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**NATIONAL ENGINEERING SERVICES
PAKISTAN (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2016**

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **National Engineering Services Pakistan (Private) Limited** (the Company) as at **30 June 2016** 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 financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet, profit and loss accounts and statement of comprehensive income 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, except for the changes as stated in Note 2.1 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 30 June 2016 and of the profit, total 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.



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Without qualifying our opinion, we draw attention to note 22.1 (d) to the financial statements which describes the uncertainties related to the outcome of litigation between the company and Punjab Revenue Authority and Sindh Revenue Board regarding applicability of Sales Tax Act on Services.

EY Farooq Hameed

Chartered Accountants
Audit Engagement Partner: Farooq Hameed
Lahore: 20 February 2017

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

Note

2016

2015

----- (Rupees in '000) -----

ASSETS

NON-CURRENT ASSETS

Property and equipment	5	1,201,109	1,203,705
Intangible assets	6	5,378	7,871
Investment property	7	15,000	15,000
Investments in subsidiaries	8	1,345	5,315
Investment in associates	9	56,874	50,749
Loans and advances	10	6,202	6,559
Long term security deposits		46,863	32,475
Deferred tax asset - net	11	318,908	240,404
		1,651,679	1,562,078

CURRENT ASSETS

Drawing and stationery stores		11,499	5,465
Contract fee receivable	12	8,138,486	7,033,029
Loan and advance	13	21,027	41,811
Deposits and short term prepayments	14	289,910	545,556
Interest accrued		2,855	4,153
Other receivables	15	836,020	207,007
Short term investments	16	1,338,203	1,251,500
Cash and bank balances	17	1,746,571	1,057,970
		12,384,571	10,146,491
		14,036,250	11,708,569

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorized capital		5,000	5,000
500,000 (2015: 500,000) ordinary shares of Rs 10 each			
Issued, subscribed and paid up capital	18	1,500	1,500
Revenue reserves		10,497,294	9,351,843
		10,498,794	9,353,343

NON-CURRENT LIABILITIES

Employee retirement and other benefits	19	576,010	682,035
Liabilities against assets subject to finance lease	20	682	1,233

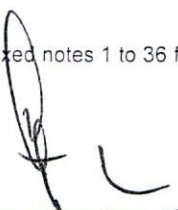
CURRENT LIABILITIES

Trade and other payables	21	2,375,519	1,211,196
Dividend payable		100,000	4,500
Provision for taxation		485,245	456,262
		2,960,764	1,671,958

CONTINGENCIES AND COMMITMENTS

	22	14,036,250	11,708,569
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The annexed notes 1 to 36 form an integral part of these financial statements.


 Chief Executive


 Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 ----- (Rupees in '000) -----	2015
Consultancy services fee	23	7,747,780	6,912,193
Operating costs	24	(6,320,381)	(5,491,896)
Operating profit		1,427,399	1,420,297
Finance cost	25	(3,197)	(7,859)
		1,424,202	1,412,438
Other income	26	399,623	281,285
Other expenses	27	(3,970)	(142)
Share of profit from associates - net		6,125	3,285
		401,778	284,428
Profit before taxation		1,825,980	1,696,866
Taxation	28	(452,418)	(529,517)
Profit after taxation		1,373,562	1,167,349

The annexed notes 1 to 36 form an integral part of these financial statements.



Chief Executive




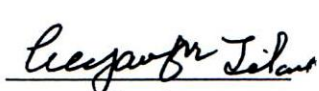
Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- (Rupees in '000) -----	
Profit for the year		1,373,562	1,167,349
Items that will not be reclassified to profit and loss account			
Re-measurement loss on post employment benefit obligation	21.2	(188,398)	(149,436)
Tax effect of loss on employees' retirement benefits		60,287	49,314
Other comprehensive loss for the year		(128,111)	(100,122)
Total comprehensive income for the year		<u>1,245,451</u>	<u>1,067,227</u>

The annexed notes 1 to 36 form an integral part of these financial statements.


 Chief Executive


 Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 ----- (Rupees in '000) -----	2015
Cash flows from operating activities			
Cash generated from operations	29	1,235,027	894,075
Income taxes paid		(441,652)	(328,782)
Employee benefits paid		-	(109,926)
Decrease / (increase) in long term loans and advances		357	(113)
(Increase) / decrease in long term security deposits		(14,388)	1,418
Net cash generated from operating activities		779,344	456,672
Cash flows from investing activities			
Purchase of operating fixed assets - net		(107,451)	(50,604)
Purchase of intangible assets		(219)	(9,411)
Proceeds from disposal of property and equipment		9,629	4,306
Proceeds from redemption of units in mutual fund		11,491	20,000
Short term investments - net		(364,582)	(36,172)
Acquisition of subsidiary		-	(17)
Interest received		85,012	78,573
Net cash (used in) / generated from investing activities		(366,120)	6,675
Cash flows generated from financing activities			
Lease rentals paid		(551)	(1,123)
Dividend paid		(4,500)	(3,000)
Finance cost		(3,197)	(7,859)
Net cash used in financing activities		(8,248)	(11,982)
Net increase in cash and cash equivalents		404,976	451,365
Cash and cash equivalents at the beginning of the year		2,141,595	1,690,230
Cash and cash equivalents at the end of the year	30	2,546,571	2,141,595

The annexed notes 1 to 36 form an integral part of these financial statements.


Chief Executive


Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	General reserve	Unappropriated profit	Revenue reserves	Total
	(Rupees in '000)				
Balance as at July 01, 2014	1,500	6,911,570	1,377,546	8,289,116	8,290,616
Final dividend for the year ended June 30, 2014 at Rs. 30 per share	-	-	(4,500)	(4,500)	(4,500)
Transfer to general reserve	-	1,165,232	(1,165,232)	-	-
Profit for the year	-	-	1,167,349	1,167,349	1,167,349
Other comprehensive loss for the year	-	-	(100,122)	(100,122)	(100,122)
Total comprehensive income	-	-	1,067,227	1,067,227	1,067,227
Balance as at June 30, 2015	1,500	8,076,802	1,275,041	9,351,843	9,353,343
Final dividend for the year ended June 30, 2015 at Rs. 667 per share	-	-	(100,000)	(100,000)	(100,000)
Transfer to general reserve	-	1,067,349	(1,067,349)	-	-
Profit for the year	-	-	1,373,562	1,373,562	1,373,562
Other comprehensive loss for the year	-	-	(128,111)	(128,111)	(128,111)
Total comprehensive income	-	-	1,245,451	1,245,451	1,245,451
Balance as at June 30, 2016	1,500	9,144,151	1,353,143	10,497,294	10,498,794

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Executive

Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in 1973 under Companies Act, 1913 (now Companies Ordinance, 1984). The Company is wholly owned by the Federal Government of Pakistan and is engaged in providing engineering consultancy services in Pakistan and abroad. The registered office of the Company is situated at 1-C, Block N, Model Town Extension, Lahore.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise such International Financial Reporting Standards as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.1 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.1.1 Standards, amendments to published standards and interpretations that are effective in current year

The Company has adopted the following new and amended IFRS interpretations which became effective during the year. There is no material impact on the Company's financial statements in the current period by adopting the following new and amended IFRS interpretations .

