



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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2017**

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 2017** 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 2017 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.

We draw attention to note 22.1 (c) and (d) to the financial statements, which describes the uncertainties related to the future outcome of litigations between the Company and

- Punjab Revenue Authority and Sindh Revenue Board; regarding applicability of Sales tax on the services provided by the Company, under respective provincial Sales tax on services Act; and
- the Federal Taxation Authorities; regarding applicability of Minimum Tax on the Company's income from services, under section 153(1)(b) of the Income Tax Ordinance 2001.

Our opinion is not modified in respect of these matters.



EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner: Sajjad Hussain Gill
Lahore: 29 August 2019

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

ASSETS	Note	2017	2016
		----- (Rupees in '000) -----	
NON-CURRENT ASSETS			
Property and equipment	5	1,143,126	1,201,109
Intangible assets	6	7,180	5,378
Investment property	7	15,000	15,000
Investments in subsidiaries	8	2,977	6,388
Investment in associates	9	56,374	56,874
Long term loans and advances	10	34,112	1,159
Long term security deposits		33,940	46,863
Deferred tax asset - net	11	503,761	318,908
		1,796,470	1,651,679
CURRENT ASSETS			
Stationery stores		7,239	11,499
Contract fee receivable	12	9,163,031	8,138,486
Loans and advances	13	209,970	154,099
Deposits and short term prepayments	14	240,466	201,586
Interest accrued		7,612	2,855
Other receivables	15	1,564,248	791,272
Short term investments	16	1,042,752	1,338,203
Cash and bank balances	17	1,515,175	1,746,571
		13,750,493	12,384,571
		15,546,963	14,036,250
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
500,000 (2016: 500,000) ordinary shares of Rs 10 each		5,000	5,000
Issued, subscribed and paid up capital	18	5,000	1,500
Revenue reserves		11,101,809	10,497,294
		11,106,809	10,498,794
NON-CURRENT LIABILITIES			
Employee retirement and other benefits	19	593,184	576,010
Liabilities against assets subject to finance lease	20	54	682
CURRENT LIABILITIES			
Trade and other payables	21	3,388,356	2,375,519
Dividend payable		-	100,000
Provision for taxation		458,560	485,245
		3,846,916	2,960,764
CONTINGENCIES AND COMMITMENTS	22	15,546,963	14,036,250

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

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Chief Executive

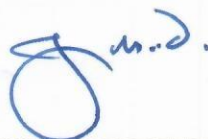


Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Note</u>	<u>2017</u> ----- (Rupees in '000) -----	<u>2016</u>
Services fee	23	8,563,195	7,747,780
Operating costs	24	<u>(7,455,287)</u>	<u>(6,320,381)</u>
Operating profit		1,107,908	1,427,399
Finance cost	25	<u>(6,171)</u>	<u>(3,197)</u>
		1,101,737	1,424,202
Other income	26	<u>240,753</u>	<u>399,623</u>
Other expenses	27	<u>(3,411)</u>	<u>(3,970)</u>
Share of profit from associates - net	9	<u>1,500</u>	<u>6,125</u>
		<u>238,842</u>	<u>401,778</u>
Profit before taxation		1,340,579	1,825,980
Taxation	28	<u>(389,993)</u>	<u>(452,418)</u>
Profit for the year		<u><u>950,586</u></u>	<u><u>1,373,562</u></u>

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, 2017

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
Profit for the year		950,586	1,373,562
Items that will not be reclassified to profit and loss account			
Re-measurement loss on post employment benefit obligation	21.2	(346,530)	(188,398)
Tax effect of loss on employees' retirement benefits		103,959	60,287
Other comprehensive loss for the year		(242,571)	(128,111)
Total comprehensive income for the year		<u>708,015</u>	<u>1,245,451</u>

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



Chief Executive

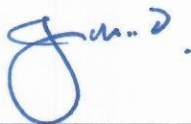


Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Note</u>	<u>2017</u> ----- (Rupees in '000) -----	<u>2016</u>
Cash flows from operating activities			
Net cash generated from operating activities	29	288,854	1,235,027
Income taxes paid		(497,572)	(441,652)
Employee benefits paid		(132,242)	-
(Increase) / decrease in long term loans and advances		(32,953)	357
Decrease / (Increase) in long term security deposits		12,923	(14,388)
Net cash (used in) / generated from operating activities		(360,990)	779,344
Cash flows from investing activities			
Purchase of operating fixed assets - net		(46,732)	(107,451)
Purchase of intangible assets		(4,723)	(219)
Proceeds from disposal of property and equipment		10,534	9,629
Proceeds from redemption of units in mutual fund		-	11,491
Short term investments - net		313,200	(364,582)
Interest received		78,593	85,012
Net cash (used in) / generated from investing activities		350,872	(366,120)
Cash flows generated from financing activities			
Lease rentals paid		(707)	(551)
Dividend paid		(200,000)	(4,500)
Finance cost		(6,171)	(3,197)
Net cash used in financing activities		(206,878)	(8,248)
Net (decrease) / increase in cash and cash equivalents		(216,996)	404,976
Cash and cash equivalents at the beginning of the year		2,546,571	2,141,595
Cash and cash equivalents at the end of the year	30	2,329,575	2,546,571

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, 2017

	Share capital	General reserve	Unappropriated profit (Rupees in '000)	Revenue reserves	Total
Balance as at July 01, 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
Final dividend for the year ended June 30, 2016 at Rs. 667 per share	-	-	(100,000)	(100,000)	(100,000)
Bonus shares issued	3,500	(3,500)	-	(3,500)	-
Transfer to general reserve	-	1,273,562	(1,273,562)	-	-
Profit for the year	-	-	950,586	950,586	950,586
Other comprehensive loss for the year	-	-	(242,571)	(242,571)	(242,571)
Total comprehensive income	-	-	708,015	708,015	708,015
Balance as at June 30, 2017	5,000	10,414,213	687,596	11,101,809	11,106,809

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, 2017

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in 1973 under Companies Act, 1913 (now Companies Act, 2017). The Company is wholly owned by the Ministry of Energy (Power Division), 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.

