhammad Kuli Khan Khattak  
Mr. Sikandar Kuli Khan Khattak

Chairman  
Director  
Director  
Director  
Director  
Director

### **Chief Executive Officer**

Brig (Retd) Mushtaq Ali Khan

### **Audit Committee**

Mr. Mushtaq Ahmed Khan-FCA  
Mr. A. Karim Khan  
Mr. Khalid Kuli Khan Khattak  
Mr. Sikandar Kuli Khan Khattak

Chairman  
Member  
Member  
Member

### **HR Committee**

Mr. Khalid Kuli Khan Khattak  
Brig (Retd) Mushtaq Ali Khan  
Mr. A. Karim Khan

Chairman  
Member  
Member

### **Company Secretary**

Mr. Amin ur Rasheed

### **Chief Financial Officer**

Mr. Rashid Kamal Baig

### **Internal Auditor**

Mr. Nadeem Ahmed

M/s BDO Ebrahim & Co.  
Chartered Accountants  
Islamabad

### **Legal Advisor**

Chanda Law Associates  
Rawalpindi

Advocates

### **Stock Exchanges**

The Gammon Pakistan Limited is a listed Company and its Shares are traded on all three Stock Exchanges in Pakistan

### **Bankers**

Silk Bank Limited  
Askari Bank Limited  
National Bank of Pakistan  
Bank of Punjab  
Bank Alfalah Limited  
Habib Bank Limited  
Allied Bank Limited

### **Registered Office**

Gammon House, 400/2  
Peshawar Road, Rawalpindi  
Tel: 051-5477326-7  
Fax: 051-5477511  
E-mail: gammon1@dsl.net.pk

### **Share Registrar**

Management & Registration  
Services (Pvt) Limited  
Business Executive Centre,  
F/17/3, Block 8, Clifton,  
Karachi.  
Tel: 021-35375127-29  
Fax: 021-3582 0325  
Email: registrationservices@live.co.uk

[www.gammonpakistan.com](http://www.gammonpakistan.com)

# ANNUAL REPORT

## JUNE 30, 2015

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## **MISSION STATEMENT**

Regain for Gammon Pakistan Limited its premier position in the Construction Industry of Pakistan/abroad through as aggressive but prudent construction strategy.

## **VISION STATEMENT**

To be a Construction Company of international standard of repute which executes works confirming to the latest Engineering Practices and innovations. Employ most modern instrumentation/ mechanization to provide technical services with the highest degree of Quality Control and Customer Satisfaction. The Management also promises complete Financial Transparency to all its shareholders and customers so that it is able to turn around and bring Gammon Pakistan Limited back to its original glory.



**GAMMON PAKISTAN LIMITED**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 68<sup>th</sup> Annual General Meeting of Gammon Pakistan Limited (the Company) will be held at Gammon House, 400/2, Peshawar Road, Rawalpindi on Tuesday 27<sup>th</sup> October, 2015 at 11:00 A.M. to transact the following business.

**ORDINARY BUSINESS**

- 1 To confirm minutes of the 67<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> October, 2014
- 2 To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended, 30<sup>th</sup> June 2015 together with the Director's and Auditors' reports thereon.
- 3 To appoint Auditors of the Company for the year to be ending on 30<sup>th</sup> June 2016 and to fix their remuneration.

To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD

**AMIN UR RASHEED**  
COMPANY SECRETARY

Rawalpindi  
Dated: 6 October 2015

**NOTES:**

**BOOK CLOSURE:**

The share transfer books of the Company will be closed from 13<sup>th</sup> October, 2015 to 19<sup>th</sup> October, 2015, both days inclusive. Transfer of shares received at our Share Registration office i.e. Management Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi at the close of business on 14<sup>th</sup> October, 2015 will be treated in time for the purpose of entitlement.

**CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:**

Members of the Company are requested to immediately notify the change of address, if any, and ask for consolidation of their folio nos. provided any member holds more than one folio numbers.

### **FILLING OF THE CONSENT LETTER:**

In terms of Section 178(3) of the Companies Ordinance, 1984 any person who seeks to offer himself for Election as a Director of the Company shall file with the Company a notice of his intention conducted the Election as a Director of the Company at the registered office of the Company not later than fourteen (14) days before the date of AGM.

### **PARTICIPATION IN ANNUAL GENERAL MEETING:**

Any member entitled to attend and vote at this meeting shall be entitled to appoint any other numbers as his/her proxy to attend and vote in respect of him/her and the proxy instrument shall be received by the Company not later than 48 hours before the meeting.

### **INSTRUCTION FOR CDC ACCOUNT HOLDERS:**

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

- a. For attending the meeting:
  - i. In case of individuals, the 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 original National Identity Card (NIC) or Original Passport at the time of attending the Meeting.
  - ii. In case of corporate entity the Board of Director's Resolution/Power of Attorney with certified specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxies:

- iii. In case of individuals the account holder and/ or person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the above requirements.
- iv. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the Form.
- v. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- vi. The proxy shall produce his original NIC or original Passport at the time of the meeting.
- vii. In case of corporate entity the Board of Director's Resolution/ Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

## **DIRECTOR'S REPORT**

On behalf of the Board I am pleased to present the review report on the Financial Statement for the year ended June 30, 2015. This year also ended with improved revenues as compared to the previous years and has been closed with good financial results.

## **OPERATING PERFORMANCE**

The Company's Audited Financial Results are summarized as under:

	<b>June 30, 2015 (Rupees)</b>	<b>June 30, 2014 (Rupees)</b>
Contract Income	<b>344,643,336</b>	320,762,027
Contract Expenditure	<b>321,420,613</b>	276,355,202
Operating Profit/ (Loss)	<b>23,222,723</b>	44,406,825
Profit before taxation	<b>9,512,211</b>	5,955,992
Taxation	<b>(5,403,385)</b>	(2,852,536)
Profit after taxation	<b>4,108,826</b>	3,103,456

Despite many operational problems on different project sites, it is encouraging to report that, the revenue from contracts has increased by Rs. 23.88 million as compared to the last year.

As the two blocks of Housing Project at DHA and B-Type Officer Mess project have entered the finishing works phase, the costs of work have increased which negatively affected our gross margin of profit. However, the above decrease in profit margin has been compensated by increase in the contract price of Housing Directorate project, Maritime Technology Project, and Dhalkot Project due to additional work of Rs. 38 (M), Rs. 7.7 (M) and Rs. 54.4 (M) on the projects respectively, through deviation orders or increase in contract value by the employer. On the project CW0108 Maritimes Technology, near Fateh Jhang, the second batch of 102 tons of chemical was imported from China and used for concreting of the 5<sup>th</sup> segments and some walls of the Towing Tank. However, the total chemical could not be consumed as the work was hindered because of rains and collection of abnormal water on the bed of the Tank. The chemical has a limited shelf life so the Company suffered loss due to its wastage. Revenue of Rs. 148.27 million has been earned from the project during this financial year.

After completing the main structure of two blocks of Housing Directorate project at DHA, the finishing works are in progress on fast track basis, whereas on third block, the 4<sup>th</sup> floor roof has been poured. It is planned to handover the first 2 blocks to the users by the end of this year. The revenue booked against this Project during the period under review was Rs. 166 million.

The work on Dhalkot Bridge Project has started again after the release of funds by the Department. Due to slow release of funds by department, the progress of work was affected during this financial year. However, in case flow of funds from the Department continues against the work done by the Company, the bridge is expected to be completed by March 2016. Due to non payment by the Department, only Rs. 40.721 million revenue has been received during the year as compared to Rs. 95.64 million last year.

The work on the Officers Mess Project at Istaqlal Camp has been successfully completed and the project has been handed over to client in July 2015. Revenue of Rs. 3.941 million has been booked on this project during the year.

Efforts are on to finalize the Bannu projects for handing over to the respective department so that the retention money on the projects and final bill can be finalized.



We are also making efforts to start work on the Cook House building at Rawalakot, so that the project can be closed.

It is encouraging to note that the trend of financial improvement continues and hopefully better future of the Company is seen in the days to come.

### **FUTURE PROSPECTS**

The Company has recently acquired a project of Rs. 350 million (approx) for the civil work of Mixing Plant Building at Karachi. We are hopeful that this project will add good revenue to the Company.

The joint venture with Jaffer Brothers for Lahore Airport extension project is still being pursued for prequalification, we are quite confident to win this bid in the next financial year.

After completion of the Dhalkot Bridge Project, it is hoped that the Company will get another bridge project near Bagh in Azad Kashmir.

Efforts are being made to acquire a 42" dia pipe line laying project (Karachi – Hyderabad) as a subcontractor of Chinese Company (X PECC).

### **APPROPRIATION FOR DIVIDEND**

In view of accumulated losses, the board of directors (board) has decided not to recommend payment of any dividend.

### **COMMENTS ON AUDITOR'S REPORT TO THE MEMBER**

- a. The Contract Receivables of Rs. 76.88 million are under the process of recovery from clients and the Company's Management considers that these are fully realizable in foreseeable future.

### **COMMENTS ON REVIEW REPORT**

- a. Director's Training process of the remaining Director's will got accomplished in the next financial year.
- b. Chairman Audit has been replaced in the current Board Meeting.
- c. The Independent Directors who have completed their tenure are replaced in the current Board Meeting.

### **CORPORATE AND FINANCE REPORTING FRAME WORK**

The board regularly reviews company's strategic direction and performance targets. These targets are regularly checked to find out whether they are being achieved by the management. The board assure the shareholders that the company is abiding with the provisions of Code of Corporate Governance implemented through the listing regulations of the Karachi Stock Exchange (Guarantee) Limited. The board further states that:

- ❖ There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of The Karachi Stock Exchange (Guarantee) Limited.
- ❖ The financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- ❖ Proper books of accounts of the company have been maintained.
- ❖ Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- ❖ International accounting standards, as applicable in Pakistan, have been followed in preparation of these financial statements and any departure there from has been adequately disclosed.
- ❖ The system of internal control is sound in design and has been effectively implemented and monitored.

- ❖ There are no statutory payments on account of taxes, duties, levies and charges thereon which are overdue as at 30 June 2015.
- ❖ Summary of key operating and financial data of last six years is annexed.
- ❖ The Pattern of shareholdings of the company as at 30 June 2015 is annexed.
- ❖ The board in compliance with the Code of Corporate Governance has established an audit committee comprising of three members.

## **BOARD MEETING AND ATTENDANCE BY EACH DIRECTOR**

During the year four board meetings were held. The number of meetings attended by each director is given here under:

<u>Name of Director</u>	<u>Number of Meetings Attended</u>
Syed Wajid Hussain Bukhari	3
Mr. A. Karim Khan	4
Mr. Mushtaq Ahmed Khan-FCA	4
Mr. Khalid Kuli Khan Khattak	4
Mr. Hussain Kuli Khan Khattak	3
Muhammad Kuli Khan Khattak	4
Mr. Sikandar Kuli Khan	3

Leaves of absence granted to the directors who were unable to attend the board meetings

## **APPOINTMENT OF AUDITORS**

The Company's auditor M/s BDO Ehbahim & Co. Chartered Accountant, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad, retire and offer themselves for re-appointment. The Board and Board Audit Committee have recommended the retiring auditors, being eligible, be re-appointed.

## **ACKNOWLEDGMENT**

The hard work and dedication of the Company's Management, engineers and employees during the period under review in encouraging, if the same spirit continues, the Company will surely continue its revival path.