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

2.1.2 New / Revised Standards, Interpretations and Amendments

The following revised standards, 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:

Standard or Interpretation		Annual Effective date (Periods beginning on or after)
IAS 1	Presentation of Financial Statements - Disclosure Initiative (Amendment)	01 January 2016
IAS 7	Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IAS 16	Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	01 January 2016
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	01 January 2016
IFRS 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016

Standard or Interpretation		Annual Effective date (Periods beginning on or after)
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for annual accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard		Effective date (Periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 15	Revenue from Contracts with Customers	01 January 2018
IFRS 16	Leases	01 January 2019

The management will assess the impact of the above standards when these are notified by the SECP in accordance with the effective date in the notification.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain employee benefits are recognized on the basis mentioned in note 4.7. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Taxation

In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past. The Company consult its tax advisor and takes into account factors including industry practice and recent judgments by tax authorities and/or courts of law.

b) Useful life and residual values of property and equipment

Estimates with respect to depreciable lives, residual values and pattern of flow of economic benefits are based on the analysis of the management of the Company based on historical pattern of use, economic utility, technological advancement, expected re-sale values and expected usual wear and tear.

c) Employee benefits

The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by an independent actuary. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date and take into account factors such as prevailing interest rates, increments and promotions awarded by the Company in the recent past and projected for the future, health and age profile of employees.

d) Provision for doubtful receivables

The Company reviews its trade and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account for any doubtful receivables. Especially, judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumptions about a number of factors including credit history of counter party and age analysis. Actual cash flows may differ resulting in subsequent changes to the provisions. Known bad debts are written off as and when identified.

3 BENAZIR EMPLOYEES STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GOP) launched Benazir Employees Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises (non-SOEs) where GOP holds significant investment. The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the scheme subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GOP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service. On retirement or termination, employees would be entitled to receive such amounts from Trust Fund in exchange for the surrendered units as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GOP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employee. The balance 50% dividend would be transferred by the respective Trust Fund to Central Revolving Fund Managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Fund to meet the re-purchase commitments would be met by GOP.

The Scheme, developed in compliance with stated GOP Policy of empowerment of employees of State Owned Enterprises needs to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in the view the difficulties that may be faced by entities covered under the scheme, the Securities & Exchange Commission of Pakistan on receiving representations from some entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption to such entities from the application of IFRS 2 to the Scheme. Further, as per the correspondence with BESOS and Ministry of Finance, the scheme is being revamped and disbursement of dividend to the employees by EET are kept in abeyance.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Taxation

Current

Current income tax expense is based on taxable profit at the current rates of taxation, alternative corporate tax or minimum turnover tax, whichever is higher and Super tax at 3% on imputed income.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis 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 or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Property and equipment

Owned

Operating fixed assets except freehold land, which is stated at cost, are stated at cost less accumulated depreciation.

Depreciation is charged to the profit and loss account on the reducing balance method, so as to write off the historical cost of an asset over its estimated useful life, at the rates given in note 5 and leasehold land on 33 year lease period.

Depreciation on additions is charged from the month in which the asset is put to use while no depreciation is charged from the month in which an asset is disposed off.

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

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. The profit or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Assets subject to finance lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased assets or if lower, at the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognized in the profit and loss.

Leased assets are depreciated over the useful life of the asset at the rates stated in note 5 on the reducing balance method. However, if there is no reasonable certainty that the Company will obtain ownership by the end of lease term, the asset is depreciated over the shorter of estimated useful life of the asset and lease term.

4.3 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses. Amortization is charged to income on straight line basis over a period of three years.

Subsequent expenditures on intangibles assets are recognized as an expense when it is incurred, unless the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance.

4.4 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the company comprises land and is valued using the fair value model.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on periodic evaluation performed by an accredited external independent valuer.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

4.5 Capital work in progress

Capital work in progress represents expenditure on property and equipment in course of construction, installation and / or in transit. Transfers are made to relevant category of property and equipment as and when assets become available for use. Capital work in progress is stated at cost, less any identified impairment loss.

4.6 Investments

4.6.1 Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment.

4.6.2 Investment in associates

Investments in associates are accounted for by using the equity method to comply with the requirements of IAS 28 "Investments in Associates".



4.6.3 Short term investments

Held for trading

Financial assets are classified as held for trading are acquired for the purpose of selling and purchasing in near term. These investments are initially recognized at fair value. Subsequent to initial recognition these are recognized at fair value unless fair value cannot be reliably measured. Any surplus and deficit on revaluation of investment is recognized in profit and loss account. All purchases and sales of investments are recognized on trade date, which is the date that the Company commits to purchase or sell the investments.

Held to maturity

Financial assets classified as held to maturity represent investments with fixed maturity in respect of which company has the positive intent and ability to hold till maturity. These are initially recognized at cost including transaction costs and are subsequently carried at amortized cost.

4.7 Employee retirement and other benefits

- (a) The company operates a funded gratuity scheme that requires contributions to be made to separately administrated fund. The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by an independent actuary. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date and take into account factors such as prevailing interest rates, increments and promotions awarded by the Company in the recent past and projected for the future, health and age profile of employees. Gratuity is paid to employees at the termination of service at the rate of number of years of association multiplied by the last drawn salary. benefits are disclosed in note 19.
- (b) The company provides liability for accumulated compensated absences of its permanent and contract staff as per company policy. Compensated absence of an employee are accumulated throughout the term of employment to the maximum accumulation of 180 days and can be availed on the termination of service, however encashment of compensated absence is allowed to the maximum of 28 days.
- (c) The company operates a recognized provident fund for all permanent employees. Monthly contributions are made both by the company and employees @ of 10 % of basic plus technical pay . Charge for the year in respect of provident fund amounted to Rs. 95,822 thousands (2015: 73,422 thousands).
- (d) The company provides long term association benefit to its permanent employees. Under the plan, the employees who have completed ten years of service are entitled to receive one month's salary, twenty years of service are entitled to receive two months salary and thirty years of service are entitled to receive three months salary. At each year end, the management records provision based on the proportionate number of years worked by each employee.

4.8 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees (the functional currency of the Company) at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date.

4.9 Revenue recognition

Revenue is recognized to the extent that it is probable that the future economic benefits will flow to the company and the revenue can be measured reliably.

The company recognizes:

- revenue from engineering services when services are rendered, over the contractual period or as and when services are rendered to customers.
- Dividend income is recognized when the right to receive the payment is established
- Income from bank deposits is recognized using effective interest rate method; and
- Rental income is recognized on accrual basis and is included in other income in profit or loss account.

4.10 Provisions

Provisions are recognized when the company has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount of the obligation can be made.

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4.11 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognized from the balance sheet when the obligation is extinguished, discharged, cancelled or expired.

Any gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account for the year to which it arises.

(a) **Long and short term deposits**

These are stated at cost which represents the fair value of consideration given.

(b) **Receivables**

Receivables are carried at original invoice amount less provision made for receivables considered doubtful of recovery. Debts considered irrecoverable are written off.

(c) **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits with banks, other short term investments with original maturities of three months or less and bank overdrafts.

For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, cash in transit, bank balances and short term investments at maturity.

(d) **Trade and other payables**

Liabilities for trade and other payable are carried at amortized cost.

4.12 Dividends and appropriations to reserves

Dividend and appropriations to reserves are recognized in the financial statements of the period in which these are approved.

4.13 Provision for doubtful debts

The Company reviews its trade and other receivables at each reporting date to assess whether provision should be recorded in profit and loss account for any doubtful receivables. Especially, judgment by management is required in the estimation of the amount and timing of future cash flows while determining the extent of provision required. Such estimates are based on assumptions about a number of factors including credit history of counter party and age analysis. Actual cash flows may differ resulting in subsequent changes to the provisions. Known bad debts are written off as and when identified

4.14 Contingencies and liabilities

Contingent liabilities are disclosed when:

- There is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.
- There is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.15 Related party transactions

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa. Related party transactions are stated in Note 30.