The Companies Act, 2017 was enacted on 31 May 2017, which repealed the Ordinance, however, SECP vide its circular 17 of 2017 and Press Release dated 20 July 2017 has clarified that companies whose financial year closes on or before 31 December 2017 can prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

These are separate financial statements of the Company. The Company is not consolidating its subsidiaries as the Securities and Exchange Commission (SECP) of Pakistan has granted exemption through the letter dated 24 November 2005 with reference number RD-237(I)/2005-3237 to the Company from consolidation and investment in subsidiaries is recorded at cost net of impairment if any.

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 amendments which became effective during the year.

- IFRS 10 - Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidated Exception (Amendment)
- IFRS 11 - Joint Arrangements Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation (Amendment)
- IAS 16 - Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)
- IAS 27 - Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

There is no material impact on the financial statements as a result of adoption of the above standards.

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:

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Standard or Interpretation	Annual Effective date (Periods beginning on or after)
IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
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
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
IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 - Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019
IFRS 9 - Financial Instruments: Classification and Measurement	01 July 2018
IFRS 15 - Revenue from Contracts with Customers	01 July 2018

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 December 2016. Such improvements are generally effective for annual accounting periods beginning on or after 01 January 2018. 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 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 2 - Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	01 January 2018
IFRS 16 - Leases	01 January 2019
IFRS 17 - Insurance Contracts	01 January 2021

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 and held for trading at fair value.

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 (Note 11 & 28)

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 consults its tax advisor and takes into account factors including industry practice and recent judgments by tax authorities and/or courts of law.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

b) Useful life and residual values of property and equipment (Note 5)

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 (Note 21)

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 (Note 12)

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 consists of (i) taxable profit at the current rates of taxation, alternative corporate tax or minimum turnover tax, whichever is higher and (ii) 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 5.1 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 5.1 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.

Available for sale

Available-for-sale financial assets are non-derivatives that are either designated investments in this category or not classified in any of the other categories. They are included in non-current assets unless these mature or the management intends to dispose off the investments within twelve months from the balance sheet date.

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 21.2.

- (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 60 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.
- (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, which is the functional currency of the Company at the rates prevailing on the date of transaction. All monetary 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.

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.

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 maturing within three months.

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(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. The management exercise its judgment 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 32.

4.16 General reserve

This reserve is created by the board to be utilized for the following purposes:

- For meeting contingencies
- For equalizing dividends
- For any other reason as and when decided by the Board of Directors

5 PROPERTY AND EQUIPMENT

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
Operating fixed assets	5.1	1,143,126	1,197,672
Capital work-in-progress	5.2	-	3,437
		<u>1,143,126</u>	<u>1,201,109</u>

5

5.1 Operating fixed assets

5.1.1 Owned

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	<u>Note</u>	<u>2017</u>	<u>2016</u>
5.2 Capital work-in-progress		----- (Rupees in '000) -----	
Opening balance		3,437	-
Additions during the year		-	3,437
Transfers during the year		<u>(3,437)</u>	<u>-</u>
		<u>-</u>	<u>3,437</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)		5,378	7,871
Additions (at cost)		4,723	219
Amortization	24	<u>(2,921)</u>	<u>(2,712)</u>
Closing net book value (NBV)		<u>7,180</u>	<u>5,378</u>

Computer software - Gross carrying value basis

Cost		22,679	17,956
Accumulated amortization		<u>(15,499)</u>	<u>(12,578)</u>
Net book value (NBV)		<u>7,180</u>	<u>5,378</u>
Amortization rate % per annum		33.33	33.33

6.1 The cost of fully amortized intangible assets which are still in use as at 30 June 2017 is Rs. 7,407 thousand (30 June 2016: Rs. 6,938 thousand).

	<u>2017</u>	<u>2016</u>
7 INVESTMENT PROPERTY	----- (Rupees in '000) -----	
Land	<u>15,000</u>	<u>15,000</u>

This represents fair value based on the valuation carried out by an independent valuer on 6 October 2016 and as per the management, the value is not significantly changed as at the year end.

	<u>2017</u>	<u>2016</u>
8 INVESTMENTS IN SUBSIDIARY	----- (Rupees in '000) -----	

Subsidiary undertakings - unquoted (Available for sale)

Nespak and Partners LLC, Muscat, Oman	2,821	2,821
13,000 (2016: 13,000) ordinary shares of Omani Riyal 1 each		
Equity held: 65% (2016: 65%)		
Less: Impairment	<u>(2,821)</u>	<u>(1,736)</u>
	-	1,085

Mohammad Hisham Aitah - Nespak, Riyadh, Saudi Arabia	2,960	2,960
49 (2016: 49) ordinary shares of Saudi Riyal 2,000 each		
Equity held: 49% (2016: 49%)		

National Engineering Services Pakistan Limited - Doha, Qatar	4,560	4,560
98,000 (2016: 98,000) ordinary shares of Qatari Riyal 1,000 each		
Equity held: 49% (2016: 49%)		
Less: Impairment	<u>(4,560)</u>	<u>(2,234)</u>
	-	2,326

National Engineering Services Pakistan Limited - UK	17	17
100 (2016:100) ordinary shares of GBP 1 each		
Equity held: 100% (2016:100%)		

	<u>2,977</u>	<u>6,388</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.