We would also like to express our gratitude to our bankers, clients and suppliers for their co-operation, support and trust reposed in the Company.

For and on behalf of Board of Directors



**BRIG (RETD) MUSHTAQ ALI KHAN**  
Chief Executive Officer



## **CODE OF CONDUCT**

### **INTRODUCTION.**

It has been said that the essence of a successful and visionary company is the ability to preserve its core values and to stimulate progress. Corporate ethics is the practice of our shared values. These shared values define who we are and what we can expect from each other. It is a code which applies to all Directors & Employees.

Our integrity and reputation depend on our ability to do the right thing, even when it's not the easy thing. The Code of Conduct is a collection of rules and policy statements intended to assist employees and directors in making decisions about their conduct in relation to the firm's business. The Code is based on our fundamental understanding that no one at Gammon Pakistan Limited should sacrifice integrity.

Each of us is accountable for our actions, and each of us is responsible for knowing and abiding by the policies that apply to us. Directors & Executives have a special responsibility, through example and communication, to ensure that employees under their supervision understand and comply with the Code and other relevant supporting policies and procedures.

All Directors, Executives and Employees are expected to understand the laws and business regulations related to their work and comply fully so that our shareholders, customers, suppliers, stakeholders and the Government have complete faith in the way we operate and that our business decisions are made ethically and in the best interest of the Company.

You can look at the Code of Conduct to guide your decisions in a variety of circumstances. However, no rulebook can anticipate every situation. Ultimately, the personal integrity and honesty of every GPL employee will define the character of our Company. Never underestimate the importance of your own ethical conduct in the business and success of Gammon Pakistan Limited.

This code is in alignment with Company's Vision and Values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the day to day affairs of the Company.

The Board of Directors, Executives and all its employees will adopt this Code of Conduct and Ethics as a Testimony of commitment to adhere to the standards of loyalty, honesty, integrity and the avoidance of conflict of interest.

This model Code of Conduct shall be reviewed by the Board from time to time. The regulatory orders and any amendments to this Code shall be approved by the Board of Directors.

### **DEFINITION AND INTERPRETATION.**

In this Code, unless repugnant to the meaning or context thereof, the following expressions shall have the meaning given to them below:

- "The Company" means "Gammon Pakistan Limited"
- "Board/Board of Directors" shall mean the Board of Directors of the Company.
- "Directors" means the Directors of the Company appointed or elected from time to time pursuant to Article of Association.
- "The Chairman" means the Chairman of the Board of Directors
- "Board Members" shall mean the Members on the Board of Directors of the Company.

- “Whole-time Directors” or “Executive Director” shall mean the Board Members who are in whole-time employment of the Company.
- “Non-Executive Directors” shall mean the Board Members who are Directors and not in employment of the Company.

“Executives” shall mean employees of the Company who are members of its core management team excluding Board of Directors and would comprise all General Managers / Functional Heads and top Management of the Company.

### **CORPORATE RESPONSIBILITY.**

The key to corporate integrity lies with all of us. Everyone has a responsibility to uphold this dedication to corporate ethics on a daily basis. We all must:

- Know and follow this conduct code.
- Know and comply with the requirements and expectations that apply to our jobs.
- Take responsibility for our own conduct.
- Report violations of this conduct code to appropriate management.

This code defines following broad corporate values that shape our business practices

### **COMPOSITION OF THE BOARD**

The Board of Directors of the Company should always be balance of executive, non-executive and independent directors in accordance with Code of Corporate Governance 2012/ Companies Ordinance 1984.

### **LEGAL/COMPLIANCE OBLIGATIONS**

The Company's activities and operations will be carried out in strict compliance with all applicable laws and the highest ethical standards. Meeting our legal obligations and cooperating with, local, national and international authorities lay a solid foundation for the corporate values. As individuals, employees must strive to be aware of and understand laws applicable to business and area of responsibility.

### **INTEGRITY & HONESTY**

Corporate integrity and honesty is the foundation of our business conduct code. By maintaining the highest level of corporate integrity through open, honest, and fair dealings, we earn trust for ourselves and from everyone with whom we come in contact. Our employees, holding the trust of the Company, are expected to uphold the highest professional standards

### **CONFIDENTIALITY**

Every employee is obligated to protect the Company's confidential information. All information developed or shared as a result of the business process proprietary to the Company must be treated as confidential.

### **CORPORATE RECORDS**

Company documents and records are part of the Company's assets, and employees are charged with maintaining their accuracy and safety. Employees are required to use excellent record-management skills by recording information accurately and honestly, and retaining records as long as necessary to meet business objectives and government regulations. Financial records must accurately reflect all financial



transactions of the Company. No false, artificial, or misleading entries shall be made in the books and records of the Company for any reason.

### **CONFLICT OF INTEREST**

A conflict of interest exists when a personal interest or activity of an employee influences or interferes with employee's performance of duties, responsibilities or loyalties to the Company. All employees must avoid any personal or business influences or relationships that affect, or appear to affect, their ability to act in the best interest of the Company. Where ever, such conflict occurs it must be disclosed to at-least the next senior level of authority.

### **UNAUTHORIZED USE OF CORPORATE ASSETS**

Every employee is obligated to protect the assets of the Company. Company property, such as fixed assets, office supplies, production equipment, products, and buildings, may not be used for personal reasons. Expenses may not be charged to the Company unless they are for Company's purposes

### **RESPECT FOR PEOPLE & TEAM WORK**

We are dedicated to dignity and respect and we owe nothing less to each other. This high level of respect for one another enters into every aspect of our dealings with colleagues and those we come into contact with-in each working day, and reflects greatly on how our corporate culture is perceived. We know it well that none of us acting alone can achieve success.

### **SAFETY AND HEALTH**

We are all responsible for maintaining a safe workplace by following safety and health rules and practices. We are responsible for immediately reporting accidents, injuries, and unsafe equipment, practices or conditions to a supervisor or other designated person. We are committed to keep our workplace free from hazards.

### **DEDICATION TO QUALITY**

Our quality policy is an integral part of our business philosophy and we are committed to provide total customer satisfaction.

### **CORPORATE IMAGE**

Company's reputation and identity are among the Company's most valuable assets. As part of keeping and furthering the corporate image, we believe in conducting business legally, morally and ethically, and in sharing the success that business brings. All employees, particularly those in management, are expected to conduct themselves in a manner that reflects positively on the company's image and identity, both internal and external. No one should act in a way, or make any statement in any media, that adversely affects the reputation or image of the Company with employees, customers or the community at large

### **STAKEHOLDERS**

Stakeholders are valuable equal partners for us with whom a long-term, fair and trustworthy relationship should be built and maintained with appropriate information disclosure through public relations, investor relations and other activities. Shareholders own the Company and on the basis of their entrustment, we will put in our best efforts to protect their investment value and to maximize their return under the prevailing business environment. Moreover, business with suppliers, vendors, contractors and other independent businesses who demonstrate high standards of ethical business behavior will always be priority for all the Directors and Executives of the Company and will not knowingly do business with any persons or businesses that operate in violation of applicable laws and regulations, including employment,

health, safety and environmental laws. Measures will be taken to assure that suppliers, vendors and contractors understand the standards applicable to our Company and we expect the same from them as well.

#### **COMPLIANCE OF LAW.**

The Board Members and Executives shall comply with all laws, rules and regulations relating to the business of the Company i.e, Companies Ordinance 1984, Code of Corporate Governance, Listing Regulations and Article of Association etc.

#### **DIRECTORSHIPS**

Unless specifically permitted by the Board of Directors and regulatory authorities, the Board Members and Executives shall not serve as Director of more than seven listed companies unless otherwise permitted by law, including this Company (excluding the listed subsidiaries of listed subsidiaries of listed holding companies where applicable)..

All Executives of the Company shall obtain prior approval of the Chief Executive/Managing Director of the Company for accepting Directorship of any other company or partnership of a firm.

#### **PREVENTION OF INSIDER TRADING**

The Board Members and Senior Management personnel shall comply with the Code of Internal Procedures and conduct for prevention of insider trading in dealing with securities of the Company and the CEO and executives do not hold any interest in the shares of the Company other than the disclosed in the pattern of shareholding.

#### **CORPORATE DISCLOSURE PRACTICES**

The Board Members and all executives shall comply with the Code of Corporate Governance in letter and spirit.

#### **AUDIT FUNCTION**

The Board of Directors will ensure the transparency and independence Audit Function of the Company

#### **RELATED PARTY TRANSACTIONS**

The details of all related party transactions shall be placed before the Audit Committee of the Company and upon recommendations of the Audit Committee the same shall be placed before the Board for review and approval as indicated in section 35 (x) of Code of Corporate Governance).

#### **PROTECTION OF ASSETS**

The Board Members and Senior Management Personnel shall protect the Company's assets including physical assets, information and intellectual rights and shall not use the same for personal gain.

#### **AMENDMENTS TO THE CODE**

The provisions of this Code can be amended / modified by the Board of Directors of the Company from time to time and all such amendments / modifications shall take effect from the date stated therein.

### **PLACEMENTS OF THE CODE ON WEBSITE**

This Code and any amendment thereto shall be hosted on the website of the Company.

### **FINANCIAL REPORTING**

The Company quarterly unaudited / audited financial statements shall be published and circulated alongwith Directors review on the affair of the Company unless otherwise permitted by law / approvals by regulatory authorities

### **CONSEQUENCES OF NON-COMPLIANCE OF THIS CODE**

In the event of non compliance of the code by a Director, CEO or executive as the case may be, the matter shall be presented by the Company Secretary before the Board of Directors & action will be taken in light of the decision given by the Board.

### **ACKNOWLEDGEMENT OF RECEIPT OF THE CODE**

All Board Members and Executives shall acknowledge receipt of this Code or any modification(s) thereto, in the acknowledgement form as attached and forward the same to the Company Secretary indicating that they have received, read, understood and agreed to comply with this Code.