	Note	2016	2015
		----- (Rupees in '000) -----	
5 Property and equipment			
Operating fixed assets	5.1	1,197,672	1,203,705
Capital work-in-progress	5.2	3,437	-
		<u>1,201,109</u>	<u>1,203,705</u>

Signature

5.1 Operating fixed assets

5.1.1 Owned

Note	Land		Buildings on freehold land	Furniture and fittings	Office and electrical equipment	Computers	Telephone installation	Drawing and survey equipment	Vehicles	Total
	Freehold	Leasehold								
(Rupees in '000)										
Net carrying value basis										
Year ended June 30, 2016										
Opening net book value (NBV)	340,040	2,449	547,870	84,644	109,428	27,638	3,328	14,986	71,311	1,201,694
Additions (at cost)	-	-	6,761	4,425	47,483	14,612	24	5,089	25,620	104,014
Deletions (at NBV)	-	-	-	(118)	(127)	(129)	(11)	-	(4,090)	(4,475)
Depreciation charge	-	(244)	(28,202)	(8,716)	(30,877)	(11,901)	(666)	(3,853)	(20,711)	(105,170)
Closing net book value (NBV)	340,040	2,205	526,429	80,235	125,907	30,220	2,675	16,222	72,130	1,196,063
Gross carrying value basis										
As at 30 June, 2016										
Cost	340,040	8,083	712,663	158,391	338,621	184,218	18,497	57,918	201,714	2,020,145
Accumulated depreciation	-	(5,878)	(186,234)	(78,156)	(212,714)	(153,998)	(15,822)	(41,696)	(129,584)	(824,082)
Net Book value (NBV)	340,040	2,205	526,429	80,235	125,907	30,220	2,675	16,222	72,130	1,196,063
Depreciation rate % per annum	-	33	5	10	20	35	20	25	20	
Leased										
Opening net book value (NBV)	-	-	-	-	-	-	-	-	-	-
Additions (at cost)	-	-	-	-	-	-	-	-	2,011	2,011
Deletions (at NBV)	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-	-	-	-
Closing net book value (NBV)	-	-	-	-	-	-	-	-	(402)	(402)
Total	340,040	2,205	526,429	80,235	125,907	30,220	2,675	16,222	73,739	1,197,672
Net carrying value basis										
Year ended June 30, 2015										
Opening net book value (NBV)	340,040	2,694	447,520	45,200	86,903	28,564	3,973	19,884	79,878	1,054,656
Additions (at cost)	-	-	123,115	44,835	41,366	11,490	161	84	11,338	232,389
Deletions (at NBV)	-	-	-	(348)	(318)	-	-	(213)	(3,569)	(4,448)
Depreciation charge	-	(245)	(22,765)	(5,038)	(18,519)	(12,417)	(805)	(4,994)	(16,336)	(81,119)
Adjustments	-	-	-	(5)	(4)	1	(1)	225	-	216
Closing net book value (NBV)	340,040	2,449	547,870	84,644	109,428	27,638	3,328	14,986	71,311	1,201,694
Gross carrying value basis										
As at 30 June, 2015										
Cost	340,040	8,083	705,902	154,171	292,104	179,206	18,582	53,339	195,139	1,946,566
Accumulated depreciation	-	(5,634)	(158,032)	(69,527)	(182,676)	(151,568)	(15,254)	(38,353)	(123,828)	(744,872)
Net Book value (NBV)	340,040	2,449	547,870	84,644	109,428	27,638	3,328	14,986	71,311	1,201,694
Depreciation rate % per annum	-	33	5	10	20	35	20	25	20	
Leased										
Opening net book value (NBV)	-	-	-	-	-	-	-	-	-	-
Additions (at cost)	-	-	-	-	-	-	-	-	2,514	2,514
Deletions (at NBV)	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	-	-	-	-	-	-	-	-	-
Closing net book value (NBV)	-	-	-	-	-	-	-	-	(503)	(503)
Total	340,040	2,449	547,870	84,644	109,428	27,638	3,328	14,986	73,322	1,203,705

5.2 Capital work-in-progress

Note	2016	2015
	----- (Rupees in '000) -----	
Opening balance	-	181,785
Additions during the year	3,437	19,233
Transfers during the year	-	(201,018)
	<u>3,437</u>	<u>-</u>

5.2.1 This represents advance paid against purchase of vehicles.

6 Intangible assets

Computer software - Net carrying value basis

Opening net book value (NBV)	7,871	1,938
Additions (at cost)	219	9,411
Amortization	(2,712)	(3,478)
Closing net book value (NBV)	<u>5,378</u>	<u>7,871</u>

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Computer software - Gross carrying value basis

Cost	17,956	17,737
Accumulated amortization	(12,578)	(9,866)
Net book value (NBV)	<u>5,378</u>	<u>7,871</u>
Amortization rate % per annum	33.33	33.33

7 Investment property

Land	<u>15,000</u>	<u>15,000</u>
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This represents fair value based on the valuation carried out by an independent valuer on October 6, 2016 and the management's best estimate.

8 Investments in subsidiary

2016	2015
----- (Rupees in '000) -----	

Subsidiary undertakings - unquoted (Available for sale)

Nespak and Partners LLC, Muscat, Oman
13,000 (2015: 13,000) ordinary shares of Omani Riyal 1 each
Equity held: 65% (2015: 65%)
Less: Impairment

1,736	1,736
(1,736)	-
-	1,736

Mohammad Hisham Aitah - Nespak, Riyadh, Saudi Arabia
49 (2015: 49) ordinary shares of Saudi Riyal 2,000 each
Equity held: 49% (2015: 49%)

1,328 1,328

National Engineering Services Pakistan Limited - Doha, Qatar
98,000 (2015: 98,000) ordinary shares of Qatari Riyal 1,000 each
Equity held: 49% (2015: 49%)
Less: Impairment

2,234	2,234
(2,234)	-
-	2,234

National Engineering Services Pakistan Limited - UK
100 (2015:100) ordinary shares of GBP 1 each
Equity held: 100% (2015:100%)

17 17

<u>1,345</u>	<u>5,315</u>
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8.1 The company is not consolidating these subsidiaries as the Securities and Exchange Commission (SECP) of Pakistan has granted exemption to the company from consolidation and investment in these subsidiaries is recorded at cost net of impairment if any.

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

9 Investment in Associates - unquoted

	Note	2016 ----- (Rupees in '000) -----	2015
Corporation House (Private) Limited 200,000 (2015: 200,000) ordinary shares of Rs 10 each Share of net profit for the year		11,659 348	11,055 604
	9.1	12,007	11,659
Engineering Consulting Associates (Nigeria) Limited 6,000 (2015: 6,000) ordinary shares of Naira 1 each Less: Impairment		91 (91)	91 (91)
Turkpak International (Private) Limited 60,000 (2015: 60,000) ordinary shares of Rs 100 each Share of net profit for the year		39,090 5,777	36,409 2,681
	9.2	44,867	39,090
Technology and Resource Development (Private) Limited 4,000 (2015: 4,000) ordinary shares of Rs 100 each Less: Impairment	9.3	400 (400)	400 (400)
		56,874	50,749

9.1 The company is engaged in providing engineering consultancy services and have its registered office at 1st Floor Alfalah (Tail Wing), Shahrah-e-Quaid-e-Azam, Lahore. The Company's interest in Corporation House (Private) Limited is accounted for using the equity method in financial statements.

9.2 The company is engaged in providing engineering consultancy services and have its registered office at IEEE Building, 17-C-1, Civic Centre Faisal Town, Lahore. The Company's interest in Turkpak International (Private) Limited is accounted for using the equity method in financial statements.