8.2 Investment in subsidiaries includes the amount paid on behalf of the business partners of the foreign subsidiaries:

Subsidiary	Business Partner	Amount
Nespak and Partners LLC, Muscat, Oman	Dar-al-Handasah	1,085
Mohammad Hisham Aitah - Nespak, Riyadh, Saudi Arabia	Muhammad Hisham Aitah	1,632
National Engineering Services Pakistan Limited - Doha, Qatar	Abdulla Zayed M A Al-Khayarin	2,326

9 INVESTMENT IN ASSOCIATES - UNQUOTED

	Note	2017 ----- (Rupees in '000) -----	2016
Corporation House (Private) Limited 200,000 (2016: 200,000) ordinary shares of Rs 10 each - Cost		2,000	2,000
Opening Share of Profits		10,007	9,659
Share of net profit for the year		370	348
	9.1	12,377	12,007
Engineering Consulting Associates (Nigeria) Limited 6,000 (2016: 6,000) ordinary shares of Naira 1 each - Cost		91	91
Less: Impairment		(91)	(91)
		-	-
Turkpak International (Private) Limited 60,000 (2016: 60,000) ordinary shares of Rs 100 each - Cost		6,000	6,000
Opening Share of Profits		38,867	33,090
Share of net profit for the year		1,130	5,777
Dividend declared		(2,000)	-
	9.2	43,997	44,867
Technology and Resource Development (Private) Limited 4,000 (2016: 4,000) ordinary shares of Rs 100 each - Cost	9.3	400	400
Less: Impairment		(400)	(400)
		-	-
		56,374	56,874

9.1 The Company is incorporated to acquire land and construct building in Pakistan 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. Share of Profit for current year is based on the audited financial statements.

9.2 The Company is engaged in providing engineering consultancy services and have its registered office at IEEEEP 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. Share of Profit for current year is based on the unaudited financial statements.

9.3 One share is held in the name of Mr. Amjad. A. Khan, (former) 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, 2017					
Corporation House (Private) Limited	25%	12,643	266	679	370
Turkpak International (Private) Limited	50%	57,675	13,678	49,094	1,130
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

* Share of profit of associates is net of taxation.

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10	LONG TERM LOANS AND ADVANCES	<u>Note</u>	<u>2017</u>	<u>2016</u>
			----- (Rupees in '000) -----	
	Considered Good			
	Employee loans	10.1	7,467	1,684
	Less : Current maturity	14	(2,000)	(600)
			5,467	1,084
	Advance due from Pakistan Hydro Consultant		75	75
	Advance to Suppliers	10.2	28,570	-
			<u>34,112</u>	<u>1,159</u>

10.1 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 (2016: 4% per annum) and 10% per annum (2016: 10% per annum), respectively.

10.2 This represents advance paid against purchase of vehicles.

11	DEFERRED TAX ASSET - NET	<u>Note</u>	<u>2017</u>	<u>2016</u>
			----- (Rupees in '000) -----	
	The deferred tax asset comprise temporary differences arising due to:			
	Accelerated tax depreciation		(103,615)	(109,957)
	Provision for doubtful debts		496,506	421,619
	Re-measurement of employees' retirement benefits		111,205	7,246
	Others		(335)	-
			<u>503,761</u>	<u>318,908</u>
	Deferred tax is calculated in full on temporary differences under the liability method			
	Opening balance		318,908	240,404
	Credited to profit and loss account		80,894	18,217
	Charge recognized in other comprehensive income		103,959	60,287
	Closing balance		<u>503,761</u>	<u>318,908</u>

12 CONTRACT FEE RECEIVABLE

Considered good		9,163,031	8,138,486
Considered doubtful		1,655,019	1,405,397
	12.1	10,818,050	9,543,883
Less: Provision for doubtful debts	12.2	(1,655,019)	(1,405,397)
		<u>9,163,031</u>	<u>8,138,486</u>

12.1 This includes amount due from subsidiaries and associates as detailed below:

Subsidiaries

Nespak and Partners LLC, Muscat, Oman	1,345,791	1,195,824
Muhammad Hisham Aitah-Nespak, Riyadh, Saudi Arabia	119,767	9,070
National Engineering Services Pakistan Limited, UK	6,740	4,905
National Engineering Services Pakistan Limited, Doha, Qatar	348,488	345,934
	<u>1,820,786</u>	<u>1,555,733</u>

Associates

Turkpak International (Private) Limited	1,155	376
Technology and Resource Development (Private) Limited	5,915	5,154
NESPAK Foundation	9,964	10,240
Federal Government and departments	4,728,446	4,344,033
	<u>4,745,480</u>	<u>4,359,803</u>

12.2 Provision for doubtful debts

	<u>Note</u>	<u>General</u>	<u>Specific</u>	<u>2017</u>	<u>2016</u>
		-----	-----	----- (Rupees in '000) -----	
Opening balance		231,922	1,173,475	1,405,397	1,215,957
Charge for the year	24	42,000	207,622	249,622	189,440
		<u>273,922</u>	<u>1,381,097</u>	<u>1,655,019</u>	<u>1,405,397</u>
Less: Written off during the year		-	-	-	-
Closing balance		<u>273,922</u>	<u>1,381,097</u>	<u>1,655,019</u>	<u>1,405,397</u>

- 12.2.1 Provision for doubtful debts includes the provision relating to related party receivables amounting to Rs. 794,370 thousands (2016: Rs. 713,462 thousands.)

12.3 Ageing analysis of contract fee receivable

The ageing analysis of contract fee receivable from related party is as follows:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
Up to 6 months		3,835,596	1,445,743
More than 6 months less than 1 year		566,482	434,486
More than 1 year		2,164,188	4,035,307
		<u>6,566,266</u>	<u>5,915,536</u>

13 LOAN AND ADVANCE

Current maturity of long term loans - considered good	10	2,000	600
Advances to employees - considered good		24,064	18,830
Advances to suppliers and contractors - considered good	13.1	15,905	2,197
Due from Nespak Foundation - related party		4,059	5,106
Due from Nespak Provident Fund Trust - related party		-	1,617
Due from Staff Welfare Fund Trusts - related party		108,501	80,802
Miscellaneous advances		55,441	44,947
		<u>209,970</u>	<u>154,099</u>

13.1 Due from related party

Nespak Foundation		15,367	1,743
		<u>15,367</u>	<u>1,743</u>

14 DEPOSITS AND SHORT TERM PREPAYMENTS

Retention and earnest money		202,152	182,528
Prepayments		4,635	5,428
Margins on bank guarantees	14.1	33,679	13,630
		<u>240,466</u>	<u>201,586</u>

- 14.1 This represents the margin amounting to SR 503,703 given to Bank Al-Jazira in Riyadh for issuance of bank guarantee in favour of General Authority of Zakat and Tax, and OMR 73,593 given to Bank Muscat for issuance of bank guarantee in favour of Ministry of Water and Irrigation, Jordan against the Consultancy Services provided at the project.