**BRIG (RETD) MUSHTAQ ALI KHAN**  
Chief Executive Officer




THE COMPANIES ORDINANCE 1984  
(Section 236(1) and 464)

FORM 34

PATTERN OF SHAREHOLDING

- 1 CUIIN (Incorporation Number) 0 0 0 0 1 1 7
- 2 Name of Company **GAMMON PAKISTAN LIMITED**
- 3 Pattern of holding of the shares held by the shareholders 3 0 0 6 2 0 1 5

4. No. of Shareholders	Shareholdings	Total Share held
1384	Shareholding from 1 to 100 shares	56,760
504	Shareholding from 101 to 500 shares	130,123
161	Shareholding from 501 to 1000 shares	128,552
173	Shareholding from 1001 to 5000 shares	411,536
42	Shareholding from 5001 to 10000 shares	336,321
18	Shareholding from 10001 to 15000 shares	228,465
13	Shareholding from 15001 to 20000 shares	225,236
10	Shareholding from 20001 to 25000 shares	229,234
6	Shareholding from 25001 to 30000 shares	161,198
3	Shareholding from 30001 to 35000 shares	100,146
3	Shareholding from 35001 to 40000 shares	111,033
2	Shareholding from 40001 to 45000 shares	81,438
1	Shareholding from 45001 to 50000 shares	45,714
2	Shareholding from 55001 to 60000 shares	115,378
3	Shareholding from 60001 to 65000 shares	183,932
1	Shareholding from 75001 to 80000 shares	79,535
2	Shareholding from 80001 to 85000 shares	165,377
2	Shareholding from 85001 to 90000 shares	177,109
1	Shareholding from 95001 to 100000 shares	98,500
2	Shareholding from 110001 to 115000 shares	221,326
1	Shareholding from 145001 to 150000 shares	150,000
1	Shareholding from 320001 to 325000 shares	323,803
1	Shareholding from 765001 to 770000 shares	768,215
1	Shareholding from 3365001 to 3370000 shares	3,368,044
1	Shareholding from 20350001 to 20400000 shares	20,369,056
2338	<b>TOTAL</b>	<b>28,266,231</b>

5. Categories of Shareholders		Share held	Percentage %
5.1	Directors, CEO, & their spouses/minor children	95,855	0.34
5.2	Associated Companies/ Joint Stock Companies undertakings and related parties	20,385,344	72.12
5.3	Investmetn Corporation of Pakistan	11,450	0.04
5.4	Banks, DFIs, NBFIs, Modarabas, etc	114,701	0.41
5.5	Insurance Company	60	0.00
5.6	Share holders holding 10 %		
	Bibojee Services (Pvt) Ltd	20,369,056	72.06
	Ahmed Kuli Khan Khattak	3,368,044	11.92
5.7	General Public		
	a. Local	7,451,633	26.36
	b. Foreign	207,187	0.73
6	Signature of Chief Executive / Company Secretary		
7	Name of Signatory	AMIN UR RASHEED	
8	Designation	Company Secretary	
9	NIC Number	1 4 3 0 1 - 4 5 7 5 7 6 4 - 3	
10	Date	3 0      0 6      2 0 1 5	

**Note:** In case there are more than one class of shares carrying voting rights, the information regarding each such class shall be given separately

**DETAILS OF PATTERN OF SHAREHOLDING AS PER  
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE**

CATEGORIES OF SHAREHOLDERS		SHARE HELD
1	ASSOCIATED COMPANIES UNDERTAINGS & RELATED PAR M/S BIBOJEE SERVICES (PVT) LIMITED	20,369,056
2	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN: SYED WAJID HUSSAIN BUKHARI MR. MUSHTAQ AHMED KHAN-FCA MR. A. KARIM KHAN *MR. KHALID KULI KHAN KHATTAK *MR. HUSSAIN KULI KHAN KHATTAK *MUHAMMAD KULI KHAN KHATTAK *MR. SIKANDAR KULI KHAN KHATTAK	62,685 2,500 30,670 - - - -
<b>* Directors on behalf of Bibojee Services (Pvt) Limited</b>		
3	EXECUTIVES	NIL
4	JOINT STOCK COMPANIES	20,385,344
5	N.I.T. & I.C.P M/S INVESTMENT CORPORATION OF PAKISTAN KARACHI INVESTMENT TRUST LIMITED	11,450
6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	114,701
7	INSURANCE COMPANY	60
8	FOREIGN SHAREHOLDERS	207,187
9	GENERAL PUBLIC AND OTHER SHAREHOLDERS	7,451,633
10	SHAREHOLDERS HOLDING 10% OR MORE: M/S BIBOJEE SERVICES (PVT) LMITIED MR. AHMED KULI KHAN KHATTAK	20,369,056 3,368,044



**STATEMENT OF COMPLIANCE WITH THE  
CODE OF CORPORATE GOVERNANCE  
[ See clause (xl) ]**

Name of Company **GAMMON PAKISTAN LIMITED**

Year Ended: **30-06-2015**

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in listing regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Independent Directors	i) Syed Wajid Hussain Bukhari ii) Mr. A. Karim Khan
Executive Directors	iii) Brig (Retd) Mushtaq Ali Khan
Non - Executive Directors	iv) Mr. Mushtaq Ahmed Khan-FCA v) Mr. Khalid Kuli Khan Khattak vi) Mr. Hussain Kuli Khan Khattak vii) Muhammad Kuli Khan Khattak viii) Mr. Sikandar Kuli Khan Khattak

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI, and none of them is member of a Stock Exchange.
4. No casual vacancy in BOD occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it within the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies; along with the dates on which they were approved or amended is being maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive directors and non executive directors have been taken by the Board/ Shareholders.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. It is certified that all the above mention directors and executives have a minimum 14 years of education and 15 years of experience on the Board, comply with corporate requirement of the company and are exempted from the directors training program under rule CCG, except the serial # v to viii who will get the Director's Training certificate before June 2016.
10. The Directors Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an Audit Committee. It comprises four members, of which three are non-executive directors including the chairman of the committee. The Chairman Audit Committee does not meet the criteria as per clause (xxiv) and will be replaced in the latest board meeting.
15. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board has formed an HR and Remuneration Committee. It comprises three members, of which two are non-Executive Directors including the Chairman of the Committee.
17. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of



Pakistan.

19. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
21. Material/price sensitive information is disseminated to all market participants at once through stock exchanges.
22. The independent directors meet the criteria under clause I (b) of the CCG, but have completed their tenure of 3 terms so will be replaced in the latest board meeting. The mechanism of annual evaluation of the Board's own performance has not yet been put in place.
23. We confirm that all other material principles contained in the CCG except as disclosed in respective clauses, have been complied with.



**BRIG (RETD) MUSHTAQ ALI KHAN**  
(Chief Executive Officer)

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of GAMMON PAKISTAN LIMITED (the Company) to comply with the Listing Regulations of the Stock Exchanges, where the Company is listed.

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

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

Statutory records of the Company comprising of share transfer registers and share transfer deeds prior to January 01, 2001 are not available.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 and sub-regulation (xiii(a)) of Listing Regulation 35 of the Islamabad Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance and requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except for the aforesaid observation, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2015.

We draw your attention to clauses 9, 14 and 22 of the statement which mention certain instances of non-compliance with the Code.

ISLAMABAD

DATED: 23 SEP 2015

CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gammon Pakistan Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

Contract receivables include balances aggregating to approximately Rs. 76.888 million which have been outstanding for the past three years. Moreover, no recovery subsequent to the balance sheet was observed against these balances. However, no provision has been recorded in respect of this amount.

Except for the adjustment in respect of matter stated above;

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and





- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) except for the adjustment in respect of matters stated above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without further qualifying our opinion we draw your attention to Note 27.2(a) to the financial statements whereby the National Bank of Pakistan has filed an execution applications for the decrees for amounts mentioned in the aforesaid note. The liability determined of the Company is contingent upon the judgment of these suits.

ISLAMABAD

DATED: 23-09-2015

  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer  


**GAMMON PAKISTAN LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees Restated	2013 Rupees Restated
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment				
Operating fixed assets	6	99,654,042	102,415,841	104,585,401
Investment property	7	223,463,403	200,465,125	198,539,225
Long term investments	8	1,119,023	2,231,302	1,975,564
Long term security deposits	9	3,623,394	6,497,900	5,777,975
		<u>327,859,862</u>	<u>311,610,168</u>	<u>310,878,165</u>
<b>CURRENT ASSETS</b>				
Stores, spares and loose tools	10	49,682,029	35,221,620	15,105,729
Contract receivables	11	139,811,644	180,667,801	163,913,045
Cost and estimated earnings in excess of billings	12	53,819,433	37,202,432	609,064
Loans and advances	13	12,089,609	24,363,802	33,273,735
Other receivables	14	263,000	622,500	997,500
Short term prepayments	15	275,862	4,160,003	824,512
Tax refunds due from Government	16	43,845,786	32,022,593	29,438,355
Taxation - net	17	14,892,511	11,823,193	2,584,238
Cash and bank balances	18	17,516,430	27,171,141	13,856,337
		<u>332,196,304</u>	<u>353,255,085</u>	<u>260,602,515</u>
Non-current assets classified as held for sale	19	-	-	35,874,000
<b>TOTAL ASSETS</b>		<u><u>660,056,166</u></u>	<u><u>664,865,253</u></u>	<u><u>607,354,680</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital	20	282,662,310	282,662,310	282,662,310
Share premium reserve		15,380,330	15,380,330	15,380,330
Accumulated loss		(93,885,442)	(99,644,044)	(104,901,247)
		<u>204,157,198</u>	<u>198,398,596</u>	<u>193,141,393</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>				
	21	225,724,311	226,954,682	228,018,304
<b>NON-CURRENT LIABILITIES</b>				
Deferred liability	22	7,572,987	7,102,865	7,698,353
Deferred taxation	23	10,221,475	11,304,227	12,371,171
		<u>17,794,462</u>	<u>18,407,092</u>	<u>20,069,524</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	24	164,855,613	167,346,147	122,018,942
Billings in excess of cost and estimated earnings	12	-	6,522,558	5,395,485
Joint venture partner's advances	25	30,059,542	30,059,542	30,059,542
Material received from customers / secured advances	26	17,465,040	17,176,636	8,651,490
		<u>212,380,195</u>	<u>221,104,883</u>	<u>166,125,459</u>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	27	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>660,056,166</u></u>	<u><u>664,865,253</u></u>	<u><u>607,354,680</u></u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**GAMMON PAKISTAN LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees Restated
Contract income	28	344,643,336	320,762,027
Contract expenditure	29	321,420,613	276,355,202
Net contract profit		23,222,723	44,406,825
Operating expenses			
General and administrative expenses	30	50,003,060	43,534,671
Other operating expenses	31	1,025,534	647,800
		51,028,594	44,182,471
Other income	32	14,889,758	11,984,018
Operating (loss) /profit		(12,916,113)	12,208,372
Finance cost	33	614,704	64,553
Fair value gain on investment property	34	22,998,278	-
Loss on sale of investment property	35	-	13,374,000
Allocation of loss to joint venture partners - net		44,750	7,186,173
Profit before taxation		9,512,211	5,955,992
Taxation	36	(5,403,385)	(2,852,536)
Profit after taxation		4,108,826	3,103,456
Earning per share - basic and diluted (Rupees)	37	0.15	0.11

The annexed notes from 1 to 51 form an integral part of these financial statements.



