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NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of **National Engineering Services Pakistan (Private) Limited** (the Company), which comprise the statement of financial position as at **30 June 2019**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sajjad Hussain Gill.

Chartered Accountants
Lahore: 16 July 2021

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019	2018
		-- (Rupees in thousand) --	
ASSETS			
Non-current assets			
Property and equipment	5	**970,292**	1,017,164
Intangible assets	6	**3,822**	6,249
Investment properties	7	**105,478**	110,240
Investments in subsidiaries	8	**2,960**	2,977
Investments in associates	9	**57,651**	53,860
Long term loans and advances	10	**43,789**	33,167
Long term security deposits		**6,533**	6,713
Deferred tax asset - net	11	**1,187,669**	632,874
		2,378,194	1,863,244
Current assets			
Stationery stores		**9,244**	12,540
Contract fee receivables	12	**8,758,348**	9,766,365
Loans and advances	13	**213,550**	273,068
Deposits and prepayments	14	**305,851**	332,397
Interest accrued		**5,974**	16,132
Other receivables	15	**2,698,594**	2,079,318
Short term investments	16	**806,377**	813,563
Cash and bank balances	17	**911,901**	991,074
		13,709,839	14,284,457
Total assets		**16,088,033**	16,147,701
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
500,000 (2018: 500,000) ordinary shares of Rs. 10 each		**5,000**	5,000
Issued, subscribed and paid up share capital	18	**5,000**	5,000
Revenue reserves			
- General reserve		**11,557,516**	11,314,799
- Accumulated losses		**(850,854)**	(20,273)
Total equity		**10,711,662**	11,299,526
Non-current liability			
Employees retirement and other benefits	19	**781,337**	766,616
Current liabilities			
Trade and other payables	20	**3,678,925**	2,970,050
Liabilities against assets subject to finance lease	21	**-**	54
Contract liabilities	22	**288,955**	476,303
Dividend payable		**50,000**	50,000
Provision for taxation		**577,154**	585,152
		4,595,034	4,081,559
Total liabilities		**5,376,371**	4,848,175
Total equity and liabilities		**16,088,033**	16,147,701
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		-- (Rupees in thousand) --	
Revenue from contracts with customers - net	24	**7,139,561**	8,315,798
Cost of revenue	25	**(8,162,711)**	(8,038,718)
Operating (loss) / profit		**(1,023,150)**	277,080
Finance cost		**-**	(37)
		(1,023,150)	277,043
Other income	26	**1,075,844**	588,986
Share of profit / (loss) from associates - net	9	**4,415**	(2,278)
		1,080,259	586,708
Profit before taxation		**57,109**	863,751
Taxation	27	**(184,554)**	(619,682)
(Loss) / profit for the year		**(127,445)**	244,069

The annexed notes from 1 to 37 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 30 JUNE 2019

	Note	2019	2018
		-- (Rupees in thousand) --	
(Loss) / profit for the year		**(127,445)**	244,069
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods		-	-
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain / (loss) on employees retirement and other benefits	19.2.1 & 19.3.3	**135,000**	(1,595)
Tax effect of loss on employees retirement benefits		-	479
Share of other comprehensive loss from associates	9.4	**(624)**	(236)
Other comprehensive profit / (loss) for the year		**134,376**	(1,352)
Total comprehensive income for the year		**6,931**	242,717

The annexed notes from 1 to 37 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 30 JUNE 2019

	Issued, subscribed and paid up share capital	Revenue reserves		Total
		General reserve	Accumulated profits / (losses)	
	(Rupees in thousand)			
Balance as at 01 July 2017	5,000	10,414,213	687,596	11,106,809
Final dividend for the year ended 30 June 2017 at Rs. 100 per share	-	-	(50,000)	(50,000)
Transfer to general reserve	-	900,586	(900,586)	-
Profit for the year	-	-	244,069	244,069
Other comprehensive loss for the year	-	-	(1,352)	(1,352)
Total comprehensive income	-	-	242,717	242,717
Balance as at 01 July 2018 - as previously reported	**5,000**	**11,314,799**	**(20,273)**	**11,299,526**
Effect of application of change in accounting policy resulting from adoption of IFRS 9 (note 2.4.1) - net of tax	-	-	**(594,795)**	**(594,795)**
Balance as at 01 July 2018 - restated	**5,000**	**11,314,799**	**(615,068)**	**10,704,731**
Transfer to general reserve	-	**242,717**	**(242,717)**	-
Loss for the year	-	-	**(127,445)**	**(127,445)**
Other comprehensive income for the year	-	-	**134,376**	**134,376**
Total comprehensive income	-	-	**6,931**	**6,931**
Balance as at 30 June 2019	**5,000**	**11,557,516**	**(850,854)**	**10,711,662**