15 OTHER RECEIVABLES

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
Sales Tax receivable		1,556,194	787,137
Miscellaneous receivables	15.1	5,855	3,936
Receivable from Turpak International (Private) Limited - related party		2,199	199
		<u>1,564,248</u>	<u>791,272</u>

- 15.1 This represents advances given to project managers and sub-contractors against the routine expenses at projects.

16 SHORT TERM INVESTMENTS

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
Held for trading - fair value	16.1	93,552	90,203
Held to maturity at amortized cost	16.2	949,200	1,248,000
		<u>1,042,752</u>	<u>1,338,203</u>

16.1 Units of mutual funds

UBL Government Securities Fund	90,329	87,163
MCB - Arif Habib Savings and Investment Limited	1,727	1,626
NAFA Government Securities Fund	1,496	1,414
	<u>93,552</u>	<u>90,203</u>

- 16.1.1 The fair value of these investments is determined using their respective redemption net asset values.

16.2 Held to maturity at amortized cost	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
- Local currency	16.2.1	530,000	830,000
- Foreign currency	16.2.2	419,200	418,000
		<u>949,200</u>	<u>1,248,000</u>

16.2.1 Local currency	<u>Rate of return</u>	<u>Period of deposit</u>	<u>2017</u>	<u>2016</u>
			----- (Rupees in '000) -----	
Bank AL Habib Limited*	5.70%	1 year	30,000	30,000
Bank Alfalah Limited	6.25%	1 month	400,000	400,000
JS Bank	6.25%	1 month	100,000	-
MCB Bank**			-	400,000
			<u>530,000</u>	<u>830,000</u>

* This represents local currency accounts under lien with commercial banks amounting to Rs 30,000 thousand (2016: Rs 30,000 thousand).

** Balance previously included in NIB balance is now presented in MCB Bank because NIB Bank has now been acquired by MCB Bank.

16.2.2 Foreign currency	<u>2017</u>	<u>2016</u>
	----- (Rupees in '000) -----	
	<u>419,200</u>	<u>418,000</u>

Rate of profit on foreign investments range from 2.21% to 2.75% per annum (2016: 1.70% to 2%) with a deposit period of 6 months (2016: 6 months).

17 CASH AND BANK BALANCES	<u>Note</u>	<u>2017</u>	<u>2016</u>
		----- (Rupees in '000) -----	
At banks			
- In current accounts			
Local currency		58,148	61,414
Foreign currency		33,179	48,744
		<u>91,327</u>	<u>110,158</u>
- In PLS savings accounts			
Local currency	17.1	1,202,941	1,071,062
Foreign currency	17.2	216,521	560,511
		<u>1,419,462</u>	<u>1,631,573</u>
Cash in hand		<u>1,510,789</u>	<u>1,741,731</u>
Local currency		1	-
Foreign currency		4,385	4,840
		<u>4,386</u>	<u>4,840</u>
		<u>1,515,175</u>	<u>1,746,571</u>

17.1 Rate of profit on saving and deposit local currency accounts range from 4.90% to 6.52% per annum (2016: 4% to 6.75% per annum).

17.2 Rate of profit on saving and deposit foreign currency accounts range from 0.19% to 1.5% per annum (2016: 0.90% to 1.15% per annum).

18 ISSUED, SUBSCRIBED AND PAID UP CAPITAL	<u>2017</u>	<u>2016</u>
	----- (Rupees in '000) -----	
50,000 (2016: 50,000) ordinary shares of Rs 10 each fully paid in cash	500	500
450,000 (2016: 100,000) ordinary shares of Rs 10 each issued as fully paid bonus shares	4,500	1,000
	<u>5,000</u>	<u>1,500</u>



	<u>Note</u>	<u>2017</u>	<u>2016</u>
19 EMPLOYEES RETIREMENT AND OTHER BENEFITS		----- (Rupees in '000) -----	
These are composed of:			
Accumulated compensated absences	19.1	491,940	490,685
Long term association benefit		<u>101,244</u>	<u>85,325</u>
		<u>593,184</u>	<u>576,010</u>

- 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 adhoc 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 2016.

	<u>2017</u>	<u>2016</u>
20 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	----- (Rupees in '000) -----	
Present value of minimum lease payments	664	1,371
Less : current portion shown under current liabilities	<u>(610)</u>	<u>(689)</u>
	<u>54</u>	<u>682</u>

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

	<u>2017</u>		<u>2016</u>	
	----- (Rupees in '000) -----			
	<u>Minimum lease payments (MLPs)</u>	<u>Financial charges not yet due</u>	<u>Present value of MLPs</u>	<u>Present value of MLPs</u>
Not later than one year	647	37	610	689
Later than one year but not later than five years:	<u>54</u>	<u>-</u>	<u>54</u>	<u>682</u>
	<u>701</u>	<u>37</u>	<u>664</u>	<u>1,371</u>

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

	<u>Note</u>	<u>2017</u>	<u>2016</u>
21 TRADE AND OTHER PAYABLES		----- (Rupees in '000) -----	
Retention money payable		10,707	10,284
Sundry creditors	21.1	644,137	735,354
Accrued liabilities		90,299	64,103
Advances from customers		474,721	377,685
Employees' bonus payable		113,400	300,542
Due to Nespak Gratuity Fund Trust - related party	21.2	400,309	28,205
Due to Nespak Provident Fund Trust - related party		16,722	-
Sales tax payable		1,609,981	833,622
Current portion of liabilities against assets subject to finance lease	20	610	689
Other liabilities	21.3	<u>27,470</u>	<u>25,035</u>
		<u>3,388,356</u>	<u>2,375,519</u>