**CHIEF EXECUTIVE**



**DIRECTOR**

**GAMMON PAKISTAN LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2015 Rupees</b>	<b>2014 Rupees Restated</b>
Profit after taxation	4,108,826	3,103,456
Remeasurement of defined benefit liability - net of tax	78,761	823,251
Total comprehensive income for the year	<u>4,187,587</u>	<u>3,926,707</u>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**GAMMON PAKISTAN LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 Rupees	2014 Rupees Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before working capital changes	39	19,050,731	37,552,752
Changes in working capital:			
Decrease / (increase) in current assets			
Stores, spares and loose tools		(14,460,409)	(19,746,331)
Contract receivables		11,272,174	(35,770,129)
Cost and estimated earnings in excess of billings		(16,617,001)	(36,593,368)
Loans and advances		12,248,410	4,809,958
Other receivables		359,500	627,608
Short term prepayments		3,884,141	(3,335,491)
Long term security deposits		2,874,506	(719,925)
Increase / (decrease) in current liabilities			
Trade and other payables		(157,597)	53,171,381
Billings in excess of cost and estimated earnings		(6,522,558)	1,127,073
Material received from customers / secured advances		288,404	8,525,146
		(6,830,430)	(27,904,078)
Cash generated from / (used in) operations		12,220,301	9,648,674
Financial charges paid		(614,704)	(64,553)
Income tax paid		(20,973,002)	(15,400,121)
Gratuity paid		(584,306)	(890,986)
		(22,172,012)	(16,355,660)
Net cash used in operating activities		(9,951,711)	(6,706,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(203,000)	(672,310)
Installation of bill board		-	(1,925,900)
Sales proceeds of fixed asset		-	120,000
Sales proceeds of investment property		-	22,500,000
Sale of Defense Saving Certificate		500,000	-
Net cash generated from / (used in) investing activities		297,000	20,021,790
Net (decrease) / increase in cash and cash equivalents		(9,654,711)	13,314,804
Cash and cash equivalents at the beginning of the year		27,171,141	13,856,337
Cash and cash equivalents at the end of the year		17,516,430	27,171,141

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**



**GAMMON PAKISTAN LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Issued, subscribed and paid-up capital	Share premium reserve	Accumulated loss	Total
	----- Rupees -----			
Balance as at July 01, 2013 (Restated)	282,662,310	15,380,330	(104,901,247)	193,141,393
Total comprehensive loss for the year (Restated)	-	-	3,926,707	3,926,707
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	-	-	1,338,586	1,338,586
Upon disposal of revalued operating fixed asset	-	-	67,588	67,588
Balance as at June 30, 2014 (Restated)	282,662,310	15,380,330	(99,568,366)	198,474,274
Effect of prior period error (note-48)	-	-	(75,678)	(75,678)
Balance as at June 30, 2014 (Restated)	282,662,310	15,380,330	(99,644,044)	198,398,596
Total comprehensive income for the year	-	-	4,187,587	4,187,587
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	-	-	1,443,164	1,443,164
Upon disposal of revalued operating fixed asset	-	-	127,851	127,851
Balance as at June 30, 2015	282,662,310	15,380,330	(93,885,442)	204,157,198

The annexed notes from 1 to 51 form an integral part of these financial statements.

*Sanjiv K. Mehta*

**CHIEF EXECUTIVE**

*Farooq Ahmad*

**DIRECTOR**

**GAMMON PAKISTAN LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**1 STATUS AND NATURE OF BUSINESS**

The Company was incorporated under the Companies Act, 1913 (now the Companies Ordinance, 1984) on August 12, 1947 as a Public Company Limited by shares. Its shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the execution of civil construction works. The registered office of the Company is situated at Gammon House, 400/2 Peshawar Road, Rawalpindi. The Company is a subsidiary of Bibojee Services (Private) Limited.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount.

**2.3 Functional and presentation currency**

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

**3 CHANGE IN ACCOUNTING ESTIMATE**

During the year Company has revised its future estimated cost amounting to Rs. 13,395,255 to complete the B Types Officer Mess and Rawalkot contracts due to an increase in input prices.

The effect of this change has been recognized prospectively in the financial statements as per IAS-8 Accounting Policies, Changes in Accounting Estimates and Errors. Had there been no change in accounting estimate the revenue, estimated earnings in excess of billings for the year would have been increased by Rs.1,480,718, cost for the year would be increased by 1,679,880 and profit would be reduced by 199,162.

**4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

#### **4.1 Standards or interpretations that are effective in current year but not relevant to the Company**

The Company has adopted the amendments to the following accounting standards which became effective during the year:

	<b>Effective date (annual periods beginning on or after)</b>
IFRIC 13 Levies	January 01, 2014

#### **4.2 Amendments that are effective in current year but not relevant to the Company**

The Company has adopted the amendments to the following accounting standards which became effective during the year:

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10 Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12 Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014



Effective date  
(annual periods  
beginning on or  
after)

IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

#### 4.3 Amendments not yet effective

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

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016

		<b>Effective date (annual periods beginning on or after)</b>
IAS 28	Investments in Associates and Joint Ventures - Amendments	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

#### **4.4 Standards or interpretations not yet effective**

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

## **5 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.



## **5.1 Operating fixed assets**

These are stated at cost / revalued amount less accumulated depreciation and any identified impairment loss, if any, except for freehold land, which is stated at revalued amount. Depreciation is charged to profit and loss account on straight-line basis on the cost or valuation of all fixed assets from / to the date of acquisition / deletion, except for freehold land, to write-off ninety percent of the value over the useful life of the assets. The remaining ten percent is written-off on retirement is considered the residual value.

The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation is calculated on monthly basis and is charged at different rates according to estimated useful life of the particular assets. Full month depreciation is charged if the asset is purchased within the first fifteen days whereas no depreciation is charged for the month if the asset is disposed-off within the first half of the month.

Normal repairs and replacements are taken to profit and loss account as and when incurred. Major renewals and replacements are capitalized and assets replaced, if any, other than those kept as stand-by, are retired.

Gains / losses on disposal or retirement of operating fixed assets, if any, are taken to profit and loss account.

## **5.2 Impairment losses**

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation

## **5.3 Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Any gain or loss arising from a change in fair value is recognized in the income statement.

Rental income from investment property is accounted for as described in note 5.15.

When an item of property, plant and equipment is transferred to investment property following a change in its use and differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment if it is a gain. Upon disposal of the item related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

#### **5.4 Held-to-maturity investments**

These are carried at amortized cost less impairment loss, if any. Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost using the effective interest method. Gain and losses are recognized in the profit and loss account when the investments are derecognized or impaired, as well as through the

#### **5.5 Stock of materials, stores, spares and loose tools**

Stock of materials, stores, spares and loose tools is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any costs necessary to make the sale.

Cost of materials is determined using the first-in-first out method.

Cost of stores, spares and loose tools is determined using the weighted average method.

#### **5.6 Receivables**

Receivables are measured at original invoice amount less an estimate made for doubtful receivable balance based on review of all outstanding amounts at the year-end. Receivables considered bad are written-off when identified.

#### **5.7 Loans and advances**

These are stated at cost less provision for doubtful advances, if any.

#### **5.8 Cash and cash equivalents**

Cash and cash equivalents are carried in the financial statements at cost. For the purposes of cash flow statement, cash and cash equivalents comprise of cash-in-hand and bank balances.



## **5.9 Non current assets – held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amounts are expected to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount immediately prior to their classification as held for sale and fair value less cost to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any gain or loss arising from the sale of these assets are reported in other operating income.

## **5.10 Borrowings and borrowing costs**

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

## **5.11 Trade and other payables**

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

## **5.12 Joint venture partner's advances (including share of accrued profit)**

Profit / loss on advances obtained from a joint venture partner is recognized on 'accrual basis' in accordance with the agreed percentage.

## **5.13 Dividend and appropriation to reserves**

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the period in which these are approved.

## **5.14 Taxation**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### **Current**

Provision for current taxation is based on taxable income on current rates of taxation after taking into account the rebates and tax credits available, if any, or one percent of turnover and corporate tax as per section 113c, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.



The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined.

### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted.

#### **5.15 Revenue recognition**

Where the outcome of the construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract work performed to date bears to the estimated total contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of the construction contract cannot be estimated reliably, contract revenue is recognized to the extent of the contract costs incurred that probably will be recoverable. Contract costs are recognized as expense in the period in which they are incurred.

-Revenue from rental income is recognized on 'accrual basis'.

-Interest income is also recognized on 'accrual basis'.

#### **5.16 Foreign currency transactions**

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account.

#### **5.17 Financial instruments**

##### **(a) Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at balance sheet date are carried as loans and receivables.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

### **Impairment**

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

#### **(b) Financial liabilities**

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

### **Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

### **Derecognition**

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

#### **5.18 Off-setting of financial assets and liabilities**

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



### **5.19 Provision**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### **5.20 Impairment**

#### **Non-financial assets**

The carrying amount of the assets are reviewed at each balance sheet date for impairment whether events or changes in circumstances indicate that carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

#### **Financial assets**

The financial assets are considered to be impaired, if objective evidence indicates that one or more events have a negative effect on the estimated future cash flow of that asset.

Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

In case of HTM investment, if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. The impairment losses are the amount by which carrying amount exceeds present value of the investment.

### **5.21 Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standard, is presented in note 46 to these financial statements.

### **5.22 Joint ventures**

The Company's share in transactions and balances related to joint venture operations, in which the Company has a working interest, are combined on a line by line basis with similar items in the Company's financial statements.



### **5.23 Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### **5.24 Related party transactions**

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

### **5.25 Significant accounting judgments and critical accounting estimates / assumptions**

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

#### **a) Staff retirement benefits - gratuity**

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 22.

#### **b) Contract revenue and cost**

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Any change in these estimates will affect the contract revenue and contract costs accordingly.

#### **c) Property, plant and equipment**

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include

estimates with respect to residual values and useful lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

**d) Taxation**

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent

**e) Provision for impairment against contract receivables**

The Company assesses the recoverability of its contract receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the customers, probability that the customer will enter bankruptcy and default or delinquency in payments are considered indications that the contract receivable is impaired.

**f) Stores and spares**

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

## 6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixtures	Computers and accessories	Motor vehicles, cycles and boats	Construction equipments	Total
Net carrying value basis								
year ended June 30, 2015								
Opening net book value (NBV)	76,766,769	7,439,244	9,679,281	817,089	770,371	5,878,423	1,064,664	102,415,841
Additions (at cost)	-	-	102,000	11,000	90,000	-	-	203,000
Disposal at NBV (Note 6.1)	-	-	(243,552)	(26,594)	-	-	-	(270,146)
Depreciation charge	-	(190,772)	(1,218,987)	(102,502)	(115,503)	(879,007)	(187,882)	(2,694,653)
Closing net book value	76,766,769	7,248,472	8,318,742	698,993	744,868	4,999,416	876,782	99,654,042
Gross carrying value basis								
year ended June 30, 2015								
Cost/revalue	76,766,769	7,630,867	10,749,058	905,442	964,491	6,770,006	1,252,546	105,039,179
Accumulated depreciation	-	(382,395)	(2,430,316)	(206,449)	(219,623)	(1,770,590)	(375,764)	(5,385,137)
Net book value	76,766,769	7,248,472	8,318,742	698,993	744,868	4,999,416	876,782	99,654,042
Net carrying value basis								
year ended June 30, 2014 (Restated)								
Opening net book value (NBV)	76,766,769	7,630,016	10,270,685	921,036	843,491	6,900,858	1,252,546	104,585,401
Additions (at cost)	-	-	596,210	-	31,000	45,100	-	672,310
Disposal at NBV	-	-	-	-	-	(175,952)	-	(175,952)
Depreciation charge	-	(190,772)	(1,187,614)	(103,947)	(104,120)	(891,583)	(187,882)	(2,665,918)
Closing net book value	76,766,769	7,439,244	9,679,281	817,089	770,371	5,878,423	1,064,664	102,415,841
Gross carrying value basis								
year ended June 30, 2014 (Restated)								
Cost/revalue	76,766,769	7,630,867	10,890,610	921,036	874,491	6,770,006	1,252,546	105,106,325
Accumulated depreciation	-	(191,623)	(1,211,329)	(103,947)	(104,120)	(891,583)	(187,882)	(2,690,484)
Net book value	76,766,769	7,439,244	9,679,281	817,089	770,371	5,878,423	1,064,664	102,415,841
Depreciation rate % per annum	-	2.5 to 2.8	6 to 30	9 to 18	12 to 15	9 to 18	6 to 24	
Deletion during the year represent damage of fixed assets due to flood in Azad Jammu Kashmir and resulted in loss equal to the net book value of fixed assets.								
Depreciation for the year has been allocated as follows.								
	Note	2015	2014					
		Rupees	Rupees					
Contract expenditure	29	1,406,869	1,375,496					
General and administrative expenses	30	1,287,784	1,290,422					
		2,694,653	2,665,918					



	Note	2015 Rupees	2014 Rupees Restated
<b>7 INVESTMENT PROPERTY</b>			
Rural land	7.2	62,910,000	55,446,934
Gammon House - land and building	7.3	160,553,403	145,018,191
		<u>223,463,403</u>	<u>200,465,125</u>

7.1 The movement in this account is as follows:

Opening balance		200,465,125	198,539,225
Additions / transferred from owner-occupied		-	1,925,900
		<u>200,465,125</u>	<u>200,465,125</u>
Net fair value gain on revaluation shown in "Profit and loss account"		22,998,278	-
		<u>223,463,403</u>	<u>200,465,125</u>

7.2 This represents investment in 209.70 kanals open land located at Mouza Haraka, Rawalpindi. This investment, effective from the financial year ended June 30, 2007, is being classified as 'investment property' as the Company decided to hold this property for capital appreciation. The Company has adopted fair value model for valuation.