9.3 One share is held in the name of Mr. Amjad. A. Khan, Managing Director of the company.

9.4 The aggregate share of the company in assets, liabilities, revenue and profit or loss of its associated companies is as follows:

Name	Percentage interest held	Assets	Liabilities	Revenue	Profit *
----- (Rupees in '000) -----					
June 30, 2016					
Corporation House (Private) Limited	25%	12,289	282	709	348
Turkpak International (Private) Limited	50%	55,100	10,233	62,438	5,777
June 30, 2015					
Corporation House (Private) Limited	25%	12,068	409	1,028	604
Turkpak International (Private) Limited	50%	46,447	7,357	48,933	2,681

* Share of profit of associates is net of taxation.

10 Loans and advances - considered good

	Note	2016 ----- (Rupees in '000) -----	2015
Muhammad Hisham Aitah, Riyadh, Saudi Arabia - unsecured		1,632	1,632
Abdulla Zayed M A Al-Khayarin, Doha, Qatar - unsecured		2,326	2,326
Dar-al-Handasah LLC, Muscat, Oman - unsecured		1,085	1,085
	10.1	5,043	5,043
Employee loans	10.2	1,684	2,341
Less : Current maturity	14	(600)	(900)
		1,084	1,441
Advance due from Pakistan Hydro Consultant		75	75
		6,202	6,559

10.1 This represents interest free loan given to related parties for investments in subsidiaries.

10.2 Loans to employees represent house building and motorcycle loans provided to employees in accordance with company policy. These loans are secured against the employees provident fund balances. Loans for motorcycle and house building carry interest at the rate of 4% per annum (2015: 4% per annum) and 10% per annum (2015: 10% per annum), respectively.

	Note	2016	2015		
		----- (Rupees in '000) -----			
11	Deferred tax asset - net				
The deferred tax asset comprise temporary differences arising due to:					
Accelerated tax depreciation		(109,957)	(107,821)		
Provision for doubtful debts		421,619	401,266		
Re-measurement of employees' retirement benefits		7,246	(53,041)		
		<u>318,908</u>	<u>240,404</u>		
Deferred tax is calculated in full on temporary differences under the liability method					
Opening balance		240,404	207,985		
Credited to profit and loss account		18,217	(16,895)		
Charge recognized in other comprehensive income		60,287	49,314		
Closing balance		<u>318,908</u>	<u>240,404</u>		
12	Contract fee receivable				
Considered good	12.1	8,138,486	7,033,029		
Considered doubtful		<u>1,405,397</u>	<u>1,215,957</u>		
		9,543,883	8,248,986		
Less: Provision for doubtful debts	12.2	<u>(1,405,397)</u>	<u>(1,215,957)</u>		
		<u>8,138,486</u>	<u>7,033,029</u>		
12.1	This includes amount due from subsidiaries and associates as detailed below:				
Subsidiaries					
Nespak and Partners LLC, Muscat, Oman		1,195,824	947,993		
Muhammad Hisham Aitah-Nespak, Riyadh, Saudi Arabia		9,070	395		
National Engineering Services Pakistan Limited, UK		4,905	2,745		
National Engineering Services Pakistan Limited, Doha, Qatar		<u>345,934</u>	<u>272,613</u>		
		<u>1,555,733</u>	<u>1,223,746</u>		
Associates					
Turkpak International (Private) Limited		376	1,838		
Technology and Resource Development (Private) Limited		5,154	4,318		
NESPAK Foundation		10,240	8,876		
Federal Government and departments		4,344,033	4,007,861		
Provincial governments and departments		<u>2,517,580</u>	<u>2,036,839</u>		
		<u>6,877,383</u>	<u>6,059,732</u>		
12.2	Provision for doubtful debts				
	Note	General	Specific	2016	2015
		----- (Rupees in '000) -----			
Opening balance		165,036	1,050,921	1,215,957	1,093,482
Charge for the year	24	<u>66,886</u>	<u>122,554</u>	<u>189,440</u>	<u>122,475</u>
		231,922	1,173,475	1,405,397	1,215,957
Less: Written off during the year		-	-	-	-
Closing balance		<u>231,922</u>	<u>1,173,475</u>	<u>1,405,397</u>	<u>1,215,957</u>
12.3	Ageing analysis of contract fee receivable				
The ageing analysis of contract fee receivable from related party is as follows:					
	Note	2016	2015		
		----- (Rupees in '000) -----			
Up to 6 months		2,368,836	3,361,811		
More than 6 months less than 1 year		1,114,530	625,996		
More than 1 year		<u>4,933,000</u>	<u>3,295,671</u>		
		<u>8,416,366</u>	<u>7,283,478</u>		
13	Loan and advance				
Advances to employees - considered good		18,830	17,343		
Advances to suppliers and contractors - considered good		<u>2,197</u>	<u>24,468</u>		
		<u>21,027</u>	<u>41,811</u>		

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NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

	Note	2016	2015
		----- (Rupees in '000) -----	
14	Deposits and short term prepayments		
	Current maturity of long term loans - considered good	10	600
	Retention and earnest money		182,528
	Prepayments		5,428
	Margins on bank guarantees		13,630
	Receivable from Turpkap International (Private) Limited - related party		199
	Due from Nespak Gratuity Fund Trust - related party	21.2	-
	Due from Nespak Foundation - related party		5,106
	Due from Nespak Provident Fund Trust - related party		1,617
	Due from Staff Welfare Fund Trusts - related party		80,802
			<u>289,910</u>
15	Other receivables		
	Sales Tax receivable		787,137
	Miscellaneous receivables		48,883
			<u>836,020</u>
16	Short term investments		
	Held for trading - fair value	16.1	90,203
	Held to maturity at amortized cost	16.2	1,248,000
			<u>1,338,203</u>
16.1	Units of mutual funds		
	UBL Government Securities Fund		87,163
	MCB - Arif Habib Savings and Investment Limited		1,626
	NAFA Government Securities Fund		1,414
			<u>90,203</u>
16.2	Held to maturity at amortized cost		
	- Local currency	16.2.1	830,000
	- Foreign currency	16.2.2	418,000
			<u>1,248,000</u>
16.2.1	Local currency		
		Rate of return	Period of deposit
			2016
			2015
			----- (Rupees in '000) -----
	* Bank AL Habib Limited	9.00%	1 year
	Allied Bank Limited		
	Allied Bank Limited		
	Allied Bank Limited		
	NIB Bank Limited	6.50%	3 month
	Bank Alfalah Limited	6.40%	1 month
	Bank Alfalah Limited		
			<u>830,000</u>
			<u>530,000</u>
	* This includes local currency accounts under lien with commercial banks amounting to Rs 30,000 thousand (2015: Rs 30,000 thousand).		
16.2.2	Foreign currency		
			2016
			2015
			----- (Rupees in '000) -----
			<u>418,000</u>
			<u>637,043</u>
	Rate of profit on foreign investments range from 1.70% to 2% per annum (2015: 1.50% to 3.10% per annum) with a deposit period of 6 months (2015: 1 to 4 months)		
16.3	The fair value of these investments is determined using their respective redemption net asset values.		
16.4	The short term investments do not include any investment in related parties (2015: Nil).		

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		----- (Rupees in '000) -----	
17 Cash and bank balances			
At banks			
- In current accounts			
Local currency		61,414	5,345
Foreign currency		48,744	13,404
		110,158	18,749
- In PLS savings accounts			
Local currency	17.1	1,071,062	811,546
Foreign currency	17.2	560,511	223,529
		1,631,573	1,035,075
		1,741,731	1,053,824
Cash in hand			
Local currency		-	5
Foreign currency		4,840	4,141
		4,840	4,146
		1,746,571	1,057,970
17.1 Rate of profit on saving and deposit local currency accounts range from 4% to 6.75% per annum (2015: 4.50% to 7.25% per annum).			
17.2 Rate of profit on saving and deposit foreign currency accounts range from 0.90% to 1.15% per annum (2015: 1.30% to 1.90% per annum).			
18 Issued, subscribed and paid up capital		<u>2016</u>	<u>2015</u>
		----- (Rupees in '000) -----	
50,000 (2015: 50,000) ordinary shares of Rs 10 each fully paid in cash		500	500
100,000 (2015: 100,000) ordinary shares of Rs 10 each issued as fully paid bonus shares		1,000	1,000
		1,500	1,500
19 Employees retirement and other benefits			
These are composed of:			
Accumulated compensated absences	19.1	490,685	614,321
Long term association benefit		85,325	67,714
		576,010	682,035
19.1 During the period the Company has changed the basis of recording provision relating to accumulated compensated absences (i.e. earned leaves). The Company was previously recording provision on the basis of basic pay, technical pay and allowances; however, in light of change in practice, the Company elected to change the basis of recording provision to basic pay and technical pay only. The Company believes that this change is more aligned to the actual payment being made to the employees since 01 July 2015.			