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive

Director

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		-- (Rupees in thousand) --	
Profit before taxation		**57,109**	863,751
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment - owned	5	**83,849**	89,230
Depreciation of property and equipment - leased	5	**245**	502
Depreciation of investment properties	7.2	**4,762**	5,013
Fair value gain on short term investments - net	26	**(4,761)**	(4,411)
Amortization of intangible assets	6	**3,885**	6,840
Impairment loss on investments in subsidiary	8	**17**	-
Allowance for expected credit losses - net	12.4	**878,674**	387,261
Allowance for expetced credit loss - guarantees	14	**13,630**	-
Gain on disposal of property and equipment	26	**(7,166)**	(5,127)
Share of (profit) / loss from associates - net	9	**(4,415)**	2,278
Employees retirement and other benefits	19.1 & 19.2	**24,181**	16,961
Gratuity expense	19.3.3	**133,570**	129,398
Return on bank deposits	26	**(56,634)**	(83,539)
Finance cost		**-**	37
		1,126,946	1,408,194
Working capital changes			
(Increase) / decrease in current assets:			
Stationery stores		**3,296**	(5,301)
Contract fee receivables		**(708,396)**	(990,595)
Loans and advances		**59,518**	(63,098)
Deposits and short term prepayments		**12,916**	(41,529)
Other receivables		**(619,276)**	(515,070)
Increase / (decrease) in current liabilities:			
Trade and other payables		**708,875**	691,461
Contract liabilities		**(187,348)**	-
		(730,415)	(924,132)
Cash generated from operations		**396,531**	484,062
Income taxes paid		**(504,403)**	(621,724)
Employee benefits paid		**(8,030)**	(607,376)
(Increase) / decrease in long term loans and advances		**(10,622)**	945
Decrease / (increase) in security deposits		**180**	(23,175)
Net cash flows used in operating activities		**(126,344)**	(767,268)
Cash flows from investing activities			
Purchase of property and equipment - net		**(40,792)**	(73,616)
Purchase of intangible assets		**(1,458)**	(5,909)
Proceeds from disposal of property and equipment		**10,736**	14,720
Short term investments - net		**(673,653)**	104,800
Interest received		**66,792**	75,019
Net cash flows (used in) / from investing activities		**(638,375)**	115,014
Cash flows from financing activities			
Lease rentals paid		**(54)**	(610)
Finance cost paid		**-**	(37)
Net cash flows used in financing activities		**(54)**	(647)
Net decrease in cash and cash equivalents		**(764,773)**	(652,901)
Cash and cash equivalents at the beginning of the year		**1,676,674**	2,329,575
Cash and cash equivalents at the end of the year	28	**911,901**	1,676,674

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive **Director**

1 THE COMPANY AND ITS OPERATIONS

National Engineering Services Pakistan (Private) Limited (the Company) was incorporated in 1973 under the Companies Act, 2017. The Company is wholly controlled and owned by the Ministry of Energy (Power Division), Government of Pakistan (GOP). The principle activity of the Company is providing engineering consultancy services in Pakistan and abroad.

1.1 Geographical location

The geographical locations and addresses of major business units of the Company are as follows:

Business unit	**Geographical location and address**
Registered office	1-C, Block N, Model Town Extension, Lahore.
Regional offices	
Lahore	IEEEP Building, 17-C-1, Civic Centre Faisal Town, Lahore.
Islamabad	Nespak House, Sector G-5/2, Islamabad.
Karachi	13th Floor, NICL Building, Abbasi Shaheed Road, Sharah-e-Faisal Karachi.
Peshawar	House no. 24, Sector B-2, Phase-V, Hayatabad, Peshawar.
Quetta	18-19/B, Street no. 2, Phase-III, Shahbaz Town, Quetta Cantt.
Foreign offices:	
Kabul, Afghanistan	House no. 250, Street no. 16, Wazir Akbar Khan, Kabul, Afghanistan.
Dubai, UAE	Office no. 1203, Business Tower, Business Bay, Dubai, UAE.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

i) International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 (the Act); and

ii) Provisions of and directives issued under the Act.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain employee benefits are recognized on the basis mentioned in Note 4.9 and short term investments at fair value through profit or loss.

These are separate financial statements of the Company. The Company is not consolidating its subsidiaries as the Securities and Exchange Commission of Pakistan (SECP) 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 loss if any.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency. All values presented in PKR has been rounded to nearest thousand of rupees, unless when otherwise stated.

2.4 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.

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2.4.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

The Company has adopted the following accounting standards and the amendments and interpretation of IFRS which became effective for the current year:

Standards

IFRS 15	Revenue from contracts with customers
IFRS 9	Financial instruments
IFRIC 22	Foreign currency transactions and advance consideration
IAS 40	Transfers of Investment Property (Amendments)
IFRS 2	Classification and Measurement of Share Based Payment Transactions

The adoption of the above interpretation and amendments did not have any material effect on the financial statements except the following:

i) IFRS 15 - Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July, 2018. IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 18 Transfer of assets from customers and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Company has elected to apply the standard on a modified retrospective basis as permitted by IFRS 15 whereby the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

Below are the details of key impacts arising from the adoption of the standard:

Statement of financial position

In statement of financial position, the corresponding figure of trade and other payables amounting to Rs. 476,303 thousand has been reclassified to contract liabilities. Contract liabilities are recognized in respect of Company's obligation to transfer services to a customer for which the Company has received consideration. Amounts as at 01 July 2018 have also been reclassified as follows for the purpose of comparability:

	As at 1 July 2018		
Description	**Carrying amount as stated**	**Reclassification**	**IFRS 15 carrying Amount**
	------------------ (Rupees in thousand) ------------------		
Trade and other payables	3,446,353	(476,303)	2,970,050
Contract liabilities	-	476,303	476,303
	3,446,353	-	3,446,353

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2019 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Company's operating, investing and financing cash flows. The first column shows what the amounts would have been had IFRS 15 not been adopted and the second column shows amounts prepared under IFRS 15:

	As at 30 June 2019		
Description	**Previous IFRS carrying amount**	**Increase / decrease**	**IFRS 15 carrying Amount**
	------------------ (Rupees in thousand) ------------------		
Trade and other payables	3,967,880	(288,955)	3,678,925
Contract liabilities	-	288,955	288,955
	3,967,880	-	3,967,880

Statement of profit or loss

In statement of profit and loss, the corresponding figures have not been changed as modified retrospective approach has been opted by the management. The adoption of IFRS 15 did not have a material impact on amounts reported in the statement of profit or loss, the statement of comprehensive income and the statement of cash flows for the prior period as there is no significant change in the Company's revenue recognition criteria as compared to those under the previous standards or related interpretations, however, IFRS 15 requires additional disclosures of disaggregated revenue information.

ii) IFRS 9 - Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The application of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

For contract fee receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The accounting for the Company's financial liabilities remains substantially the same as it was under IAS 39. The Company applied IFRS 9 using modified retrospective approach and hence has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in opening balance of retained earnings as follows:

	Carrying amount reported under IAS 39	Adjustment for ECL due to adoption of IFRS 9	Carrying amount reported under IFRS 9
		01 July 2018	
Description		(Rupees in thousand)	
Contract fee receivables	9,766,365	(837,739)	8,928,626
Deferred taxation	632,874	242,944	875,818
Accumulated losses	(20,273)	(594,795)	(615,068)

	Carrying amount reported under IAS 39	Adjustment for ECL due to adoption of IFRS 9	Carrying amount reported under IFRS 9
		30 June 2019	
Description		(Rupees in thousand)	
Contract fee receivables	10,645,039	(878,674)	9,766,365
Deferred taxation	932,854	254,815	1,187,669
Accumulated losses	(226,995)	(623,859)	(850,854)

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The following are the changes in the classification of the Company's financial assets:

Contract fee receivables, deposits, loans and advances and other receivables

These balances classified as 'Loans and receivables' as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortized cost beginning 1 July 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following reclassifications as at 1 July 2018:

	IAS 39 measurement category Loans and receivables	**IFRS 9 measurement category Amortized Cost**
	------------------ (Rupees in thousand) ------------------	
Long term advance	75	75
Long term security deposits	6,713	6,713
Contract fee receivables	9,766,365	9,766,365
Deposits	330,162	330,162
Interest accrued	16,132	16,132
Other receivables	1,795	1,795
Short term investments	813,563	813,563
Bank balances	986,732	986,732

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach as mentioned in Note 4.12. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9, the Company recognized additional impairment on the Company's contract fee receivables amounting to Rs. 837,739 thousand which resulted a decrease in retained earnings of Rs. 594,795 thousand as at 01 July 2018 after taking into account the respective taxation impact as shown above.

Hedge accounting

As at year end, the Company does not have hedge relationship. Accordingly, IFRS 9 will not have an impact on the Company's financial statements.

2.4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Company:

Standards, amendments and IFRIC		**Effective date (annual periods beginning on or after)**
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 3	Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 July 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11	Joint Arrangements: Previously Held Interests in a Joint Operation	01 January 2019
IFRS 14	Regulatory Deferral Accounts	01 July 2019
IFRS 16	Leases	01 January 2019
IAS 1 & IAS 8	Definition of Material (Amendments)	01 January 2020
IFRS 7, IFRS 9 & IAS 39	Interest Rate Benchmark Reforms (Amendments)	01 January 2020
IFRS 3	Reference to Conceptual Framework (Amendments)	01 January 2022
IFRS 16	Covid-19 related Rent Concessions	01 June 2020
IAS 37	Onerous Contracts - Costs of Fulfilling a Contract (Amendments)	01 January 2022
IAS 41	Agriculture - Taxation in Fair Value Measurements	01 January 2022
IAS 1	Classification of Liabilities as Current and Non-Current	01 January 2023
IFRS 9	Financial Insturments - Fees in the "10 percent" Test of Derecognition of Financial Liabilities	01 January 2022

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Standards, amendments and IFRIC		Effective date (annual periods beginning on or after)
IFRS 1	First- Time Adoption of International Financial Reporting Standards - Susbidiary as First Time Adopter	01 January 2022
IAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	01 January 2022
IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39	The Changes in Interest Rate Benchmark Reform	01 January 2021
IAS 8	Accounting Policies, Changing in Accounting Estimates and Errors	01 January 2020
IAS 12	Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23	Borrowing Costs - Borrowing Costs Eligible for Capitalization	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 16 "Leases". The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of this standard.

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

Standard or Interpretation		IASB Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2004
IFRS 17	Insurance Contracts	01 January 2023

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to use 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 the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Taxation (Note 11 & 27)

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

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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 tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

Estimates with respect to useful 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 19)

The cost of defined benefit retirement plan (gratuity), accumulated long absences and long term association benefit are 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) Provisions

Provisions are recognized in the statement of financial position when the Company has legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

e) Contingent liabilities

Contingent liability is disclosed when:

- there is possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is 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.

3 BENAZIR EMPLOYEES STOCK OPTION SCHEME

On 14 August, 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 Property and equipment

Owned

Property and equipment except freehold land, which is stated at cost, are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to the statement of profit or loss 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 for 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 the statement of profit or loss as and when incurred. Major renewals and improvements are capitalized. The gain 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. Such assets are subject to impairment testing at each reporting date.

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.

4.2 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Amortization is charged to statement of profit and loss on straight line basis to cost of revenue 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.

4.3 Investment properties

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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 statement of profit or loss in the period of derecognition.

4.4 Investments

4.4.1 Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment, if any.

4.4.2 Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

4.5 Long and short term deposits

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

4.6 Stationery stores

Stationary stores items are valued at lower of weighted average cost and estimated net realizable value.

4.7 Contracts fee and other receivables

Contracts fee and other receivables are carried at original invoice amount. Contracts fee receivable are amount receivable from customer for goods transferred or services performed in the ordinary course of business. Other receivables generally arise from the transactions outside the usual operating activities of the Company. The Company recognizes impairment against these receivable balances using Expected Credit Loss model as explained in Note 2.4.1. Debts considered irrecoverable are written off.

4.8 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. For the purposes of statement of cash flows, cash and cash equivalents comprise of cash in hand, balances with banks and short term investments maturing within three months.

4.9 Employees retirement and other benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company. The main features of the schemes operated by the Company for its employees are as follows:

4.9.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The most recent valuations were carried out as on 30 June, 2019 using the projected unit credit method. Significant assumptions used for valuation of these schemes are mentioned in Note 19. The future contribution rates of these funds include allowance for deficit and surplus.

4.9.1.1 Gratuity funds

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.

4.9.1.2 Accumulated compensated absences

The Company provides liability for accumulated compensated absences of its permanent and contract staff as per Company policy. Compensated absences 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.

4.9.1.3 Long term association benefit

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 upon the valuation performed by the independent actuary.

4.9.2 Defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund at the rate of 10% of basic plus technical pay.

4.10 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities as the payment is due within one year or less (or in the normal operating cycle of the business, if longer).