7.3 This represents Gammon House (Head office of the Company) which is held to earn rentals and for capital appreciation and shown under the head "Investment property". The Company has adopted fair value model for valuation.

In 2013 management purchased and installed two billboard at Gammon House which have been treated as additions to investment properties.

7.4 The Company, as at June 30, 2015, revalued all of its investment property. The revaluation exercise was carried out by W.W Engineering Services (Private) Limited and the revaluation resulted in Rs. 22.998 adjustment to fair value.

	Note	2015 Rupees	2014 Rupees
<b>8 LONG TERM INVESTMENTS</b>			
<b>Held to maturity</b>			
Defense Savings Certificates	8.1	500,000	1,000,000
Accrued interest	8.2	619,023	1,231,302
		<u>1,119,023</u>	<u>2,231,302</u>

8.1 This represents one certificates (2014: Two) having face value of Rs. 500,000, having a maturity period of 10 years i.e. February 2017 carrying markup (effective rate) at 10.08 % (2014: 18.08%) per annum. The Company has deposited the certificate as a security, and is pledged in favor of Director of Works and Chief Engineer, Pakistan Navy, Islamabad for provisional enlistment against construction of sailors' barracks at PNS Qasim, Manora, Karachi.

	Note	2015 Rupees	2014 Rupees
<b>8.2 Accrued interest</b>			
Opening		1,231,302	975,564
Add:			
Accrued during the year		128,256	255,738
Less:			
Interest received on early encashment		65,000	-
Reversal due to change in interest rate by issuing authority		675,535	-
		<u>740,535</u>	<u>-</u>
		<u>619,023</u>	<u>1,231,302</u>

## 9 LONG TERM SECURITY DEPOSITS

### Deposits with:

EFU General Insurance Limited	9.1	2,772,219	5,447,810
WAPDA		-	5,000
Tender money deposit		252,900	752,900
Others	9.2	598,275	292,190
		<u>3,623,394</u>	<u>6,497,900</u>

### 9.1 This comprises of amounts as follows:

Maritime Technologies Complex	2,153,950	2,153,950
Dhalkot Bridge	618,269	618,269
Call deposit receipt	-	2,675,591
	<u>2,772,219</u>	<u>5,447,810</u>

### 9.2 This comprises of amounts as follows:

WAPDA	25,600	25,600
Main power division	100,000	100,000
Sui Northern Gas Limited	52,675	45,690
Sindh High Court	120,000	120,000
Telephone revenue department	-	900
Al Emran International	300,000	-
	<u>598,275</u>	<u>292,190</u>

## 10 STORES, SPARES AND LOOSE TOOLS

Consumable materials		24,820,038	14,804,456
Stores	10.1	23,870,831	19,016,257
Spares		621,024	621,024
Loose tools		21,141	21,141
Other stocks		348,995	758,742
		<u>49,682,029</u>	<u>35,221,620</u>

- 10.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

	Note	2015 Rupees	2014 Rupees
<b>11 CONTRACT RECEIVABLES</b>			
Owned			
Unsecured - considered good			
Against billings			
- work-in-progress		17,110,552	43,909,331
- completed contracts		55,407,240	55,428,612
		72,517,792	99,337,943
Less: provision for doubtful receivables	11.1	(38,205,855)	(21,038,986)
		34,311,937	78,298,957
Against retention money			
- work-in-progress		45,812,788	30,264,811
- completed contracts		39,887,241	39,887,241
		85,700,029	70,152,052
Less: provision for doubtful receivables	11.1	(12,417,114)	-
		73,282,915	70,152,052
Joint venture			
- against billings		17,054,553	17,054,553
- against retention money		15,162,239	15,162,239
		32,216,792	32,216,792
		139,811,644	180,667,801

- 11.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of progress billings and retention monies which are not likely to be received due to various reasons. Similarly during the year, management carried out the same exercise and provision amounting to Rs. 29.583 million (2014: Rs. 19.015 million) was recorded against for which recovery has been deemed doubtful.

	Note	2015 Rupees	2014 Rupees
<b>12 COST AND ESTIMATED EARNINGS ON INCOMPLETED PROJECTS</b>			
Under the following captions:			
Cost and estimated earnings in excess of billings on incomPLETED projects		53,819,433	37,202,432
Billings in excess of cost and estimated earnings on incomPLETED projects		-	(6,522,558)
	12.1	53,819,433	30,679,874



	Note	2015 Rupees	2014 Rupees
12.1 This comprises of amounts as follows:			
Cost incurred on incompleted projects		808,688,519	488,255,216
Estimated earnings		91,257,271	69,174,796
		899,945,790	557,430,012
Less: billings to date		(846,126,357)	(526,750,138)
		<u>53,819,433</u>	<u>30,679,874</u>

### 13 LOANS AND ADVANCES

Unsecured - considered good			
To employees / project managers		385,002	1,392,361
To suppliers and contractors		7,986,100	17,134,837
To sub-contractors		3,718,507	5,836,604
		12,089,609	24,363,802
Doubtful advances		10,046,477	10,046,477
		22,136,086	34,410,279
Less: provision for doubtful advances	13.1	(10,046,477)	(10,046,477)
		12,089,609	24,363,802
Due from joint venture partners		932,586	932,586
Less: provision against doubtful advance		(932,586)	(932,586)
		-	-
		<u>12,089,609</u>	<u>24,363,802</u>

- 13.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of advances to staff and suppliers, which are not likely to be received due to various reasons. Accordingly, during the year, balances aggregating amounting to 0.026 million (2014: Rs. 4.099 million) have been written off with no further provision. The Company's Board of Directors, in their meeting approved to write-off these balances.

	Note	2015 Rupees	2014 Rupees
14 OTHER RECEIVABLES			
Unsecured			
Considered good			
Due from associated undertakings	14.1	-	622,500
Other receivables		263,000	-
		<u>263,000</u>	<u>622,500</u>

- 14.1 This comprises of amounts receivable from:

Gandhara Nissan Limited		-	372,500
Gandhara Industries Limited		-	250,000
	14.2	<u>-</u>	<u>622,500</u>

14.2 These balances have arisen in the normal course of business (rent receivables against investment property).

14.3 The aging of related party balances at the balance sheet date is as follows:

	2015 Rupees	2014 Rupees
Not past due	-	-
Past due by 1 - 30 days	-	-
Past due by 30 - 90 days	-	622,500
Above 90 days	-	-
	<u>-</u>	<u>622,500</u>

14.4 The maximum amount due from related parties at the end of any month during the year was Rs. 0.620 million (2014: Rs. 0.620 million).

	Note	2015 Rupees	2014 Rupees
<b>15 SHORT TERM PREPAYMENTS</b>			
Prepaid insurance		275,862	274,301
Letter of credit	15.1	-	3,885,702
		<u>275,862</u>	<u>4,160,003</u>

15.1 In previous year the Company has obtained a letter of credit on June 20, 2014 to import chemicals from Wuhan Ujoin Building Material Technology Co. Limited in China. During the year Letter of credit has matured.

	Note	2015 Rupees	2014 Rupees
<b>16 TAX REFUNDS DUE FROM GOVERNMENT</b>			
Considered good			
Income tax		<u>43,845,786</u>	<u>32,022,593</u>

#### 17 TAXATION - NET

Advance income tax		21,038,004	15,400,121
Less: Provision for taxation	36	<u>6,145,493</u>	<u>3,576,928</u>
		<u>14,892,511</u>	<u>11,823,193</u>

	Note	2015 Rupees	2014 Rupees
<b>18 CASH AND BANK BALANCES</b>			
Cash in hand		160,794	888,162
Cash at bank:			
- current accounts		2,803,540	12,347,254
- PLS accounts		10,482,153	9,865,963
- deposit accounts	18.1	4,069,943	4,069,762
		17,355,636	26,282,979
		<u>17,516,430</u>	<u>27,171,141</u>

18.1 The entire balance as at June 30, 2015 was under a bank's lien (2014: balance amounting Rs. 4.069 million was under a bank's lien).

18.2 PLS and deposit accounts, during the current financial year, carried profit at the rates ranging from 5% to 8.35% (2013: 5% to 8.35%) per annum.

	2015 Rupees	2014 Rupees
<b>19 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Opening balance	-	35,874,000
Transferred from investment property	-	-
Carrying value of residential plots sold during the year	-	(35,874,000)
	<u>-</u>	<u>-</u>

19.1 As at June 30, 2013 management classified investment property at Gulf Housing (Private) Ltd. as held for sale because the sale was highly probable and the asset was immediately available for sale. In previous year, the said property was sold for Rs. 22.5 million resulting in a loss of Rs. 13.374 million as fully explained in note 35.

	2015 Rupees	2014 Rupees
<b>20 SHARE CAPITAL</b>		
Issued, subscribed and paid up capital		
Number of ordinary shares of Rs.10/- each		
Ordinary shares of Rs.10 each fully paid in cash		
22,627,320      22,627,320	226,273,200	226,273,200



		Note	2015 Rupees	2014 Rupees
	Ordinary shares of Rs.10 each issued as fully paid bonus shares			
2,562,845	2,562,845		25,628,450	25,628,450
	Ordinary shares of Rs.10 each issued against conversion of loans			
3,076,066	3,076,066		30,760,660	30,760,660
<u>28,266,231</u>	<u>28,266,231</u>	20.1	<u>282,662,310</u>	<u>282,662,310</u>
<b>20.1 This includes shares held by related parties as follows:</b>				
	Bibojee Services (Private) Limited - Parent Company			
	20,369,056 (2014: 20,369,056) ordinary shares of Rs 10 each	20.2	203,690,560	203,690,560
	Directors and their spouses / minor children			
	95,855 (2014: 95,855) ordinary shares of Rs 10 each		958,550	958,550
			<u>204,649,110</u>	<u>204,649,110</u>

20.2 The parent company Bibojee Services (Private) Limited held 72.06% shares (2014: 72.06% shares) in Gammon Pakistan Limited as at June 30, 2015.

**20.3 Authorized share capital:**

This represents 30,000,000 (2014: 30,000,000) ordinary shares of Rs. 10 each amounting to Rs. 300,000,000 (2014: Rs. 300,000,000).