21.1 Due to related parties

Nespak Foundation	499,805	469,140
Turpak International (Private) Limited	-	231
	<u>499,805</u>	<u>469,371</u>

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

Present value of defined benefit obligation	21.2.1	2,031,676	1,593,850
Fair value of plan assets	21.2.2	<u>(1,631,367)</u>	<u>(1,565,645)</u>
		<u>400,309</u>	<u>28,205</u>

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	2017	2016
	----- (Rupees in '000) -----	
21.2.1 Changes in the present value of defined benefit obligations:		
Balance at beginning of the year	1,593,850	1,306,238
Current service cost	129,955	116,540
Interest expense	109,605	118,056
Benefits paid	(118,895)	(122,017)
Unpaid benefits	(45,210)	(5,039)
Actuarial loss	362,371	180,072
	<u>2,031,676</u>	<u>1,593,850</u>
21.2.2 Changes in the fair value of plan assets		
Balance at beginning of the year	1,565,645	1,558,961
Contributions made by the Company during the year	101,121	-
Interest Income	112,865	142,066
Benefits paid during the year	(118,895)	(122,017)
Unpaid benefits	(45,210)	(5,039)
Return on plan assets excluding interest income	15,841	(8,326)
	<u>1,631,367</u>	<u>1,565,645</u>
21.1.3 Charge for the year:		
Profit and Loss:		
Current service cost	129,955	116,540
Net interest Income	(3,260)	(24,009)
	<u>126,695</u>	<u>92,531</u>
Other comprehensive income		
Demographic Assumptions	-	-
Financial Assumptions	-	138,231
Experience adjustments	362,371	41,841
	<u>362,371</u>	<u>180,072</u>
Return on plan assets, excluding amounts included in interest income	(15,841)	8,326
	<u>346,530</u>	<u>188,398</u>
	<u>473,225</u>	<u>280,929</u>
Significant actuarial assumptions at the date of the statement of financial position:	2017	2016
Discount rate	7.50%	7.25%
Future salary	7.50%	7.25%
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, 2017

	Discount Rate		Salary increase	
	+1% and (-1%)		+1% and (-1%)	
Present value of defined benefit obligation (Rs. '000)	1,887,803	2,198,570	2,196,912	1,886,548

21.3 Other Liabilities

Other Liabilities includes the income tax deduction at source payable, employee income tax payable and insurance payable.

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

- (a) 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.

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- (b) 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 upheld 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. However, the department had taken Rs. 21 million from the Company's bank account and raised a demand notice for the remaining amount of Rs. 64 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.

- (c) The Additional Commissioner of Punjab Revenue Authority (PRA) issued notice for levy of Punjab 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 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 dismissed the appeal with the direction to the assessing officer to readdress the objections raised by the appellant and provide opportunities of being heard. Subsequently, the Company provided a breakup of receipts based on which PRA has revised the demand from Rs. 385 million to Rs. 88.9 million along with the default surcharge and penalty. Being aggrieved by the said demand, the Company had filed an appeal before the Commissioner Appeals which is still pending. 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.

After the issuance of above notices, the Company got itself registered with PRA and SRB in prior years and deposited approximately Rs. 642 million till 30 June 2017. However, sales tax has not been charged to all customers 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, total exposure of sales tax has not been calculated, 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.

- (d) As per the Income Tax Ordinance 2001 (the IT Ordinance), tax liability is required to be recorded at higher of; tax computed under Normal Tax Regime (NTR), Alternate Corporate Tax (ACT) or Minimum Tax. Hence, the company recorded its tax liability under NTR in the financial statements, being the higher amount.

In the above calculation, the Company has computed minimum tax under section 113 of the IT Ordinance at the rate of 1%, whereas the cumulative reading of Section 153(1)(b) read with Section 153(3)(b) reveal that tax deductible on services at 8% shall be the minimum tax.

The Company through its authorized representative challenged the clause (b) of sub-section (1) of section 153 of the Ordinance through a writ petition number 190257/18 dated 31 March 2018. However, the said writ petition was dismissed by the Single Judge of Lahore High Court in proceedings held on 16 May 2018, which has been challenged in Intra Court Appeal and the same is pending adjudication. Furthermore, the Additional Commissioner Lahore has issued a notice u/s 122(5A) dated 19 April 2019 showing his intention to amend the original order for the tax year 2016 and 2017 based on the same above factors and create accumulated demand of Rs. 554 million. The management of the Company submitted a comprehensive reply to the above notice and based on the opinion of its legal advisor is confident of favorable outcome. Accordingly, no provision has been made in this regard.

- (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. Further, Sindh High Court issued the order sheet stating the petitioner does not press anymore and dismisses the petition.

- (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

- (a) Guarantees given by Commercial Banks and an Insurance Company on behalf of the Company amounts to Rs. 5,054,398 thousand (2016: Rs. 3,428,780 thousand).
- (b) Capital commitments amounts to Rs. Nil thousands (2016: Rs. Nil thousands).

	<u>Note</u>	<u>2017</u>	<u>2016</u>
23 SERVICES FEE		----- (Rupees in '000) -----	
Services rendered in Pakistan		9,182,071	7,861,355
Services rendered outside Pakistan		414,718	583,280
		9,596,789	8,444,635
Less: Sales Tax		(1,033,594)	(696,855)
		8,563,195	7,747,780

24 OPERATING COSTS

Salaries, wages and benefits	24.1	4,235,984	3,528,282
Office maintenance and utilities		358,842	321,988
Traveling and conveyance		148,767	149,896
Printing and stationery		56,271	52,356
Vehicle running expenses		478,513	434,833
Sub-consultancy expenses		1,615,744	1,388,458
Survey and investigation		67,325	102,375
Advertisement and business promotion		13,520	13,970
Legal charges		4,350	5,262
Audit fee		1,000	900
Donation	24.2	3,405	810
Depreciation on owned assets	5.1.1	100,457	105,170
Depreciation on leased assets	5.1.2	322	402
Amortization of intangible assets	6	2,921	2,712
Provision for doubtful debts	12.2	249,622	189,440
Penalties	24.3	84,005	-
Miscellaneous expenses		34,239	23,527
		7,455,287	6,320,381

- 24.1** This includes provident fund, welfare fund and gratuity amounting to Rs. 124 million (2016: Rs. 96 million), Rs. 58 million (2016: Rs. 34 million) and Rs. 127 million (2016: Rs. 93 million) respectively.