Trade payables and other costs payable are initially recognized at cost which is the fair value of the consideration to be paid in future for goods and / or services, whether or not billed to the Company and subsequently measured at amortized cost using the effective interest method.

4.11 Contract liabilities

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

4.12 Financial instruments

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

Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through statement of profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of contracts fee receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. contracts fee receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized in trade date, i.e. the date that the Company commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost majorly includes contracts fee receivables, short term investments, loans and advances, short term deposits, interest accrued and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI.

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Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets for which it has elected to classify irrevocably under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

The Company has classified its short term investment previous classified as held to maturity investment under this category.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities majorly include trade and other payables excluding sales tax payable, contract liabilities and dividend payable.

ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

All of the Company's financial liabilities are measured under this category.

iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.13 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 reporting date. Non-monetary assets are not retranslated and are kept at the original transaction amount.

4.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable form contracts with customer in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured and it is highly probable that a significant reversal in the amount of income recognized will not occur and specific criteria has been met for each of the Company's activities as described below:

a) The Company recognizes revenue from engineering services when services are rendered, over the contractual period or as and when services are rendered to customers;

i) **Lump sum contracts:**
Revenue is recognized when the percentage of work/ milestones are completed.

ii) **Cost plus contracts:**
Revenue is recognized on time proportionate basis.

iii) **Percentage of completion:**
Revenue is recognized based upon the percentage of contractor's invoice.

b) dividend income is recognized when the right to receive the payment is established;
c) income from bank deposits is recognized using effective interest rate method; and
d) rental income is recognized on accrual basis.

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4.15 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 obligation can be made.

4.16 Dividends and appropriations to reserves

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

4.17 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in profit or loss except to the extent that it relates to items recognized outside profit or loss (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit or loss.

Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid / payable on final tax basis, after taking into account tax credit available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made / finalized during the year.

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 reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

4.18 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.

4.19 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

Particulars	2019									
	Cost				Depreciation				Net book value as at 30 June 2019	Depreciation rate %
	As at 01 July 2018	Additions / (disposal)	Transfers	As at 30 June 2019	Accumulated as at 01 July 2018	Charge for the year / (disposal)	Transfers	Accumulated as at 30 June 2019		
	----- (Rupees in thousand) -----									
Owned:										
Freehold land	340,040	-	-	340,040	-	-	-	-	340,040	-
Buildings on freehold land	576,883	-	-	576,883	196,967	19,081	-	216,048	360,835	5
Furniture and fixture	162,988	809	-	163,797	93,529	6,992	-	100,521	63,276	10
Office and electrical equipment	372,462	3,258	-	375,342	277,599	19,310	-	296,563	78,779	20
		(378)				(346)				
Computers	218,834	4,781	-	221,914	181,038	14,108	-	193,695	28,219	35
		(1,701)				(1,451)				
Drawing and survey equipment	73,018	13,460	-	86,478	46,086	9,247	-	55,333	31,145	25
Vehicles	198,557	18,484	3,142	202,050	133,144	15,111	2,112	135,522	66,528	20
		(18,133)				(14,845)				
	1,942,782	40,792	3,142	1,966,504	928,363	83,849	2,112	997,682	968,822	
		(20,212)				(16,642)				
Leased:										
Leasehold land (Note 5.1)	8,083	-	-	8,083	6,368	245	-	6,613	1,470	3.03
Vehicles	3,142	-	(3,142)	-	2,112	-	(2,112)	-	-	20
	11,225	-	(3,142)	8,083	8,480	245	(2,112)	6,613	1,470	
Total	1,954,007	20,580	-	1,974,587	936,843	67,452	-	1,004,295	970,292	

	2018									
Particulars	Cost				Depreciation				Net book value as at 30 June 2018	Depreciation rate %
	As at 01 July 2017	Additions / (disposal)	Transfers to investment property	As at 30 June 2018	Accumulated as at 01 July 2017	Charge for the year / (disposal)	Transfers to investment property	Accumulated as at 30 June 2018		
	---------- (Rupees in thousand) ----------									
Owned:										
Freehold land	340,040	-	-	340,040	-	-	-	-	340,040	-
Buildings on freehold land	576,883	-	-	576,883	177,001	19,966	-	196,967	379,916	5
Furniture and fixture	160,077	3,755 (844)	-	162,988	86,216	7,634 (321)	-	93,529	69,459	10
Office and electrical equipment	368,751	5,164 (1,453)	-	372,462	255,146	23,217 (764)	-	277,599	94,863	20
Computers	194,603	24,412 (181)	-	218,834	165,427	15,694 (83)	-	181,038	37,796	35
Drawing and survey equipment	65,866	14,903 (7,751)	-	73,018	47,511	6,198 (7,623)	-	46,086	26,932	25
Vehicles	199,167	25,382 (25,992)	-	198,557	134,460	16,521 (17,837)	-	133,144	65,413	20
	1,905,387	73,616 (36,221)	-	1,942,782	865,761	89,230 (26,628)	-	928,363	1,014,419	
Leased:										
Leasehold land (Note 5.1)	8,083	-	-	8,083	6,123	245	-	6,368	1,715	3.03
Building on leasehold land (Note 7.2)	135,780	-	(135,780)	-	35,527	-	(35,527)	-	-	5
Vehicles	3,142	-	-	3,142	1,855	257	-	2,112	1,030	20
	147,005	-	(135,780)	11,225	43,505	502	(35,527)	8,480	2,745	
Total	2,052,392	37,395	(135,780)	1,954,007	909,266	63,104	(35,527)	936,843	1,017,164	

5.1 This relates to leasehold land of the Company located at Sector G - 5/2, Islamabad for use as office premises.

5.2 Details of property and equipment disposed off during the year:

Items disposed off during the year having individual net book value exceeding Rs. 500 thousand are as follows;