		Note	2015 Rupees	2014 Rupees
<b>21</b>	<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
	Balance brought forward		238,258,909	240,389,475
	Less:			
	Transferred to equity in respect of :			
	Incremental depreciation charged during the year - net of deferred tax		1,443,164	1,338,586
	Realized on disposal of revalued assets - net of deferred tax		127,851	67,588
	Related deferred tax liability during the year transferred to profit and loss account		742,108	724,392
			<u>2,313,123</u>	<u>2,130,566</u>
		21.1	235,945,786	238,258,909

	Note	2015 Rupees	2014 Rupees
Add:	Related deferred tax effect :		
	Opening balance - as previously reported	11,304,227	12,371,171
	Effect of change in rate	(340,644)	(342,552)
	Revaluation during the year	-	-
Less:	Incremental depreciation charged during the year transferred to profit and loss account	(742,108)	(724,392)
		10,221,475	11,304,227
		<u>225,724,311</u>	<u>226,954,682</u>

- 21.1 This represents surplus over book values resulted from revaluations of fixed assets, as detailed below, by independent Valuers adjusted only by surplus realized on disposal of revalued assets and incremental depreciation arising out of revaluation. The year-end balance has been arrived at as follows:

	Note	2015 Rupees	2014 Rupees
March 31, 1977	21.2	1,208,708	1,208,708
July 01, 1992	21.3	15,126,034	15,126,034
June 30, 2006	21.4	90,659,260	90,659,260
March 30, 2008	21.5	5,637,026	5,637,026
June 30, 2009	21.6	82,480,666	84,665,938
June 20, 2013 and June 30, 2013	21.7	40,834,092	40,961,943
		<u>235,945,786</u>	<u>238,258,909</u>

- 21.2 Plant and machinery, construction equipment, furniture and fixtures and vehicles were revalued by an independent Valuer using the general price escalation indices on the applicable items. Freehold land and buildings on freehold land were valued by an independent valuer at fair market value.
- 21.3 Revaluation surplus attributable to all the operating fixed assets was accounted for during the year 1992 except for the immovable properties and certain specialized machinery, which was accounted for during the year 1993.
- 21.4 Freehold land and buildings on freehold land were revalued by an independent valuer at the fair market value.
- 21.5 Plant and machinery, motor vehicles, cycles and boats, furniture & fixtures and construction equipment were revalued to replace the carrying amounts of these assets with their depreciated market values. The revaluation exercise was carried-out by M/s Hamid Mukhtar & Co. (Private) Limited (Valuation Consultants, Consulting Engineers, Surveyors & Loss Adjusters), Gulberg, Lahore.

- 21.6 The Company again revalued its freehold land and buildings on freehold land to replace the carrying amounts of these assets with their market / depreciated market values. The latest revaluation exercise was carried-out in 2009 by M/s Engineering Pakistan International (Private) Limited., Gulshan-e-Iqbal, Karachi. The net appraisal surplus arisen on the latest revaluation aggregating Rs. 85.913 million was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.
- 21.7 The Company has revalued its freehold land, buildings, plant and machinery furniture and fixture, computer and accessories, motor vehicles and construction equipments on June 20, 2013 and June 30, 2013 by independent valuer M/s Ideal Group of Consultant, Larkana on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 41.516 million net of impairment. The revaluation was based on prevailing market price for free hold land and replacement value for building other assets.
- 21.8 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.
- 21.9 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	Note	2015 Rupees	2014 Rupees
Freehold land		120,988	120,988
Buildings on freehold land		2,367,376	2,367,376
Plant and machinery		3,118,373	3,016,373
Furniture and fixture		280,844	269,844
Computers and accessories		298,067	208,067
Motor vehicles, cycles and boats		1,402,766	1,402,766
Construction equipments		399,160	399,160
		<u>7,987,574</u>	<u>7,784,574</u>

## 22 DEFERRED LIABILITY

Provision for gratuity	22.3	<u>7,572,987</u>	<u>7,102,865</u>
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### 22.1 General description

The scheme provides for terminal benefits for all its permanent employees whose period of service exceeds six months. Employees are entitled to gratuity on the basis of one gross salary for each completed one year of service after the minimum qualifying period. Annual charge is based on actuarial valuation carried out as at June 30, 2015 using Projected Unit Credit Method.



The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

	2015 Rupees	2014 Rupees
<b>22.2 Principal actuarial assumptions</b>		
Following are a few important actuarial assumptions used in the valuation:		
Discount rate per annum(%)	9.50%	13.25%
Expected rate of increase in salary per annum (%)	8.50%	12.25%
Average expected remaining working life time of employees (years)	7 years	7 years
<b>22.3 Reconciliation of amount recognized in the balance sheet</b>		
Present value of obligation	4,743,493	5,561,965
Benefits due but not paid	2,829,494	1,540,900
Liability recognized in balance sheet	<u>7,572,987</u>	<u>7,102,865</u>
<b>22.4 Movement in net liability recognized</b>		
Opening net liability	5,561,965	5,591,467
Opening benefits due but not paid	1,540,900	2,106,886
Current service cost for the year	434,939	578,422
Interest cost for the year	698,250	540,327
Benefit paid during the period	(584,306)	(890,986)
Benefits due but not paid during the year	(2,829,494)	(1,540,900)
Actuarial loss / (gain) on PVDBO	(78,761)	(823,251)
Liability at the end of the year	<u>4,743,493</u>	<u>5,561,965</u>
<b>22.5 Charge for the year</b>		
Current service cost	434,939	578,422
Interest cost	698,250	540,327
	<u>1,133,189</u>	<u>1,118,749</u>

	2015 Rupees	2014 Rupees
<b>22.6 Movement in liability recognized in the balance sheet</b>		
Opening liability	7,102,865	7,698,353
Expenses for the year	1,133,189	1,118,749
Remeasurement gain	(78,761)	(823,251)
Benefit paid during the period	(584,306)	(890,986)
Closing liability	<u>7,572,987</u>	<u>7,102,865</u>

## 22.7 Comparison of five years

Comparison of present value of defined benefit obligation and experience adjustment on obligation for the current and preceding four years is as follows:

	2015	2014 Restated	2013 Restated	2012 Restated	2011 Restated
	----- Rupees -----				
Present value of defined benefit obligation	<u>4,743,493</u>	<u>5,561,965</u>	<u>5,591,467</u>	<u>4,563,910</u>	<u>5,264,964</u>

22.8 There are no plan assets, therefore, disclosure in respect to plan assets required as per IAS 19 "Employee Benefits" has not been made in these financial statements.

## 22.9 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	4,516,634	5,336,456
Salary increase	5,007,084	5,823,629

22.10 The charge in respect of defined benefit plan for the year ending June 30, 2016 is estimated to be Rs. 906,988. Further the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

## 23 DEFERRED TAXATION

Deferred tax liabilities / (assets) arising due to taxable temporary differences are as follows:

	Note	2015 Rupees	2014 Rupees Restated
Deferred taxation			
Surplus on revaluation of fixed assets	21	10,221,475	11,304,227
Tax rate used		32%	33%

- 23.1 Net deferred tax asset of Rs. 11.395 million debit (2014: Rs. 15.689 million debit) due to brought forward losses and provision for doubtful loans and advances and accelerated depreciation has not been recognized in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. This comprises as follows:

	Note	2015 Rupees	2014 Rupees Restated
<b>Net deferred tax asset</b>			
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation allowance		36,001,500	30,138,474
<b>Deferred tax assets</b>			
Provision for doubtful receivables		(16,199,350)	(6,942,865)
Tax losses carried forward		(16,445,188)	(21,743,734)
Provision for doubtful loans and advances		(3,513,300)	(3,623,091)
Provision for overseas loans		(11,239,200)	(11,590,425)
Provision for gratuity		-	(369,187)
Other provisions		-	(1,558,673)
		<u>(11,395,538)</u>	<u>(15,689,501)</u>

## 24 TRADE AND OTHER PAYABLES

Sundry creditors	24.1	43,721,570	40,288,000
Advance rent		3,527,072	3,362,081
Due to sub-contractors		46,854,139	46,332,107
Accrued expenses	24.2	17,967,405	24,042,359
Due to customers		1,337,962	294,327
Due to employees and others	24.3	10,646,885	11,951,288
Taxes payable		477,829	410,684
Unclaimed dividends		1,442,230	1,442,230
Workers' profit participation fund		-	297,800
Joint venture partners' share of profit		3,758,021	3,802,771
Other provisions	24.4	35,122,500	35,122,500
		<u>164,855,613</u>	<u>167,346,147</u>

- 24.1 This includes an amount of Rs. Nil (2014: 18,992) due to The General Tyre and Rubber Company of Pakistan Limited (an Associated Company).
- 24.2 This includes an amount of Rs. Nil (2014: Rs. 23,553) due to The Universal Insurance Company Limited. (an Associated Company).



- 24.3 This balance includes amounts aggregating Rs.2.282 million (2014: Rs. 3.396 million) payable in respect of the loans obtained from the Company's Employees' Provident Fund (the Fund) during the period from 1995 to 1999. The SECP, during May 2008, had issued show-cause notices to some of the existing directors as well as ex-directors under various sections of the Companies Ordinance, 1984 (the Ordinance). The SECP, vide its three orders dated 25 June, 2009, had imposed penalties aggregating Rs. 1.005 million under various sections of the Ordinance on some of the existing directors and ex-directors in their personal capacity.

The SECP has also directed the Company's Chief Executive to distribute the amount of Rs. 9.153 million to members of the provident fund trust including the employees / directors / ex-directors of the Company at the time of closure of provident fund trust in the year 1987 as per their entitlement and to submit an Auditors' certificate confirming that all outstanding money of the fund has been paid to the members in accordance with the provisions of section 227 of the Ordinance. During the prior year, the Company opened a separate bank account and transferred the entire amount into it. Furthermore, subsequently amount aggregating to Rs.1.114 million (2014 Rs. 0.835 million) has been paid to members of the Fund.

- 24.4 These represent provisions made for the potential liability, in respect of borrowings of Saudi Riyals 2.500 million and Saudi Riyals 5.000 million during the year 1986 for the Saudi Operations of the Company, that the Company may have to incur as a result of settlement of overseas dues of National Bank of Pakistan in accordance with the Incentive Scheme under the State Bank of Pakistan's Circular No.19 of 05 June,1997 (For further detail please refer note 27.2 of these financial statements).

## 25 JOINT VENTURE PARTNER'S ADVANCES

These advance have been obtained under various Joint Venture agreements to finance the ongoing projects. The joint venture partner is entitled to share 50% of the projects' profit financed out of these advances.

		2015 Rupees	2014 Rupees
26	<b>MATERIALS RECEIVED FROM CUSTOMERS / SECURED ADVANCES</b>		
	Secured - against		
	Dhalkot bridge	1,266,320	8,038,369
	Thalair bridge	6,531,122	6,531,122
	M.T.C project	9,667,598	2,607,145
		<u>17,465,040</u>	<u>17,176,636</u>

## 27 CONTINGENCIES AND COMMITMENTS

### 27.1 Contingent assets

The Company had lodged a claim with National Highway Authority amounting Rs. 201.177 million against (2014: Rs. 201.177 million) M/s Bayinder for recovery of losses suffered by the Company attributable to the cessation of work at Islamabad - Peshawar Motorway Project.