- 24.2** None of the directors and their spouses had interest in the donees.

- 24.3** This relates to the encashment of bank guarantee from Bank Alfalah (Kabul, Afghanistan) against the Bakhshabad Dam Project, Kabul Afghanistan. NESPAK could not complete the project in time due to security reasons, as no measures were taken by the Afghan Government in this regard. Resultantly, Bank Guarantee was released due to the non-compliance with the contractual clauses of timely completion of the project.

24.4 Number of employees	2017	2016
Total number of employees as at June 30	2,894	2,814
Average number of employees during the year	2,854	2,705

		Audited	
		2017	2016
		----- (Rupees in '000) -----	
24.5	Disclosures relating to Provident Fund		
	Size of the fund	2,983,450	2,806,513
	Cost of investments made	2,360,715	2,491,896
	Fair value of investments	2,360,715	2,491,896
	Breakup of investments		
	Government securities	2,360,715	2,491,896
		2017	2016
		% age of size of the fund	
	Percentage of investments made	79.13%	88.79%
	Breakup of investments		
	Government securities	79.13%	88.79%
<p>The figures for 2017 and 2016 are based on the audited financial statements of the Provident Fund respectively. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, section 218 of the Companies Act 2017 and the rules formulated for this purpose.</p>			
		Note	
25	FINANCE COST	2017	2016
		----- (Rupees in '000) -----	
	Bank charges and commission	5,602	2,928
	Mark up on finance lease arrangement	569	269
		6,171	3,197
26	OTHER INCOME		
	Income from financial assets		
	Return on bank deposits	83,350	83,714
	Fair value gain on investment held for trading	3,349	5,745
	Income from non financial assets		
	Gain on disposal of property and equipment	6,598	5,154
	Dividend Income	26.1 83,850	55,720
	Interest on long term loans to employees	252	38
	Exchange gain - net	3,980	72,228
	Rental income from investment property	53,966	50,563
	Earned leave contribution	19.1 -	123,636
	Others	5,408	2,825
		240,753	399,623
26.1	This represents the dividend income from "Mohammad Hisham Aitah - Nespak, Riyadh, Saudi Arabia" (Subsidiary).		
		Note	
27	OTHER EXPENSES	2017	2016
		----- (Rupees in '000) -----	
	Impairment loss on investments in subsidiaries	3,411	3,970
28	TAXATION		
	Local tax		
	- Current year	474,872	470,085
	- Prior year	1,752	-
		476,624	470,085
	Foreign tax		
	- Current year	-	550
	- Prior year	(5,737)	-
		(5,737)	550
		470,887	470,635
	Deferred tax	28.2 (80,894)	(18,217)
		389,993	452,418

28.1 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	<u>2017</u>	<u>2016</u>
	%	%
Applicable tax rate	31.00	32.00
Effect of income claimed as exempt	(0.02)	(8.81)
Foreign tax	(0.43)	0.03
Tax charge at different rate	1.33	0.39
Impact of deferred tax	(6.03)	(1.00)
Super tax	3.23	2.17
Average effective tax rate charged to accounting profit	<u>29.08</u>	<u>24.78</u>

28.2 Deferred tax

<u>Note</u>	<u>2017</u>	<u>2016</u>
	----- (Rupees in '000) -----	
Relating to origination and reversal of temporary difference	(91,181)	(25,502)
Income resulting from change of rate of tax	10,287	7,285
	<u>(80,894)</u>	<u>(18,217)</u>

29 CASH GENERATED FROM OPERATIONS

Profit before taxation	1,340,579	1,825,980
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Adjustment for non-cash charges and other items :

Depreciation on owned property and equipment	100,457	105,170
Depreciation on leased assets	322	402
Fair value gain on held for trading investment	(3,349)	(5,745)
Amortization of intangible assets	2,921	2,712
Provision for doubtful debts	249,622	189,440
(Gain) on disposal of property and equipment	(6,598)	(5,154)
Share of profit from associates	(1,500)	(6,125)
Dividend declared from associates	2,000	-
Impairment loss on investments in subsidiaries	3,411	3,970
Employees retirement benefits	48,295	(94,544)
Gratuity Expense	126,695	69,557
Return on bank deposits	(83,350)	(83,714)
Finance cost	6,171	3,197
Working capital changes	29.1 <u>(1,496,822)</u>	<u>(770,119)</u>
	<u>288,854</u>	<u>1,235,027</u>

29.1 Working capital changes

(Increase) / decrease in current assets :

Stationery stores	4,260	(6,034)
Contract fee receivable	(1,274,167)	(1,294,897)
Loans and advances	(55,871)	20,784
Deposits and short term prepayments	(38,880)	2,923
Other receivables	<u>(772,976)</u>	<u>(629,013)</u>
	<u>(2,137,634)</u>	<u>(1,906,237)</u>

Increase in current liabilities :

Trade and other payables	640,812	1,136,118
	<u>(1,496,822)</u>	<u>(770,119)</u>

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30 CASH AND CASH EQUIVALENTS

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

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Short term investment		
Local currency	530,000	830,000
Foreign currency	419,200	418,000
Bank balances in		
Current accounts	91,327	110,158
Deposit accounts	1,419,462	1,631,573
Cash in hand	4,386	4,840
Less: Investment maturing after three months	(134,800)	(448,000)
	<u>2,329,575</u>	<u>2,546,571</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. 9,318 thousand (2016: Rs 9,501 thousand) and contribution to his provident fund amounting to Rs. 171 thousand (2016: Rs 175 thousand) and gratuity fund amounting to Rs. 145 thousand (2016: Rs 1,404 thousand).