Description	Cost	Accumulated depreciation	Book Value	Sales proceeds	Gain	Method of disposal	Purchaser / Party
	------------------------ (Rupees in thousand) ------------------------						
2019							
Toyota Corolla GLI LEG-14-1224	**1,771**	**1,050**	**721**	**721**	-	**Company Policy**	**Mr. Dr. Tahir Mahmood Hayat - Former E.V.P/Head-GT&GE**
Toyota Pajero 3.5 GLS	**2,521**	**1,143**	**1,378**	**1,378**	-	**Transfer**	**National Engineering Services (Pakistan) and Partners LLC - Subsidiary Company**
Total	**4,292**	**2,193**	**2,099**	**2,099**	**-**		
2018							
Toyota Corolla GLI LEG-14-1652	1,846	1,026	820	820	-	Company Policy	Mr. Aamir Ashraf - Former V.P/Head-P&M
Toyota Corolla GLI LEJ-15-1582	1,771	607	1,164	1,164	-	Company Policy	Mr. Asif Javaid Awan - Former G.M/head Coordination
Toyota Corolla GLI LEJ-12-1452	1,690	1,109	581	581	-	Company Policy	Mr. Sohail Kibria - Former V.P/Head (F&P)-GT&GE
Toyota Corolla GLI LEJ-12-1414	1,690	1,163	527	527	-	Company Policy	Mr. Muhammad Zubair G.M/Head-EPHE
Toyota Corolla GLI LEJ-13-3142	1,690	1,180	510	1,600	1,090	Insurance claimed	National Insurance Company Limited
Toyota Corolla GLI LEJ-16-1050	1,786	476	1,310	1,786	476	Transferred to customer	Pakistan Railways
Suzuki Cultus LEJ-15-2208	1,039	319	720	1,039	319	Transferred to customer	Pakistan Railways
Total	11,512	5,880	5,632	7,517	1,885		

5.3 The deprecation expense for the year has been charged to cost of revenue.

6 INTANGIBLE ASSETS

	Note	2019	2018
		---- (Rupees in thousand) ----	
Computer software - Net carrying value basis:			
Opening net book value		**6,249**	7,180
Additions (at cost)		**1,458**	5,909
Amortization	25	**(3,885)**	(6,840)
Closing net book value at year end		**3,822**	6,249
Computer software - Gross carrying value basis:			
Cost		**29,718**	28,260
Accumulated amortization		**(25,896)**	(22,011)
Net book value at year end		**3,822**	6,249
Rate of amortization		**33.33%**	33.33%

6.1 The cost of fully amortized intangible assets which are still in use amounted to Rs.17,627 thousand (30 June 2018: Rs. 17,394 thousand).

6.2 The amortization expense for the year has been charged to cost of revenue.

		Note	2019	2018
7	**INVESTMENT PROPERTIES**		---- (Rupees in thousand) ----	
	Land	7.1	**15,000**	15,000
	Building on leasehold land	7.2	**90,478**	95,240
			105,478	110,240

7.1 As per valuation report issued by Independent Valuator - Hamid Mukhtar & Co. (Private) Limited dated 30 June 2019, fair value of investment property in Gujranwala amounts to Rs. 23,400 thousand (2018: Rs. 15,000 thousand). The area of land is 6 kanals, located at G. Mangolia Park Housing Scheme, G.T Road, Gujranwala.

		Note	2019	2018
7.2	**Building on leasehold land**		---- (Rupees in thousand) ----	
	Net carrying value basis:			
	Opening net book value		**95,240**	-
	Transfers from property and equipment - at cost		**-**	100,253
	Depreciation	25	**(4,762)**	(5,013)
	Closing net book value at year end		**90,478**	95,240
	Gross carrying value basis:			
	Cost		**135,780**	135,780
	Accumulated depreciation		**(45,302)**	(40,540)
	Net book value at year end		**90,478**	95,240
	Rate of depreciation		**5%**	5%

7.2.1 As per valuation report issued by Independent Valuator - Hamid Mukhtar & Co. (Private) Limited dated 30 June 2019, fair value of investment property in Islamabad amounts to Rs.129,296 thousand (2018: Rs. 135,780 thousand). The covered area of building is 28,571 square ft. on different floors, located at Sector G - 5/2, Islamabad.

7.2.2 The depreciation expense for the year has been charged to cost of revenue.

		Note	2019	2018
8	**INVESTMENTS IN SUBSIDIARIES**		---- (Rupees in thousand) ----	
	Subsidiary undertakings - unquoted (at cost)			
	Nespak and Partners LLC, Muscat, Oman 13,000 (2018: 13,000) ordinary shares of Omani Riyal (OMR) 1 each Equity held: 65% (2018: 65%)		**2,821**	2,821
	Less: Accumulated impairment loss		**(2,821)**	(2,821)
			-	-
	Mohammad Hisham Aitah - Nespak Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia 49 (2018: 49) ordinary shares of Saudi Riyal (SAR) 2,000 each Equity held: 49% (2018: 49%)		**2,960**	2,960
	National Engineering Services Pakistan W.L.L - Doha, Qatar 98,000 (2018: 98,000) ordinary shares of Qatari Riyal (QAR) 1,000 each Equity held: 49% (2018: 49%)		**4,560**	4,560
	Less: Accumulated impairment loss		**(4,560)**	(4,560)
			-	-
	NESPAK UK Limited 100 (2018: 100) ordinary shares of UK Pound (GBP) 1 each Equity held: 100% (2018:100%)		**17**	17
	Less: Accumulated impairment loss	8.1	**(17)**	-
			-	17
			2,960	2,977

8.1 During the year, the Company charged an impairment loss against investment in subsidiary i.e. NESPAK UK Limited which is non-operational.

8.2 As disclosed in Note 2.2 to these financial statements, the Company is not consolidating these subsidiaries as the Securities and Exchange Commission of Pakistan (SECP) has granted exemption to the Company from consolidation and investment in these subsidiaries is recorded at cost net of accumulated impairment loss.