## 27.2 Contingent liabilities

- (a) Recovery proceedings of two overseas borrowings from National Bank of Pakistan (NBP) led Consortium amounting Saudi Riyals (SR) 5.000 million and SR 2.500 million totaling SR 7.500 million equivalent to Pak Rs. 202.125 million with the interest thereon of SR 21.650 million are being contested in the Sindh High Court.

The Honourable Sindh High Court, vide its order dated September 17, 2003, had decided for SR 5.000 million that "proceedings will remain suspended till disposal of the matter by the Ministry of Finance (MoF), Govt. of Pakistan" and directed both NBP and the MoF to follow BPRD Circular No. 19 dated 05 June, 1997 issued by the State Bank of Pakistan announcing an Incentive Scheme in this respect. NBP had filed an application during the year 2000 for execution of the decrees issued in its favor in both the above cases; however, the Company is contesting both the cases on legal grounds.

On December 15, 2008, the Banking Judge of the Sindh High Court, Karachi held that execution application was within time. Arguments on the execution application have been submitted on 28 January, 2011 and the Sindh High Court has reserved its judgment.

The Company's Board of Directors, elected on October 31, 2005, are of the considered opinion that subsequent to March 17, 2004, repayment of loan to NBP had become time barred. The management is also of the view that the second loan amounting SR 2.500 million will legally meet the same fate.

- (b) Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions.

- (c) In the ordinary course of business various parties have filed legal cases against the Company, which have not been admitted as liabilities; accordingly, no provision has been considered necessary against these claims till their final outcome. The legal advisor of the Company is of the opinion that these cases are expected to be decided in favor of the Company and therefore

no provision has been made in these financial statements for any liability that may arise consequent upon the result of above law suits.

### **27.3 Commitments**

The Company's commitments as at balance sheet date are as follows:

- (a) Guarantees issued by a commercial bank and insurance companies in respect of financial and operational obligations of the Company to various institutions and corporate bodies, aggregate Rs. 91.207 million (2014: Rs. 91.207 million).
- (b) There were no commitment for capital expenditures as at the balance sheet date (2014: Nil).



	Note	2015 Rupees	2014 Rupees
<b>28 CONTRACT INCOME</b>			
Opening work-in-progress		(2,812,377,606)	(2,491,615,579)
Closing work-in-progress		3,157,020,942	2,812,377,606
	28.1	<u>344,643,336</u>	<u>320,762,027</u>

Contract income stated above may be classified as follows:

- own projects	<u>344,643,336</u>	<u>320,762,027</u>
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- 28.1 Revenue includes an amount of Rs. 46.864 million (2014: Rs. 6.552 million) in respect of Projects in Azad Jammu Kashmir.

	Note	2015 Rupees	2014 Rupees
<b>29 CONTRACT EXPENDITURE</b>			
Materials		218,358,776	162,305,319
Salaries and wages		64,179,487	64,898,094
Sub-contracts and joint ventures		13,096,076	17,205,662
Maintenance and hiring of plants		9,557,444	4,263,176
Project insurance		812,454	733,546
Cartage, traveling and conveyance		2,009,398	890,620
Site auxiliary works and temporary hutting		496,000	272,275
Electricity		2,029,782	457,066
Depreciation	6.2	1,406,869	1,375,496
Petrol, oil and lubricants		7,571,791	20,928,771
Sundry expenses		1,902,536	3,025,177
		<u>321,420,613</u>	<u>276,355,202</u>

- 29.1 Contract expenditure includes an amount of Rs. 51.234 million (2014: Rs. 16.565 million) in respect of Projects in Azad Jammu Kashmir.

	Note	2015 Rupees	2014 Rupees
<b>30 GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits		11,671,224	11,076,090
Staff retirement benefits - gratuity		1,133,189	1,118,749
Repair and maintenance		792,738	571,804
Rent, rates and taxes		1,153,323	1,230,376

	Note	2015 Rupees	2014 Rupees
Telephone and fax		361,673	310,270
Advertisement and publicity		75,150	30,976
Legal and professional charges		386,000	458,530
Power and electricity		397,240	596,722
Traveling and conveyance		912,436	1,225,469
Works in view		176,791	183,047
Stores and spares written off		-	369,560
Provision for doubtful contract receivables	30.1	29,583,983	19,015,373
Loans and advances written-off	30.1	-	4,099,975
Receivable written off		25,783	-
Loss on disposal of operating fixed assets		270,146	55,952
Depreciation	6.2	1,287,784	1,214,744
Other sundry expenses		1,775,600	1,977,034
		<u>50,003,060</u>	<u>43,534,671</u>

- 30.1 The management carried out an exercise to identify long outstanding receivable balances comprising of progress billings, retention monies and advances to staff and suppliers, which are not likely to be received due to various reasons. Accordingly, during the year, balances aggregating Rs. 0.026 million (2014: Rs. 4.099 million) have been written off and further, provision amounting to Rs.29.584 million (2014: Rs. 19.015 million) has also been recorded.

	Note	2015 Rupees	2014 Rupees
<b>31 OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund	31.1	-	297,800
Reversal of excess accrued interest -DSC	8.2	675,534	-
Auditors' remuneration	31.2	350,000	350,000
		<u>1,025,534</u>	<u>647,800</u>

- 31.1 During the year management has written off the workers' profit participation fund on obtaining legal opinion from legal advisor that WPPF and its scheme does not include Construction Company as industrial undertaking.

	2015 Rupees	2014 Rupees
31.2 This comprises of amounts as follows:		
Statutory audit	250,000	250,000
Half yearly review	100,000	100,000
	<u>350,000</u>	<u>350,000</u>

	Note	2015 Rupees	2014 Rupees
<b>32 OTHER INCOME</b>			
Income from financial assets			
Profit on deposit and PLS accounts		964,164	648,658
Accrued interest on Defense Savings Certificates		128,257	356,480
Income from non-financial assets			
Rental income on investment property		11,509,150	9,426,591
Reversal of WPPF	31.1	297,800	-
Forfeited gratuity		-	515,986
Scrap sales		-	3,300
Trade and other payables written back	32.1	1,990,387	1,033,003
		<u>14,889,758</u>	<u>11,984,018</u>

- 32.1 Management, in the previous year, carried out an exercise to identify long outstanding payables balances comprising of sub-contractors, suppliers, accrued expenses and others which are not likely to be payable due to various reasons. Accordingly, during the year, balances aggregating Rs. 1.990 million (2014: Rs. 1.033) million have been written off. The Company's Board of Directors, in their meeting approved to write-off these balances.

		2015 Rupees	2014 Rupees
<b>33 FINANCE COST</b>			
Commission	33.1	564,432	-
Markup		690	-
Bank charges		49,582	64,553
		<u>614,704</u>	<u>64,553</u>

- 33.1 This represent the bank commission for renewal of guarantee given by Silk Bank Limited.

#### **34 FAIR VALUE GAIN ON INVESTMENT PROPERTY**

The Company, as at June 30, 2015, revalued all of its investment property. The revaluation exercise was carried out by W.W Engineering Services (Private) Limited and the revaluation resulted in fair value gain amounting to Rs. 22.998 (2014 Rs. Nil ).

#### **35 LOSS ON SALE OF INVESTMENT PROPERTY**

In previous year, a property classified as held for disposal was sold to Gulf Housing (Private) Limited at an amount of Rs. 22.5 million. The property was classified as investment property and in accordance with the requirements of IAS 40 "Investment Property" and as per the stated accounting policy of the Company, the asset was recorded at fair value amounting to Rs. 35.874 million based on report of the valuer, Ideal Group of Consultants, dated June 30, 2013. However, the Company, vide sale agreement dated July 3, 2014 to dispose off the property for an amount of Rs. 22.5 million resulting of loss amounting to Rs. 13.374 million recorded in the last year.



2015	2014
Rupees	Rupees
Gandhara Nissan Limited	
Rental income	
Rentals received during the year	
1,500,000	1,500,000
(1,875,000)	(1,500,000)
Gandhara Industries Limited	
Rental income	
Rentals received during the year	
1,500,000	1,500,000
(1,750,000)	(1,750,000)

Related parties comprise of the Holding Company, Associated Companies, directors and executives. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Remuneration of directors and executives are disclosed in note 40 whereas other significant transactions with related parties are disclosed here.

## 38 RELATED PARTY TRANSACTIONS

	2015	2014
Profit after taxation	4,108,826	3,103,456
	Rupees	Rupees
Weighted average number of ordinary shares at the end of the year	28,266,231	28,266,231
	Rupees	Rupees
Earning per share	0.15	0.11

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

37 EARNINGS PER SHARE - BASIC AND DILUTED

36.2 No numeric tax rate reconciliation has been presented in these financial statements as provisions for the current and preceding years represent tax on rental income under section 15 and minimum tax due under section 113 of the Income Tax Ordinance, 2001.

36.1 Income tax assessments of the Company have been completed upto the Tax Year 2014; the return for the said year has not been taken-up for audit till 30 June, 2015.

TAXATION		36
2015	2014	
Rupees	Rupees	
6,145,493	3,576,928	Current
(742,108)	(724,392)	Deferred tax
5,403,385	2,852,536	

	2015 Rupees	2014 Rupees
<b>The Universal Insurance Company Limited</b>		
Rental income	525,000	900,000
Rentals received during the year	(525,000)	(975,000)
Insurance expense paid	23,553	-
<b>Bannu Woollen Mills Limited</b>		
Rental income	-	810,000
Rentals received during the year	-	(810,000)
<b>General Tyer &amp; Rubber Company Limited</b>		
Purchase of pre-qualification documents	25,000	-

The status of outstanding balances of related parties as at June 30, 2015 are included in "Other receivables" (note 14) and "trade and other payables" (note 24).

	2015 Rupees	2014 Rupees Restated
<b>39 PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES</b>		
Profit / (loss) before taxation	9,512,211	5,955,992
Adjustment for:		
Depreciation	2,694,653	2,590,240
Loss on disposal of fixed assets	270,146	55,952
Staff retirement benefits - gratuity	1,133,189	1,118,749
Provision for doubtful contract receivable	29,583,983	19,015,373
Loans and advance written-off	25,783	4,099,975
Stores and spares written off	-	369,560
Loss on the sale of investment property	-	13,374,000
Loss on long term Investment	675,534	-
Allocation of loss to joint venture - net	(44,750)	(7,186,173)
Profit on defense saving certificates	(128,257)	(356,480)
Fair value gain on investment property	(22,998,278)	-
Forfeited gratuity	-	(515,986)
Trade and other payable written off	(1,990,387)	(1,033,003)
Reversal of WPPF	(297,800)	-
Finance cost	614,704	64,553
	9,538,520	31,596,760
Profit / (loss) before working capital changes	19,050,731	37,552,752

#### 40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

- a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	1,020,000	-	1,930,500	2,950,500	840,000	-	1,404,000	2,244,000
House rent	342,000	-	636,300	978,300	378,000	-	441,000	819,000
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	900,000	-	-	900,000	125,000	-	-	125,000
Medical	180,000	-	273,300	453,300	84,000	-	140,400	224,400
Utilities	114,000	-	243,300	357,300	84,000	-	174,000	258,000
Others	144,000	-	255,600	399,600	114,000	-	300,600	414,600
Total	<u>2,700,000</u>	<u>-</u>	<u>3,339,000</u>	<u>6,039,000</u>	<u>1,625,000</u>	<u>-</u>	<u>2,460,000</u>	<u>4,085,000</u>
Number of persons	<u>1</u>	<u>7</u>	<u>3</u>	<u>11</u>	<u>1</u>	<u>7</u>	<u>3</u>	<u>11</u>

- b) No remuneration / benefits were paid to the Directors during the current year and preceding financial years.
- c) The Chief Executive and certain executives are also provided with cars for business and personal use in accordance with the Company car scheme.