In addition to the above, 10 (2016: 13) directors were paid aggregated fee of Rs. 745 thousand (2016: Rs. 180 thousand) for attending the board meetings.

32 RELATED PARTY TRANSACTIONS

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

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

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Subsidiary undertakings		
Nespak and Partners LLC, Muscat, Oman		
- Consultancy services rendered	285,958	465,046
National Engineering Services Pakistan Limited, Doha, Qatar		
- Consultancy services rendered	6,095	9,662
Associates		
Turkpak International (Private) Limited		
- Consultancy services rendered	1,156	1,504
Technology and Resource Development (Private) Limited		
- Consultancy services rendered	761	868
Other related parties		
Nespak Employees Provident Fund Trust		
- Charge for the year	123,765	95,822
Nespak Employee Gratuity Fund Trust		
- Charge for the year	126,696	92,531
- Contribution paid	101,121	-
Nespak Foundation		
- Consultancy services received	1,373,103	1,153,870
- Consultancy services rendered	9,751	10,027
Federal Government and departments		
- Consultancy services rendered	3,703,262	3,328,191

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Balances with related parties are as follows:

	2017	2016
	----- (Rupees in '000) -----	
Nespak and Partners LLC, Muscat, Oman - Receivable	1,345,791	1,195,824
Muhammad Hisham Aitah-Nespak, Riyadh, Saudi Arabia - Receivable	119,767	9,070
National Engineering Services Pakistan Limited, Doha, Qatar - Receivable	348,488	345,934
Turkpak International (Private) Limited - Net	1,155	145
Technology and Resource Development (Private) Limited - Receivable	5,915	5,154
NESPAK Foundation - Net	(511,114)	(458,900)
Provident Fund Trust - Payable	(16,722)	1,617
Gratuity Fund - Payable	(400,310)	(28,205)
Federal Government and departments - Net	4,536,942	4,172,296
Nespak Uk Limited - Receivable	6,740	4,905

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:

	2017	2016
	----- (Rupees in '000) -----	
Trade receivables - USD	137,406	564,605
Foreign currency bank balances - USD	245,263	604,276
Foreign currency cash balances - USD	1,110	1,283
Net exposure - USD	<u>383,779</u>	<u>1,170,164</u>
Trade receivables - GBP	6,740	5,593
Foreign currency cash balances - GBP	477	647
Net exposure - GBP	<u>7,217</u>	<u>6,240</u>
Foreign currency bank balances - EUR	143	151
Foreign currency cash balances - EUR	1,136	1,099
Net exposure - EUR	<u>1,279</u>	<u>1,250</u>
Trade receivables - QAR	348,488	345,934
Net exposure - QAR	<u>348,488</u>	<u>345,934</u>
Trade receivables - SAR	145,473	9,070
Net exposure - SAR	<u>145,473</u>	<u>9,070</u>
Foreign currency bank balances - YER	16	19
Net exposure - YER	<u>16</u>	<u>19</u>
Trade receivables - OMR	1,345,790	1,195,824
Net exposure - OMR	<u>1,345,790</u>	<u>1,195,824</u>
Foreign currency bank balances - IRR	2,703	2,872
Foreign currency cash balances - IRR	1,662	1,766
Net exposure - IRR	<u>4,365</u>	<u>4,638</u>
Trade receivables - BDT	-	2,655
Foreign currency bank balances - BDT	1	3
Net exposure - BDT	<u>1</u>	<u>2,658</u>
Trade receivables - AED	1,174	1,174
Foreign currency bank balances - AED	1,574	1,935
Foreign currency cash balances - AED	1	45
Net exposure - AED	<u>2,749</u>	<u>3,154</u>

	2017	2016
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	104.68	103.00
Reporting date rate	104.85	104.50
Rupees per GBP		
Average rate	138.18	150.04
Reporting date rate	136.24	140.12
Rupees per EUR		
Average rate	117.86	114.83
Reporting date rate	119.63	116.08
Rupees per QAR		
Average rate	28.32	28.29
Reporting date rate	27.93	28.70
Rupees per SAR		
Average rate	27.91	27.46
Reporting date rate	27.96	27.86
Rupees per YER		
Average rate	0.45	0.48
Reporting date rate	0.41	0.49
Rupees per AED		
Average rate	28.50	28.05
Reporting date rate	28.55	28.45
Rupees per OMR		
Average rate	272.15	267.92
Reporting date rate	272.21	272.08
Rupees per IRR		
Average rate	-	0.004
Reporting date rate	0.003	0.003
Rupees per BDT		
Average rate	1.32	1.30
Reporting date rate	1.30	1.33

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. 107,437 thousand (2016: Rs. 190,730 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. 93.552 thousand (2016: Rs. 90.203 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. 4.68 thousand (2016: Rs. 4.51 thousand) higher / lower, mainly as a result of higher / lower redemption price on units of mutual funds.

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(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:

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Financial assets		
Bank balances - Short Term Investments - Local Currency	530,000	830,000
Bank balances - Short Term Investments - Foreign Currency	419,200	418,000
Bank balances - PLS savings accounts - Local Currency	1,202,941	1,071,062
Bank balances - PLS savings accounts - Foreign Currency	216,521	560,511
	<u>2,368,662</u>	<u>2,879,573</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.

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Financial liabilities		
Liabilities against assets subject to finance lease - Long term	54	682
Liabilities against assets subject to finance lease - Short term	610	689
Total exposure	<u>664</u>	<u>1,371</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) -----	----- (Rupees in '000) -----
2017		
Pak Rupees	100	14,188
Pak Rupees	-100	(14,188)
2016		
Pak Rupees	100	16,302
Pak Rupees	-100	(16,302)

(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.13,644,672 thousands (2016: Rs.12,351,107). Therefore, the Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy.