8.3 Investment in subsidiaries includes the amount paid on behalf of the business partners of the foreign subsidiaries as follows:

Subsidiary	Business Partner	Rupees in thousand
Nespak and Partners LLC, Muscat, Oman	Dar-al-Handasah	1,085
Mohammad Hisham Aitah - Nespak Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia	Muhammad Hisham Aitah	1,632
National Engineering Services Pakistan W.L.L - Doha, Qatar	Abdulla Zayed M A Al-Khayarin	2,326

9 INVESTMENT IN ASSOCIATES - unquoted (equity method)

	Note	2019	2018
		---- (Rupees in thousand) ----	
Corporation House (Private) Limited (CHPL)			
200,000 (2018: 200,000) ordinary shares of Rs. 10 each - cost		**2,000**	2,000
Opening share of accumulated profits		**10,791**	10,377
Share of net profit for the year	9.4	**662**	414
	9.1	**13,453**	12,791
Engineering Consulting Associates (Nigeria) Limited			
6,000 (2018: 6,000) ordinary shares of Naira 1 each - cost		**91**	91
Less: Accumulated impairment loss		**(91)**	(91)
		-	-
Turkpak International (Private) Limited (TIPL)			
60,000 (2018: 60,000) ordinary shares of Rs. 100 each - cost		**6,000**	6,000
Opening share of accumulated profits		**35,069**	37,997
Share of net profit / (loss) for the year charged to profit or loss	9.4	**3,753**	(2,692)
Share of net loss for the year charged to other comprehensive income		**(624)**	(236)
	9.2	**44,198**	41,069
Technology and Resource Development (Private) Limited			
4,000 (2018: 4,000) ordinary shares of Rs. 100 each - cost	9.3	**400**	400
Less: Accumulated impairment loss		**(400)**	(400)
		-	-
		57,651	53,860

9.1 CHPL is incorporated to acquire land and construct building in Pakistan and have its registered office at 1st Floor Alfalah Building (Tail Wing), Shahrah-e-Quaid-e-Azam, Lahore. The Company's interest in CHPL 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 TIPL is engaged in providing engineering consultancy services and have its registered office at IEEEP Building17-C-1, Civic Centre Faisal Town, Lahore. The Company's interest in TIPL is accounted for using the equity method in financial statements. Share of profit / (loss) for current year is based on the audited financial statements.

9.3 One share is held in the name of Mr. Dr. Tahir Masood, 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 of interest held	Assets	Liabilities	Revenue	Share of net profit / (loss) charged to profit or loss*	Share of net profit / (loss) charged to other comprehensive income*
		------------------------- (Rupees in thousand) -------------------------				
30 June 2019						
CHPL	**25%**	**13,946**	**493**	**1,168**	**662**	**-**
TIPL	**50%**	**78,350**	**34,153**	**84,212**	**3,753**	**(624)**
		92,296	**34,646**	**85,380**	**4,415**	**(624)**
30 June 2018						
CHPL	25%	13,060	269	751	414	-
TIPL	50%	63,921	22,852	28,057	(2,692)	(236)
		76,981	23,121	28,808	(2,278)	(236)

* Share of profit / (loss) charged to profit or loss and other comprehensive income from associates is net of taxation.

10 LONG TERM LOANS AND ADVANCES

	Note	2019	2018
		------ (Rupees in thousand) ------	
Considered good:			
Employee loans - secured	10.1	**4,592**	5,649
Less : Current maturity	13	**(1,556)**	(873)
		3,036	4,776
Advance due from Pakistan Hydro Consultant - unsecured		**75**	75
Advances to suppliers - unsecured	10.2	**40,678**	28,316
		43,789	33,167

10.1 These represent motorcycle and house building loans provided to employees in accordance with the Company policy. These loans are secured against the employees provident fund balances and are adjustable against salaries on monthly basis. Loans for motorcycle and house building carry interest at the rate of 4% per annum (2018: 4% per annum) and 5.53% per annum (2018: 4.46% per annum), respectively.

10.2 These represent advances paid against purchase of vehicles and overhauling of office premises.

11 DEFERRED TAX ASSET - NET

The deferred tax asset comprises temporary differences arising due to:

	Note	2019	2018
		------ (Rupees in thousand) ------	
Accelerated tax depreciation		**(68,089)**	(70,630)
Allowance for expected credit losses		**1,086,090**	592,261
Re-measurement of employees' retirement and other benefits		**-**	111,684
Tax losses - net		**168,287**	-
Others		**1,381**	(441)
		1,187,669	632,874
Deferred tax is calculated in full on temporary differences under the liability method :			
Opening balance		**632,874**	503,761
Tax impact due to adoption of IFRS 9 directly recognized in retained earnings		**242,944**	-
Charge recognized in statement of profit or loss		**311,851**	128,634
Charge recognized in statement of comprehensive income		**-**	479
Closing balance		**1,187,669**	632,874

12 CONTRACT FEE RECEIVABLES

	Note	2019	2018
Contract fee receivables	12.1	**12,503,486**	11,808,645
Less: Allowance for expected credit losses	12.4	**(3,745,138)**	(2,042,280)
		8,758,348	9,766,365

12.1 This includes amount due from subsidiaries and associates as follows:

	Note	2019	2018
		------ (Rupees in thousand) ------	
Subsidiaries			
Nespak and Partners LLC, Muscat, Oman		**1,723,562**	1,577,412
Mohammad Hisham Aitah - Nespak Engineering Consultant - - Company, Riyadh, Kingdom of Saudi Arabia		**189,716**	148,571
NESPAK UK Limited		**8,145**	8,145
National Engineering Services Pakistan W.L.L - Doha, Qatar		**618,884**	453,197
	12.3	**2,540,307**	2,187,325
Associates			
Turkpak International (Private) Limited		**1,189**	407
Technology and Resource Development (Private) Limited		**6,729**	6,729
NESPAK Foundation		**4,742**	9,755
Federal Government and departments		**4,332,237**	4,672,656
	12.3	**4,344,897**	4,689,547