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		----- (Rupees in '000) -----	
20 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		1,371	2,356
Less : Advance adjustment		-	(628)
		1,371	1,728
Less : current portion shown under current liabilities		(689)	(495)
		682	1,233

The amount of future payments of the lease and period in which these payments will become due are as follows:

	2016		2015	
	(Rupees in '000)			
	Minimum lease payments (MLPs)	Financial charges not yet due	Present value of MLPs	Present value of MLPs
Not later than one year	757	68	689	495
Later than one year but not later than five years:	720	38	682	1,233
	1,477	106	1,371	1,728

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- 20.1 Present value of minimum lease payments has been discounted using the 12 month KIBOR + 3%. Rentals are paid in monthly equal installments. Taxes, repairs and insurance costs are borne by the Company. In case of earlier termination, the Company shall have to pay entire rentals for unexpired period of lease agreement.

	Note	2016	2015
		----- (Rupees in '000) -----	
21 Trade and other payables			
Retention money payable		10,284	9,458
Sundry creditors	21.1	735,354	492,147
Accrued liabilities		64,103	113,837
Advances from customers		377,685	270,107
Employees' bonus payable		300,542	185,925
Due to Nespak Gratuity Fund Trust - related party	21.2	28,205	-
Sales tax payable		833,622	125,422
Liabilities against assets subject to finance lease	20	689	495
Other liabilities		25,035	13,805
		<u>2,375,519</u>	<u>1,211,196</u>

21.1 Due to related parties

Nespak Foundation	469,140	398,300
Turkpak International (Private) Limited	231	4,697
	<u>469,371</u>	<u>402,997</u>

- 21.2 The amounts recognized in the balance sheet has been computed as follows:

	Note	2016	2015
		----- (Rupees in '000) -----	
Present value of defined benefit obligation	21.1.1	1,593,850	1,306,238
Fair value of plan assets	21.1.2	(1,565,645)	(1,558,961)
		<u>28,205</u>	<u>(252,723)</u>

21.1.1 Changes in the present value of defined benefit obligations:

Balance at beginning of the year	1,306,238	1,072,954
Current service cost	116,540	84,077
Interest expense	118,056	122,020
Benefits paid	(122,017)	(102,868)
Unpaid benefits	(5,039)	(9,372)
Actuarial loss	180,072	139,427
	<u>1,593,850</u>	<u>1,306,238</u>

21.1.2 Changes in the fair value of plan assets

Balance at beginning of the year	1,558,961	1,405,309
Contributions made by the Company during the year	-	107,546
Interest Income	142,066	168,355
Benefits paid during the year	(122,017)	(102,868)
Unpaid benefits	(5,039)	(9,372)
Return on plan assets excluding interest income	(8,326)	(10,009)
	<u>1,565,645</u>	<u>1,558,961</u>

21.1.3 Charge for the year:

Profit and Loss:		
Current service cost	116,540	84,077
Net interest Income	(24,009)	(46,335)
	<u>92,531</u>	<u>37,742</u>

Other comprehensive income

Financial Assumptions	138,231	139,179
Experience adjustments	41,841	248
	<u>180,072</u>	<u>139,427</u>

Return on plan assets, excluding amounts included in interest income

8,326	10,009
<u>188,398</u>	<u>149,436</u>
<u>280,929</u>	<u>187,178</u>

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	2016	2015
Significant actuarial assumptions at the date of the statement of financial position:		
Discount rate	7.25%	9.50%
Future salary	7.25%	9.50%
Average duration of the obligation	7 years	7 years
Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)
Expected withdrawal rate	Based on experience	Based on experience

Sensitivity Analysis as at June 30, 2016

	Discount Rate +1% and (-1%)	Salary increase +1% and (-1%)
PVDBO (Rs.)	1,483,563 1,721,448	1,720,179 1,482,597

22 Contingencies and commitments

22.1 Contingencies

- (a) Guarantees given by Commercial Banks and an Insurance Companies on behalf of the company amounting to Rs. 3,428,780 thousand (2015: Rs 3,195,140 thousand).
- (b) The Additional Commissioner Inland Revenue (Addl. CIR) passed order under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) for Tax Year 2009 and raised demand of Rs. 405 million after making various additions. Being aggrieved with the order, the Company preferred appeal before the Commissioner Inland Revenue - Appeals [CIR(A)] who vide order dated 11 September 2015 disposed off the appeal while granting relief on certain issues. The Deputy Commissioner Inland Revenue (DCIR) issued appeal effect order dated 17 September 2015 and recalculated the demand at Rs. 129 million. The Company and the tax department has filed cross appeals before the Appellant Tribunal Inland Revenue (ATIR) against the order of CIR(A) which are pending adjudication. The management of the Company based on the opinion of its legal advisor is confident for favorable outcome, accordingly, no provision has been made in the financial statements.
- (c) The Addl. CIR passed order under section 122(5A) of the Ordinance for Tax Year 2012 and raised demand of Rs. 336 million after making various additions. Being aggrieved with the order, the Company preferred appeal before the CIR(A) who vide order dated 23 December 2013 disposed off the appeal while granting relief on certain issues. Resultantly, appeal effect was provided and tax demand reduced to Rs. 50 million. The Company and the tax department filed cross appeals before the ATIR against the order of CIR(A). The ATIR vide its order dated 08 January 2015 uphold certain additions, provided certain conditional reliefs to the Company subject to verification by the DCIR. Against the order of the ATIR, the Company has filed reference before the Honorable Lahore High Court (LHC) which is pending adjudication and also requested the DCIR to hold appeal effect proceedings due to pendency of reference application. However, the DCIR without entertaining the application of the company issued appeal effect order resulting in increase of demand to Rs. 86 million. The management of the Company based on the opinion of its legal advisor is confident for favorable outcome and accordingly, no provision has been made in these financial statements.
- (d) The Additional Commissioner of Punjab Revenue Authority (PRA) issued notice for levy of sales tax on the services of company being taxable under the head "technical, scientific and engineering" with effect from 01 July 2013. The Company agitated against the levy before the PRA as well as filed writ petition before the LHC on the basis that the Company being owned by a Federal Government is not liable to pay provincial sales tax prospectively or retrospectively on the contracts executed before the date of levy. However, without deciding the legal grounds, the LHC directed the PRA to serve proper notice to the Company while spelling out the exact amount of demand. The Additional Commissioner issued notice to the tune of Rs. 386 million and on the first hearing date issued order against the Company. The Company filed appeal before of the Commissioner Appeals on legal and factual grounds; however, the Commissioner Appeals set aside the order on legal ground that proper opportunity had not been afforded to the Company. The Additional Commissioner issued notice to the company to join fresh proceedings; however, the company filed appeal before the Appellate Tribunal against the order of Commissioner Appeals. The Appellate Tribunal decided the appeal against the Company. Till date, the Additional Commissioner has not issued any new notice in respect of remand back proceedings. The legal advisor of the Company is of the view that the writ petition is still alive and confident about the outcome of the case-in favor of the Company.