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Long term investments	59,351	63,262
Long term loans and advances	5,542	1,159
Long term security deposits	33,940	46,863
Contract fee receivable	9,163,031	8,138,486
Deposits and short term prepayments	202,152	182,528
Interest accrued	7,612	2,855
Other receivables	1,562,049	791,073
Short term investments	1,042,752	1,338,203
Cash and Bank balances	1,510,789	1,741,731
	<u>13,587,218</u>	<u>12,306,160</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 Financial institution	Rating			2017	2016
	Short term	Long term	Agency	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Allied Bank Limited	A1+	AA+	PACRA	157,200	-
Arif Habib Investment	A1+	AA-	PACRA	1,727	1,626
Bank AL-Habib Limited	A1+	AA+	PACRA	30,000	30,000
*MCB Bank	A1+	AA-	PACRA	-	400,000
Bank AL Falah Limited	A1+	AA	PACRA	400,000	556,750
Bank of Punjab	A1+	AA-	PACRA	262,000	261,250
JS Bank Limited	A1+	AA-	PACRA	100,000	
NAFA Government Securities Fund		Not Available		1,496	1,414
United Bank Limited		A(f)	JCR-VIS	90,329	87,163
United National Bank-London		Not Available		-	-
				<u>1,042,752</u>	<u>1,338,203</u>

* Balance previously included in NIB balance is now presented in MCB Bank because NIB Bank has now acquired by MCB Bank.

Cash at bank Financial institution	Rating			2017	2016
	Short term	Long term	Agency	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Allied Bank Limited	A1+	AA+	PACRA	116,145	172,325
Bank AL Falah Limited	A1+	AA+	PACRA	301,616	527,519
Bank AL-Habib Limited	A1+	AA+	PACRA	109,415	66,066
Bank Kashavarzi		Not Available		2,659	2,825
Bank of America		Not Available		-	-
Bank of Punjab	A1+	AA	PACRA	107,529	324,599
Bank Pasargard		Not Available		143	151
Faysal Bank Limited	A1+	AA	PACRA	34,060	10,735
Habib Bank Limited	A-1+	AAA	JCR-VIS	189,479	169,947
JS Bank Limited	A1+	AA-	PACRA	50,010	1
MCB Bank Limited	A1+	AAA	PACRA	16,995	11,937
* MCB Bank	A1+	AAA	PACRA	3,444	71,124
Melli Bank Iran		Not Available		44	47
National Bank of Pakistan	A1+	AAA	PACRA	255,488	145,589
United Bank Limited	A-1+	AAA	JCR-VIS	197,796	196,837
United National Bank-London		Not Available		25,558	42,029
Silk Bank Limited	A-2	A-	JCR-VIS	100,408	-
				<u>1,510,789</u>	<u>1,741,731</u>

* Balance previously included in NIB balance is now presented in MCB Bank because NIB Bank has now acquired by MCB Bank.

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

As at June 30, 2017, contract fee receivable amounting to Rs. 9,163,031 thousand (2016: Rs. 8,138,486 thousand) was past due but not impaired. The ageing analysis of contract fee receivable is as follows:

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Up to 6 months	5,381,361	2,824,320
More than 6 months less than 1 year	1,336,898	1,212,016
More than 1 year	4,099,791	5,507,547
	<u>10,818,050</u>	<u>9,543,883</u>

As at June 30, 2017, contract fee receivable amounting to Rs. 1,655,019 thousand (2016: Rs 1,405,397 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)				
Financial assets as per balance sheet					
2017					
Long term investments	-	-	59,351	-	59,351
Loans and advances	-	-	-	5,542	5,542
Long term security deposits	-	-	-	33,940	33,940
Contract fee receivable	-	-	-	9,163,031	9,163,031
Other receivables	-	-	-	1,562,049	1,562,049
Deposits and short term prepayments	-	-	-	202,152	202,152
Interest accrued	-	-	-	7,612	7,612
Short term investments	949,200	93,552	-	-	1,042,752
Cash and bank balances	1,515,175	-	-	-	1,515,175
	<u>2,464,375</u>	<u>93,552</u>	<u>59,351</u>	<u>10,974,326</u>	<u>13,591,604</u>
	Cash and cash equivalents	Held for trading	Available for sale	Loans and receivables	Total
	(Rupees in '000)				
2016					
Long term investments	-	-	59,351	-	59,351
Loans and advances	-	-	-	1,159	1,159
Long term security deposits	-	-	-	46,863	46,863
Contract fee receivable	-	-	-	8,138,486	8,138,486
Other receivables	-	-	-	791,073	791,073
Deposits and short term prepayments	-	-	-	182,528	182,528
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>59,351</u>	<u>9,162,964</u>	<u>12,307,089</u>

	2017	2016
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Financial liabilities as per balance sheet		
Trade and other payables	1,303,654	1,164,212
Liabilities against assets subject to finance lease	54	682
Dividend payable	-	100,000
	<u>1,303,708</u>	<u>1,264,894</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 categorized 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	-----	(Rupees in '000)	-----
2017			
Investment property	-	15,000	-
Units of mutual funds	-	93,552	-
	-	108,552	-
2016			
Investment property	-	15,000	-
Units of mutual funds	-	90,203	-
	-	105,203	-

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 JUL 2019 by the Board of Directors of the company.

35 POST BALANCE SHEET EVENTS

The Board of Directors at its meeting held on 20 JUL 2019 has approved a final dividend at Rs. 100/- per share for the year ended 30 June 2017 (2016: Rs. 666.67 per share) amounting to Rs. ('000) 50,000 (2016: Rs. ('000) 100,000). 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.

<u>From</u>		<u>To</u>		<u>Amount</u>
<u>Note</u>	<u>Account</u>	<u>Note</u>	<u>Account</u>	
10	Long term loans and advances	8	Investments in subsidiaries	5,043
15	Other receivables	13	Loans and advances	44,947
14	Deposits and short term prepayments	13	Loans and advances	88,125
14	Deposits and short term prepayments	15	Other receivables	199


Chief Executive


Director