12.2 The maximum aggregate amount due from related parties at any month end during the year was as follows:

	Note	2019	2018
		------ (Rupees in thousand) ------	
Subsidiaries			
Nespak and Partners LLC, Muscat, Oman		**1,723,562**	1,577,412
Mohammad Hisham Aitah - Nespak Engineering Consultant - - Company, Riyadh, Kingdom of Saudi Arabia		**189,716**	148,571
NESPAK UK Limited		**8,145**	8,145
National Engineering Services Pakistan W.L.L - Doha, Qatar		**618,884**	453,197
	12.3	**2,540,307**	2,187,325
Associates			
Turkpak International (Private) Limited		**1,189**	407
Technology and Resource Development (Private) Limited		**6,729**	6,729
NESPAK Foundation		**4,742**	9,755
Federal Government and departments		**4,332,237**	4,672,656
	12.3	**4,344,897**	4,689,547

12.3 Ageing analysis of subsidiaries and associates

The ageing analysis of contract fee receivables from subsidiaries and associates is as follows:

	Note	2019	2018
Neither past due nor impaired		------ (Rupees in thousand) ------	
Up to 6 months		**1,757,815**	3,700,023
More than 6 months but less than 1 year		**460,982**	748,289
More than 1 year		**4,666,407**	2,428,560
		6,885,204	6,876,872

12.4 Allowance for expected credit losses

	Note	2019	2018
Opening balance		**2,042,280**	1,655,019
Impact of adoption of IFRS 9		**837,739**	-
Charge for the year	25	**878,674**	387,261
Receivables written off during the year		**(13,555)**	-
Closing balance		**3,745,138**	2,042,280

12.4.1 Allowance for expected credit losses includes the amount relating to related party receivables as follows:

	Note	2019	2018
Subsidiaries		------ (Rupees in thousand) ------	
Nespak and Partners LLC, Muscat, Oman		**905,852**	-
Mohammad Hisham Aitah - Nespak Engineering Consultant - - Company, Riyadh, Kingdom of Saudi Arabia		**4,341**	-
NESPAK UK Limited		**5,914**	-
National Engineering Services Pakistan W.L.L - Doha, Qatar		**538,806**	
		1,454,913	-
Associates			
Turkpak International (Private) Limited		**59**	20
Technology and Resource Development (Private) Limited		**6,729**	2,265
NESPAK Foundation		**237**	488
Federal Government and departments		**1,060,709**	924,252
		1,067,734	927,025

13 LOANS AND ADVANCES

	Note	2019	2018
Current maturity of long term loans	10	**1,556**	873
Advances to employees		**23,596**	28,820
Advances to suppliers		**1,765**	2,098
Due from Nespak Foundation	13.1	**4,404**	41,691
Due from Nespak Provident Fund Trust	13.2	**-**	22,913
Due from Staff Welfare Fund Trust	13.3	**132,578**	112,482
Miscellaneous advances		**49,651**	64,191
		213,550	273,068

13.1 This represents amount due from Nespak Foundation, (a related party) on account of miscellaneous advances paid to its employees who are engaged in the engineering contracts of the Company. The maximum aggregate amount due calculated with reference to month end balances during the year was Rs. 4,404 thousand (2018: Rs. 41,691 thousand).

13.2 This represented amount due from Nespak Provident Fund Trust, (a related party) for excess contribution made by the Company that is based upon estimates as compared to actual amount as per credit advices received from different divisions. The maximum aggregate amount due calculated with reference to month end balances during the year was Rs.24,644 thousand (2018: Rs.22,913 thousand).

13.3 This represents amount due from Staff Welfare Fund Trust, (a related party) in respect of payment made to employees of Nespak on account of Eidi, scholarships for children of employees and funeral expenses on behalf of Staff Welfare Fund Trust. The maximum aggregate amount due calculated with reference to month end balances during the year was Rs. 132,578 thousand (2018: Rs. 112,482 thousand).

	Note	2019	2018
14 DEPOSITS AND PREPAYMENTS		------ (Rupees in thousand) ------	
Retention and earnest money		**235,483**	246,352
Margins on bank guarantees	14.1	**41,133**	33,408
Security deposits		**40,293**	50,402
Prepayments		**2,572**	2,235
		319,481	332,397
Less: Allowance for expetced credit loss - guarantees	14.2	**(13,630)**	-
		305,851	332,397

14.1 This represents the margin amounting to SAR 504 thousand (2018: SAR 504 thousand) given to Bank Al-Jazira in Riyadh for issuance of bank guarantee in favor of General Authority of Zakat and Tax, Saudia Arabia and OMR 68 thousand (2018: OMR 68 thousand) given to Bank Muscat for issuance of bank guarantee in favor of Ministry of Water and Irrigation, Jordan against the consultancy services provided by the Company.

14.2 This represents provision against margin paid to Bank Al-Jazira for issuance of bank guarantee and the Company is not anticipating to utilize the same in future periods.

	Note	2019	2018
15 OTHER RECEIVABLES		------ (Rupees in thousand) ------	
Sales tax receivable		**2,698,318**	2,075,324
Receivable from Turkpak International (Private) Limited	15.1	**199**	2,199
Miscellaneous receivables	15.2	**77**	1,795
		2,698,594	2,079,318

15.1 This represents amount due from Turkpak International (Private) Limited, an associate, in respect of dividend declared by Turkpak International (Private) Limited in prior years that has not yet been received by the Company. The maximum aggregate amount due calculated with reference to month end balances during the year was Rs. 199 thousand (2018: Rs. 2,199 thousand).