In addition, Sindh Revenue Board (SRB) issued notice for levy of sales tax on the services of company from 01 July 2014 onward. The Company has challenged the notice before the Sindh High Court (SHC) on the grounds that it is owned and controlled by Federal Governments and the effect of the levy should not be retrospective on the contracts executed by the Company prior to the levy. The SHC has restrained the SRB from passing of final order against the Company. The matter is pending adjudication.

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After the issuance of above notices, the Company got itself registered with PRA and SRB in prior years and deposited approximately Rs. 253 million till 30 June 2016. However, sales tax has not been charged to all customers and sales tax returns have not been filed with PRA and SRB as the matter is subjudice and management of the Company, based on the opinion of its tax advisor, is confident of favourable outcome of such cases. Further, management of the Company believes that if any such tax is imposed later on by PRA and SRB, the same would be passed through to its customers as allowed by the agreements executed with most of its customers.

- (e) Mr. Asad I.A. Khan, ex-MD NESPAK, filed constitutional petition to restrain NESPAK from lodging FIR against him and to allow him to purchase NESPAK property i.e. vehicle LED-9091 PRADO. The constitutional petition was filed on 17-06-2014. On the last date of hearing, Sindh High Court has asked the Petitioner to satisfy the Court about the maintainability of petition. The management is confident of favourable outcome and accordingly, there is no need of any adjustment in these financial statements.
- (f) Other than the above cases, a number of legal cases have been filed against the Company by individuals / employees / local authorities at various forums relating to several disputes / difference of opinion. Because of their nature, it is not possible to quantify their financial impact at present. However, the management and the Company's legal advisors are of the view that the outcome of these cases is expected to be favorable and a liability, if any, arising on the settlement of these cases is not likely to be material. Accordingly, no provision has been made for any liability that may arise as a result of these cases in these financial statements.

22.2 Commitments

Capital commitments amounts to Rs. Nil thousands (Rs. Nil thousands)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
		----- (Rupees in '000) -----	
23 Consultancy services fee			
Services rendered in Pakistan		7,164,500	6,314,811
Services rendered outside Pakistan		<u>583,280</u>	<u>597,382</u>
		<u>7,747,780</u>	<u>6,912,193</u>

24 Operating costs

Salaries, wages and benefits		3,967,953	3,502,810
Office maintenance and utilities		321,988	273,070
Traveling and conveyance		149,896	122,732
Printing and stationery		52,356	45,888
Vehicle running expenses		434,833	440,821
Sub-consultancy expenses		948,787	801,153
Survey and investigation		102,375	57,343
Advertisement and business promotion		13,970	18,609
Legal charges		5,262	1,887
Audit fee		900	800
Donation	24.1	810	1,010
Depreciation on owned assets	5.1.1	105,170	81,119
Depreciation on leased assets	5.1.2	402	503
Amortization of intangible assets	6	2,712	3,478
Provision for doubtful debts	12	189,440	122,475
Miscellaneous expenses		23,527	18,198
		<u>6,320,381</u>	<u>5,491,896</u>

24.1 None of the directors and their spouses had interest in the donees. Donation to a single party, does not exceeds to Rs. 500,000.

24.2 Number of employees

	<u>2016</u>	<u>2015</u>
Total number of employees as at June 30	2,814	2,596
Average number of employees during the year	2,705	2,592

	Note	Un-Audited	
		2016	2015
24.3 Disclosures relating to Provident Fund		----- (Rupees in '000) -----	
Size of the fund		2,806,513	2,725,300
Cost of investments made		2,491,896	2,447,510
Percentage of investments made		88.79%	89.81%
Fair value of investments		2,491,896	2,447,510
Breakup of investments			
Government securities		2,491,896	2,164,306
		<u>2016</u>	<u>2015</u>
		% age of size of the fund	
Breakup of investments			
Government securities		88.79%	89.81%
The figures for 2016 and 2015 are based on the un-audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for this purpose. The Company is in the process of audit of prior year financial statements of the fund and have rearranged corresponding figures for better presentation.			
25 Finance cost		<u>2016</u>	<u>2015</u>
		----- (Rupees in '000) -----	
Bank charges and commission		2,928	7,596
Mark up on finance lease arrangement		269	263
		<u>3,197</u>	<u>7,859</u>
26 Other income			
Income from financial assets			
Return on bank deposits		83,714	77,621
Fair value gain on investment held for trading		5,745	10,883
Gain on redemption of units in mutual fund		-	2,618
Income from non financial assets			
Profit on sale of fixed assets		5,154	-
Dividend Income		55,720	71,932
Interest on long term loans to employees		38	75
Exchange gain - net		72,228	65,889
Rental income		50,563	48,156
Earned leave contribution	19.1	123,636	-
Others		2,825	4,111
		<u>399,623</u>	<u>281,285</u>
27 Other expenses			
Loss on sale of fixed assets		-	142
Impairment loss on investments in subsidiaries		3,970	-
		<u>3,970</u>	<u>142</u>
28 Provision for taxation			
Local tax			
- Current year		470,085	494,088
- Prior year		-	-
		470,085	494,088
Foreign tax			
- Current year		550	18,534
- Prior year		-	-
		550	18,534
		470,635	512,622
Deferred tax	28.2	(18,217)	16,895
		<u>452,418</u>	<u>529,517</u>
28.1 Tax charge reconciliation			
Numerical reconciliation between the average effective tax rate and the applicable tax rate.			

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	Note	2016 %	2015 %
Applicable tax rate		32.00	33.00
Effect of income claimed as exempt		(8.81)	(6.31)
Foreign tax		0.03	1.09
Tax charge at different rate		0.39	-
Impact of deferred tax		(1.00)	1.00
Super tax		2.17	2.43
Average effective tax rate charged to accounting profit		<u>24.78</u>	<u>31.21</u>

	Note	2016 ----- (Rupees in '000) -----	2015
28.2 Deferred tax			
Relating to origination and reversal of temporary difference		(25,502)	10,778
Income resulting from change of rate of tax		<u>7,285</u>	<u>6,117</u>
		<u>(18,217)</u>	<u>16,895</u>

29 Cash generated from operations

Profit before taxation		1,825,980	1,696,866
Adjustment for non-cash charges and other items :			
Depreciation on property and equipment		105,170	81,119
Depreciation on leased assets		402	503
Net exchange adjustment		-	(216)
Gain on redemption of units in mutual fund		-	(2,618)
Fair value gain on held for trading investment		(5,745)	(10,883)
Amortization of intangible assets		2,712	3,478
Provision for doubtful debts		189,440	122,475
(Gain) / loss on disposal of property and equipment		(5,154)	142
Share of profit from associates		(6,125)	(3,285)
Impairment loss on investments in subsidiaries		3,970	-
Employees retirement and other benefits		(24,987)	98,117
Interest income		(83,714)	(77,621)
Finance cost		3,197	7,859
Working capital changes	29.1	<u>(770,119)</u>	<u>(1,021,861)</u>
		<u>1,235,027</u>	<u>894,075</u>

29.1 Working capital changes

(Increase) / Decrease in current assets :			
Drawing and stationery stores		(6,034)	771
Contract fee receivable		(1,294,897)	(1,109,653)
Loans and advances		20,784	(25,656)
Deposits and short term prepayments		2,923	(11,125)
Other receivables		<u>(629,013)</u>	<u>(93,836)</u>
		<u>(1,906,237)</u>	<u>(1,239,499)</u>
Increase in current liabilities :			
Trade and other payables		1,136,118	217,638
		<u>(770,119)</u>	<u>(1,021,861)</u>

30 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2016 ----- (Rupees in '000) -----	2015
Short term investment		
Local currency	830,000	530,000
Foreign currency	418,000	637,043
Bank balances in		
Current accounts	110,158	18,749
Deposit accounts	1,631,573	1,035,075
Cash in hand	4,840	4,146
Less: Investment maturing after three months	<u>(448,000)</u>	<u>(83,418)</u>
	<u>2,546,571</u>	<u>2,141,595</u>

31 Remuneration of Chief Executive (Managing Director) and Directors

During the year, Mr. Amjad. A. Khan, the Managing Director of the company, received salary and benefits amounting to Rs. 9,501 thousand (2015: Rs 8,222 thousand) and contribution to his provident fund amounting to Rs. 175 thousand (2015: Rs 134 thousand).