#### 41 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

2015					
Total	Interest/mark up bearing			Not interest / mark up bearing	
	Maturity upto one year	Maturity after one year	Sub-total		
Rupees					
<b>Financial assets</b>					
<b>Loans and receivables at amortized cost</b>					
Long term investments	1,119,023	-	1,119,023	1,119,023	-
Long term security deposits	3,623,394	-	-	-	3,623,394
Contract receivables	139,811,644	-	-	-	139,811,644
Loans and advances	12,089,609	-	-	-	12,089,609
Other receivables	263,000	-	-	-	263,000
Cost and estimated earnings in excess of billings	53,819,433	-	-	-	53,819,433
Cash and bank balances	17,516,430	10,482,153	-	10,482,153	7,034,277
	228,242,533	10,482,153	1,119,023	11,601,176	216,641,357
<b>Financial liabilities</b>					
<b>Financial liabilities carried at amortized cost</b>					
Trade and other payables	164,855,613	-	-	-	164,855,613
Deferred liability	7,572,987	-	-	-	7,572,987
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Billings in excess of cost and estimated earnings	-	-	-	-	-
Material received from customers / secured advances	17,465,040	-	-	-	17,465,040
	(219,953,182)	-	-	-	(219,953,182)
<b>On balance sheet gap</b>	8,289,351	10,482,153	1,119,023	11,601,176	(3,311,825)
<b>Off Balance sheet Items</b>					
Financial contingencies:	-	-	-	-	-
	-	-	-	-	-
<b>Total Gap</b>	8,289,351	10,482,153	1,119,023	11,601,176	(3,311,825)

# Financial assets Loans and receivables at amortized cost

Long investments	2,231,302	-	2,231,302
Long term security deposits	6,497,900	-	6,497,900
Contract receivables	180,667,801	-	180,667,801
Loans and advances	24,363,802	-	24,363,802
Other receivables	622,500	-	622,500
Cost and estimated earnings in excess of billings	37,202,432	-	37,202,432
Cash and bank balances	27,171,141	9,865,963	27,171,141
	278,756,878	9,865,963	278,756,878

# Financial liabilities Financial liabilities carried at amortized cost

Trade and other payables	167,346,147	-	167,346,147
Deferred liability	7,102,865	-	7,102,865
Joint venture partner's advances	30,059,542	-	30,059,542
Billings in excess of cost and estimated earnings	6,522,558	-	6,522,558
Material received from customers / secured advances	17,176,636	-	17,176,636
	(228,207,748)	-	(228,207,748)

# On balance sheet gap Off Balance sheet Items Financial contingencies:

	50,549,130	9,865,963	2,231,302	12,097,265	38,451,865
	-	-	-	-	-
	50,549,130	9,865,963	2,231,302	12,097,265	38,451,865

# Total Gap

Effective interest rates are mentioned in the respective notes to the financial statements.

2014

Rupees				
Total	Interest/mark up bearing		Maturity upto one year	Maturity after one year
	Sub-total			
Not interest / mark up bearing				

## 42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 42.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

### 42.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

#### Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets, the financial assets which are subject to credit risk amounted to Rs. 288.564 million (2014: Rs 307.655 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2015 Rupees	2014 Rupees
Long term security deposits	3,623,394	6,497,900
Contract receivables	190,434,613	201,706,787
Loans and advances	23,068,672	35,342,865
Other receivables	263,000	622,500
Cost and estimated earnings in excess of billings	53,819,433	37,202,432
Bank balances	17,355,636	26,282,979
	<u>288,564,748</u>	<u>307,655,463</u>

#### The aging of contract receivables at the reporting date is:

Not past due	11,989,934	38,780,219
Past due 1-30 days	284,520	791,100
Past due 30-90 days	15,424,844	13,546,067
Past due 90 days	162,735,315	148,589,401
	<u>190,434,613</u>	<u>201,706,787</u>

All the trade contract receivables at balance sheet date represent domestic parties.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with major bank and monitoring exposure limits on continuous basis.



### Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to any major concentration of credit risk.

### Impaired assets

During the year receivables amounting to Rs. 0.258 million (2014: Rs.4.099 million) have been written off and provision has been created against receivables amounting to Rs. 29.583 million (2014: Rs. 19.015 million).

### 42.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments if any and excluding the impact of netting agreements, if any:

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	Rupees						
<b>2015</b>							
Trade and other payables	164,855,613	164,855,613	164,855,613	-	-	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings	-	-	-	-	-	-	-
Material received from customers / secured advances	17,465,040	17,465,040	17,465,040	-	-	-	-
	212,380,195	212,380,195	182,320,653	30,059,542	-	-	-
	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	Rupees						
<b>2014</b>							
Trade and other payables	167,346,147	167,346,147	167,346,147	-	-	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings	6,522,558	6,522,558	-	6,522,558	-	-	-
customers / secured advances	17,176,636	17,176,636	17,176,636	-	-	-	-
	221,104,883	221,104,883	184,522,783	36,582,100	-	-	-

#### **42.4 Market risk**

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

##### **a) Currency risk**

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. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other then the functional currency in which they are

Presently the Company is not exposed to foreign currency risk except contingencies as disclosed in note 27.2 to these financial statements

##### **b) 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. Majority of the interest rate exposure arises from long term loans and short borrowings. The Company believes that it is not exposed to any significant interest rate.

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2015 can be evaluated from the schedule given in note 41 to these financial statements.

The Company is not exposed to any material interest rate risk, except fixed rate financial instrument (long term investment) which has a fixed rate of interest, therefore, no sensitivity analysis has been presented.

#### **43 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

#### **44 CAPITAL MANAGEMENT**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

#### **45 JOINT VENTURES**

- 45.1 The Joint Venture for execution of Bong Canal Bridge, Mangla with Sarwar Construction (Private) Limited. is in the ratio of 60:40 and the Company has recognized its own share i.e. 60% of income and expenses in the preceding years' financial statements. Further, the Company has successfully completed its share of work whereas the work of Joint Venture Partner is in progress.



45.2 Gammon Pakistan Limited (GPL) project of Blue Area Underpass, Islamabad was secured through a joint venture with Matracon Pakistan (Private) Limited. (MPL) named as Gammon Matracon Joint Venture. The estimated value of the project is Rs. 359 million. GPL, during the financial year ended 30 June, 2007, had an agreement with MPL of sharing 2% of fixed percentage of the project billing to the Joint Venture Partner and the total project would be controlled by GPL itself. The consideration agreed between AIV and GPL was 25% share in profits earned by the said project after deducting share of MPL. Separate books of account are being maintained and results have been merged in the financial statements of GPL as per policy stated in note 5.22.

45.3 As approved by the Board of Directors, the management had entered into Joint Venture arrangements for the execution of the following Projects:

	Project value	Profit sharing ratio	
	Rs. in million	Gammon Pakistan	Investor
Khalifa Gul Nawaz Medical Complex, Bannu	402.36	50%	50%
Durrani Public School, Bannu - Phase II	295	50%	50%
Hawad / Nurar Bridges, Bannu	176.42	50%	50%

The above projects were awarded to Gammon Pakistan Limited with full operational responsibilities and control. Accordingly, the income and expenses relating to these projects have been classified as 'own contracts' in the books of account. The profit and loss has been distributed in accordance with the agreed

The actual amount invested by the Joint Venture Partner has been shown under Joint Venture Partner's advances in these financial statements (note 25).

45.4 The Company, during the financial year ended June 30, 2007, had entered into a Joint Venture agreement with M/s Surrani Construction for various construction works at Bannu University of Science and Technology. As per terms of the agreement, M/s Surrani Construction will complete the construction work and the Company is entitled to receive 3% of the contract value.

#### 46 INFORMATION ABOUT BUSINESS SEGMENTS

For management purposes, the activities of the Company have been divided into own projects and joint ventures. The Company operates in these business segments based on risk and return, organizational and management structure and internal financial reporting systems. Operating results of joint ventures have not been separately disclosed in these financial statements as these do not meet the minimum thresholds prescribed by IFRS 8 (Operating Segments).

The Company's operations are confined to Pakistan in terms of customers; accordingly, the figures reported in these financial statements relate to the Company's business segments relating to Pakistan.

The Company has three (2014: three) customers having contract income of 10% or more during the year.

#### 47 NUMBER OF EMPLOYEES

The number of employees as at year end was 38 (2014: 37) and average number of employees during the year was 37 (2014: 37).



#### 48 CORRECTION OF ERROR

In previous period, the Company has classified a part of Gammon House - building which is in use of the Company as an investment property under para 10 of IAS 40 "Investment Property". However, during the year the Securities and Exchange Commission of Pakistan has issued a notice to the Company and subsequently has passed an order stating that , a part of Gammon House which is in use of the Company has been wrongly classified under the investment properties. During the year the Company has corrected this error and part of Gammon House which is in use of the Company has been transferred/classified as per requirement of IAS 16 "Property, Plant and Equipment". This error has been corrected retrospectively as per the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The effect on prior periods is tabulated below:

	Amount Rupees
<b>Land and Building</b>	
<i>Effect prior to year end June 30, 2013</i>	-
<i>Effect on year end June 30, 2013</i>	
<i>Balance Sheet:</i>	
Decrease in investment property	27,529,209
Increase in property, plant and equipment	27,529,209
<i>Profit and loss account</i>	-
<i>Effect on year ended June 30, 2014</i>	
<i>Balance sheet</i>	
Decrease in property, plant and equipment-NBV	75,678
<i>Profit and loss account</i>	
Increase in depreciation expense	75,678

#### 49 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year.

Due to application of correction of error retrospectively (refer note 48), the Company has presented third balance sheet at the beginning of the preceding period i.e. the opening position in accordance with requirements of IAS 1 "Presentation of Financial Statements". Notes are not required to support this balance sheet.

**50 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 23, 2015 by the Board of Directors of the Company.

**51 GENERAL**

Figures have been rounded off to the nearest of rupee.



**CHIEF EXECUTIVE**



**DIRECTOR**

# SUMMARY OF KEY OPERATING AND FINANCIAL DATA

## PROFIT AND LOSS ACCOUNT

		2010	2011	2012	2013	2014	2015
		Restated					
Contract Income	Rupees in million	46.466	46.877	54.553	59.910	320.762	344.643
Net Contract Profit/ loss	Rupees in million	(24.204)	3.156	3.131	3.652	44.406	23.222

## BALANCE SHEET

Shareholders equity (excluding Surplus on revaluation of fixed assets)	Rupees in million	222.229	217.734	209.542	193.141	198.474	204.157
Operating fixed assets	Rupees in million	220.544	215.476	211.291	77.056	74.962	99.654
Current assets	Rupees in million	348.561	304.427	301.343	260.603	353.255	332.196
Current liabilities	Rupees in million	225.416	182.437	189.282	166.125	221.104	212.380
Cash and Cash equivalents at year end	Rupees in million	37.540	33.422	27.203	13.856	27.171	17.516



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