In addition to the above, 13 (2015: 13) directors were paid aggregated fee of Rs. 180 thousand (2015: Rs. 180 thousand for attending meetings.

32 Related party transactions

Related parties includes directors, subsidiaries, associates, associated undertakings in which directors have interest, Federal Government, Provincial governments, key management personnel and Post retirement funds.

Transactions with related parties, other than remuneration and benefits to key management personnel are as follows:

	<u>2016</u>	<u>2015</u>
	<u>----- (Rupees in '000) -----</u>	
Subsidiary undertakings		
Nespak and Partners LLC, Muscat, Oman		
- Consultancy services rendered	465,046	1,3,224
National Engineering Services Pakistan Limited, Doha, Qatar		
- Consultancy services rendered	9,662	7,923
Associates		
Turkpak International (Private) Limited		
- Consultancy services rendered	1,504	1,515
Technology and Resource Development (Private) Limited		
- Consultancy services rendered	868	973
Other related parties		
Nespak Employees Provident Fund Trust		
- Charge for the year	95,822	73,422
Nespak Employee Gratuity Fund Trust		
- Charge for the year	92,531	37,741
- Contribution paid	-	107,546
Nespak Foundation		
- Consultancy services received	1,153,870	909,469
- Consultancy services rendered	10,027	8,663
Federal Government and departments		
- Consultancy services rendered	3,328,191	2,649,147
Provincial governments and departments		
- Consultancy services rendered	2,930,606	2,963,005
Balances with related parties other than disclosed in other notes, are as follows :		
Nespak and Partners LLC, Muscat, Oman	1,195,824	947,993
Muhammad Hisham Aitah-Nespak, Riyadh, Saudi Arabia	9,070	395
National Engineering Services Pakistan Limited, Doha, Qatar	345,934	272,613
Turkpak International (Private) Limited - net	145	(2,859)
Technology and Resource Development (Private) Limited	5,154	4,318
NESPAK Foundation - net	(458,900)	(336,846)
Provident Fund Trust	1,617	34,814
Gratuity Fund	(28,205)	252,723
Federal Government and departments - net	4,172,296	3,746,307
Provincial governments and departments - net	2,418,961	1,687,315
Nespak Uk Limited	4,905	2,745

33 Financial risk management

33.1 Financial risk factors

The company's activities expose it to various financial risks (including currency risk and interest rate risk) which are not significant. The company's overall risk management practice focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the management of the company. The management provides principles and guidelines for overall risk management, as well as policies covering specific areas. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) 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 arises mainly from future commercial transactions or receivables that exist due to transactions in foreign currencies. The company's exposure to currency risk is as follows:

	2016	2015
	----- (Rupees in '000) -----	
Trade receivables - USD	564,605	534,382
Foreign currency bank balances - USD	604,276	870,929
Foreign currency cash balances - USD	1,283	1,089
Net exposure - USD	<u>1,170,164</u>	<u>1,406,400</u>
Trade receivables - GBP	5,593	-
Foreign currency cash balances - GBP	647	219
Net exposure - GBP	<u>6,240</u>	<u>219</u>
Foreign currency bank balances - EUR	151	151
Foreign currency cash balances - EUR	1,099	1,076
Net exposure - EUR	<u>1,250</u>	<u>1,227</u>
Trade receivables - QAR	345,934	272,613
Net exposure - QAR	<u>345,934</u>	<u>272,613</u>
Trade receivables - SAR	9,070	32,903
Net exposure - SAR	<u>9,070</u>	<u>32,903</u>
Foreign currency bank balances - YER	19	19
Net exposure - YER	<u>19</u>	<u>19</u>
Trade receivables - OMR	1,195,824	928,534
Net exposure - OMR	<u>1,195,824</u>	<u>928,534</u>
Foreign currency bank balances - IRR	2,872	2,872
Foreign currency cash balances - IRR	1,766	1,766
Net exposure - IRR	<u>4,638</u>	<u>4,638</u>
Trade receivables - BDT	2,655	-
Foreign currency bank balances - BDT	3	5
Net exposure - BDT	<u>2,658</u>	<u>5</u>
Trade receivables - AED	1,174,184	-
Foreign currency bank balances - AED	1,935	-
Foreign currency cash balances - AED	45	-
Net exposure - AED	<u>1,176,164</u>	<u>-</u>

	2016	2015
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	103.00	100.03
Reporting date rate	104.50	101.50
Rupees per GBP		
Average rate	150.04	163.87
Reporting date rate	140.12	159.95
Rupees per EUR		
Average rate	114.83	124.02
Reporting date rate	116.08	113.57
Rupees per QAR		
Average rate	28.29	27.47
Reporting date rate	28.70	27.87
Rupees per SAR		
Average rate	27.46	26.67
Reporting date rate	27.86	27.06
Rupees per YER		
Average rate	0.48	0.47
Reporting date rate	0.49	0.47
Rupees per AED		
Average rate	28.05	27.24
Reporting date rate	28.45	27.64
Rupees per OMR		
Average rate	267.92	260.08
Reporting date rate	272.08	263.75
Rupees per IRR		
Average rate	0.004	0.004
Reporting date rate	0.003	0.004
Rupees per BDT		
Average rate	1.30	1.27
Reporting date rate	1.33	1.27

If the functional currency, at reporting date, had fluctuated by 5% against the USD, GBP, EUR, QAR, SAR, YER, AED, IRR and BDT with all other variables held constant, the impact on profit after taxation for the year would have been Rs. 190,730 thousand (2015: Rs. 130,371 thousand) higher/lower, mainly as a result of exchange gains/losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity securities price risk, because of the investments held by the Company in money market mutual funds, and classified on the statement of financial position as available for sale. To manage its price risk arising from investments in mutual funds, the Company diversifies its portfolio. The other financial assets include held for trading investments of amounting to Rs. 90.203 thousand (2015: Rs. 84.457 thousand) which are subject to price risk. If redemption price on mutual funds, at the year end date, fluctuate by 5% higher / lower with all other variables held constant, total comprehensive income for the year would have been Rs. 4.51 thousand (2015: Rs. 4.22 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date, the interest rate profile of the company's interest bearing financial instruments was:

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	2016	2015
	----- (Rupees in '000) -----	
Financial assets		
Bank balances - Short Term Investments - Local Currency	830,000	530,000
Bank balances - Short Term Investments - Foreign Currency	418,000	637,043
Bank balances - PLS savings accounts - Local Currency	1,071,062	811,546
Bank balances - PLS savings accounts - Foreign Currency	560,511	223,529
	<u>2,879,573</u>	<u>2,202,118</u>

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit of the company.

	2016	2015
	----- (Rupees in '000) -----	
Financial liabilities		
Liabilities against assets subject to finance lease - Long term	682	1,728
Liabilities against assets subject to finance lease - Short term	689	490
Total exposure	<u>1,371</u>	<u>2,218</u>

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit / (loss) before tax. The analysis excludes the impact of movement in market variables on the carrying values of employees retirement obligation, provision and on non-financial assets and liabilities of the Company. Further, interest rate sensitivity does not have an asymmetric impact on the Company's results. Impact of interest variables is as follows:

	Increase/ decrease Basis points	Effect on profit before tax
	----- (Rupees in '000) -----	
2016		
Pak Rupees	100	16,302
Pak Rupees	-100	(16,302)
2015		
Pak Rupees	100	10,333
Pak Rupees	-100	(10,333)

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade debts, investments, loans and advances and other receivables.

(i) Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company is mainly exposed to credit risk on trade debts, loans and advances, other receivables short term investments and bank balances aggregating to Rs.9,514,164 thousands (2015: Rs.8,647,774). Therefore, the Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy.

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	Note	2016	2015
		----- (Rupees in '000) -----	
Long term investments		1,345	5,315
Loans and advances		6,202	6,559
Long term security deposits		46,863	32,475
Contract fee receivable		8,138,486	7,033,029
Deposits and short term prepayments		263,455	539,523
Interest accrued		2,855	4,153
Other receivables		836,020	207,007
Short term investments		1,338,203	1,251,500
Cash and Bank balances		1,741,731	1,057,970
		<u>12,375,160</u>	<u>10,137,531</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company major concentration of credit risk lies in receivable from government owned entities.

(ii) Credit quality of major financial assets

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The credit quality of major liquid financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Short term investments		Rating		2016	2015
Financial institution	Short term	Long term	Agency	----- (Rupees in '000) -----	
Allied Bank Limited	A1+	AA+	PACRA	-	502,250
Arif Habib Investment	A1+	AA-	PACRA	1,626	1,557
Bank AL-Habib Limited	A1+	AA+	PACRA	30,000	30,000
NIB Bank Limited	A1+	AA-	PACRA	400,000	
Bank AL Falah Limited	A1+	AA	PACRA	556,750	150,000
Bank of Punjab	A1+	AA-	PACRA	261,250	406,000
NAFA Government Securities Fund		Not Available		1,414	1,355
United Bank Limited	A-1+	AAA	JCR-VIS	87,163	81,545
United National Bank-London		Not Available		-	78,793
				<u>1,338,203</u>	<u>1,251,500</u>

Cash at bank		Rating		2016	2015
Financial institution	Short term	Long term	Agency	----- (Rupees in '000) -----	
Allied Bank Limited	A1+	AA+	PACRA	172,325	178,677
Bank AL Falah Limited	A1+	AA	PACRA	527,519	283,996
Bank AL-Habib Limited	A1+	AA+	PACRA	66,066	129,378
Bank Kashavarzi		Not Available		2,825	2,825
Bank of America		Not Available		-	712
Bank of Punjab	A1+	AA-	PACRA	324,599	10,918
Bank Pasargard		Not Available		151	151
Faysal Bank Limited	A1+	AA	PACRA	10,735	6,098
Habib Bank Limited	A-1+	AAA	JCR-VIS	169,947	129,341
JS Bank Limited	A1+	A+	PACRA	1	2
MCB Bank Limited	A1+	AAA	PACRA	11,937	1,719
NIB Bank Limited	A1+	AA-		71,124	-
Melli Bank Iran		Not Available		47	47
National Bank of Pakistan	A1+	AAA	PACRA	145,589	112,747
United Bank Limited	A-1+	AAA	JCR-VIS	196,837	189,672
United National Bank-London		Not Available		42,029	7,540
				<u>1,741,731</u>	<u>1,053,823</u>

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The company's exposure to credit risk and impairment losses related to contract fee receivable is disclosed as follows:

As at June 30, 2016, contract fee receivable amounting to Rs. 8,138,486 thousand (2015: Rs. 7,033,029 thousand) was past due but not impaired. The ageing analysis of contract fee receivable is as follows:

	2016	2015
	----- (Rupees in '000) -----	
Up to 6 months	2,824,320	3,886,504
More than 6 months less than 1 year	1,212,016	626,561
More than 1 year	5,507,547	3,735,921
	<u>9,543,883</u>	<u>8,248,986</u>

As at June 30, 2016, contract fee receivable amounting to Rs. 1,405,397 thousand (2015: Rs. 1,215,957 thousand) were impaired and provided for.

33.2 Fair values of financial assets and liabilities

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.

33.3 Financial instruments by categories

	Cash and cash equivalents	Held for trading	Available for sale	Loans and receivables	Total
	----- (Rupees in '000) -----				
2016					
Financial assets as per balance sheet					
Long term investments	-		1,345	-	1,345
Loans and advances	-	-	-	6,202	6,202
Long term security deposits	-	-	-	46,863	46,863
Contract fee receivable	-	-	-	8,138,486	8,138,486
Other receivables	-	-	-	836,020	836,020
Deposits and short term prepayments	-	-	-	263,455	263,455
Interest accrued	-	-	-	2,855	2,855
Short term investments	1,248,000	90,203	-	-	1,338,203
Cash and bank balances	1,746,571	-	-	-	1,746,571
	<u>2,994,571</u>	<u>90,203</u>	<u>1,345</u>	<u>9,293,881</u>	<u>12,380,000</u>

	Cash and cash equivalents	Held for trading	Available for sale	Loans and receivables	Total
	----- (Rupees in '000) -----				
2015					
Long term investments	-	-	5,315	-	5,315
Loans and advances	-	-	-	6,559	6,559
Long term security deposits	-	-	-	32,475	32,475
Contract fee receivable	-	-	-	7,033,029	7,033,029
Other receivables	-	-	-	207,007	207,007
Deposits and short term prepayments	-	-	-	286,800	286,800
Interest accrued	-	-	-	4,153	4,153
Short term investments	1,167,043	84,457	-	-	1,251,500
Cash and bank balances	1,057,970	-	-	-	1,057,970
	<u>2,225,013</u>	<u>84,457</u>	<u>5,315</u>	<u>7,570,023</u>	<u>9,884,808</u>

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Financial liabilities as per balance sheet

	Financial liabilities at	
	2016	2015
	----- (Rupees in '000) -----	
Trade and other payables	1,164,212	945,589
Liabilities against assets subject to finance lease	682	1,233
Dividend payable	100,000	4,500
	<u>1,264,894</u>	<u>951,322</u>

33.4 Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair values are observable either, directly or indirectly.
- Level 3:** Techniques which uses inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June, the Company had following financial instruments with respect to their level of fair value modelling:
Fair value is determined on the basis of objective evidence at each reporting date.

	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----		
2016			
Investment property	-	15,000	-
Units of mutual funds	-	90,203	-
	<u>-</u>	<u>105,203</u>	<u>-</u>
2015			
Investment property	-	15,000	-
Units of mutual funds	-	84,457	-
	<u>-</u>	<u>99,457</u>	<u>-</u>

33.5 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders. The capital structure of the company is equity based with no financing through long term or short term borrowings.

34 Date of authorization for issue

These financial statements were authorized for issue on 20 February 2017 by the Board of Directors of the company.

35 Post balance sheet events

The Board of Directors at its meeting held on 20 February 2017 has approved a final dividend at Rs. 666.67 per share for the year ended 30 June 2016 (2015: Rs. 666.67 per share) amounting to Rs. ('000) 100,000 (2015: Rs. ('000) 100,000) and 233% bonus shares for the year ended 30 June 2016 (2015: 0%) for approval of the members at the Annual General Meeting. The financial statements do not reflect the effect of the above events.

36 General

36.1 Figures have been rounded to nearest of thousand rupees.

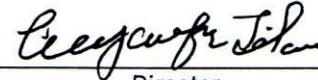
36.2 Following figures have rearranged for the purpose of better presentation.

From		To		Amount
Note	Account	Note	Account	
18	Advances, deposits and prepayments	13	Loan and advance	41,811

Eyl



Chief Executive



Director