15.2 These represent amount given to project managers and sub-contractors against the routine expenses at projects.

	Note	2019	2018
16 SHORT TERM INVESTMENTS		------ (Rupees in thousand) ------	
Investments at fair value through profit or loss			
Mutual funds	16.1	**89,237**	97,963
Investments at amortized cost			
Term deposit receipts	16.2	**717,140**	715,600
		806,377	813,563

16.1 Mutual funds

	2019	2018
UBL Government Securities Fund	**85,651**	94,580
MCB - Arif Habib Savings and Investment Limited	**1,909**	1,808
NAFA Government Securities Fund	**1,677**	1,575
	89,237	97,963

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

	2019	2018
	------ (Rupees in thousand) ------	
Balance at the beginning of the year	**97,963**	93,552
Redemption during the year	**(3,965)**	-
Realized gain on conversion of investments during the year	**169**	-
Un-realized (loss) / gain on remeasurement of investments during the year	**(4,930)**	4,411
Closing and fair value of short term investment	**89,237**	97,963

16.2 Term deposit receipts

	Note	2019	2018
		------ (Rupees in thousand) ------	
- Local currency	16.2.1	**30,000**	230,000
- Foreign currency	16.2.2	**687,140**	485,600
		717,140	715,600

16.2.1 Local currency

	Rate of return	Period of deposit	2019	2018
			------ (Rupees in thousand) ------	
Bank AL Habib Limited*	11.75%	1 year	**30,000**	30,000
JS Bank Limited	6.25%	1 month	**-**	200,000
			30,000	230,000

* This represents local currency accounts with 10% margin on letter of guarantees in the shape of lien with commercial banks amounting to Rs. 30,000 thousand (2018: Rs. 30,000 thousand).

	2019	2018
	------ (Rupees in thousand) ------	
16.2.2 Foreign currency	**687,140**	485,600

Rate of profit on foreign investments ranges from 2.85% to 5.40% (2018: 2.85% to 3.50%) per annum with a deposit period of 6 months (2018: 6 months).

17 CASH AND BANK BALANCES

	Note	2019	2018
		------ (Rupees in thousand) ------	
Balances with bank:			
- In current accounts			
Local currency		**7,318**	61,654
Foreign currency		**58,973**	120,881
Less: Impairment		**(2,490)**	(2,490)
		56,483	118,391
		63,801	180,045
- In PLS savings accounts			
Local currency	17.1	**343,630**	595,733
Foreign currency	17.2	**501,292**	210,954
		844,922	806,687
		908,723	986,732
Cash in hand:			
Local currency		**32**	1
Foreign currency		**4,600**	5,795
Less: Impairment		**(1,454)**	(1,454)
		3,146	4,341
		911,901	991,074

17.1 Rate of profit on saving and deposit local currency accounts ranges from 6% to 11% per annum (2018: 3.75% to 7% per annum).

17.2 Rate of profit on saving and deposit foreign currency accounts ranges from 0.10% to 1.5% per annum (2018: 0.10% to 1.5% per annum).

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		2019	2018
18	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**	------ (Rupees in thousand) ------	
	50,000 (2018: 50,000) ordinary shares of Rs. 10 each fully paid in cash	**500**	500
	450,000 (2018: 450,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**4,500**	4,500
		5,000	5,000

18.1 The Government of Pakistan holds 100% shareholding of the Company.

		Note	2019	2018
19	**EMPLOYEES RETIREMENT AND OTHER BENEFITS**		------ (Rupees in thousand) ------	
	Accumulated compensated absences	19.1	**456,451**	446,768
	Long term association benefit	19.2	**166,582**	152,084
	Due to Nespak Gratuity Fund Trust - related party	19.3	**158,304**	167,764
			781,337	766,616
19.1	Changes in the present value of defined benefit obligations:			
	Present value of defined benefit obligations - opening balance		**446,768**	491,940
	Cost charged to statement of profit or loss	19.1.1	**48,544**	49,843
	Actuarial gain charged to other comprehensive income		**(38,861)**	(95,015)
	Present value of defined benefit obligations - closing balance		**456,451**	446,768

The Company is recording provision relating to accumulated compensated absences (i.e. earned leaves) on the basis of basic pay and technical pay.

		2019	2018
19.1.1	Charge for the year:	------ (Rupees in thousand) ------	
	Profit or loss:		
	Current service cost	**12,803**	10,488
	Net interest expense	**35,741**	39,355
	Acturial gains	**(38,861)**	(95,015)
		9,683	(45,172)

19.1.2 Significant actuarial assumptions at the reporting date of the statement of financial position:

	2019	2018
Discount rate	**12.5%**	8%
Future salary	**12%**	7.5%
Average duration of the obligation	**7 years**	7 years
Average expected remaining working lifetime of members	**9 years**	9 years
Expected mortality rate	**SLIC (2001-05)**	SLIC (2001-05)
Expected withdrawal rate	**Industry experience**	Industry experience

	Discount Rate		Future salary	
	+1%	-1%	+1%	-1%
19.1.3 Sensitivity analysis as at 30 June 2019	------ (Rupees in thousand) ------			
Present value of defined benefit obligation	431,822	484,154	484,023	431,508

		Note	2019	2018
19.2	Changes in the present value of defined benefit obligations:		------ (Rupees in thousand) ------	
	Present value of defined benefit obligations - opening balance		**152,084**	101,244
	Cost charged to statement of profit or loss	19.2.1	**23,760**	18,597
	Actuarial gain charged to other comprehensive income		**(9,262)**	42,430
	Benefits paid during the year		**-**	(10,187)
	Present value of defined benefit obligations - closing balance		**166,582**	152,084
19.2.1	Charge for the year			
	Profit or loss:			
	Current service cost		**11,593**	10,905
	Net interest expense		**12,167**	7,692
	Other comprehensive income		**(9,262)**	42,430
			14,498	61,027

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19.2.2 Significant actuarial assumptions at the reporting date of the statement of financial position:

	2019	2018
Discount rate	**12.5%**	8%
Future salary	**12%**	7.5%
Average duration of the obligation	**5 years**	4 years
Average expected remaining working lifetime of members	**9 years**	9 years
Expected mortality rate	**SLIC (2001-05)**	SLIC (2001-05)
Expected withdrawal rate	**Based on experience**	Based on experience

19.2.3 Sensitivity analysis as at 30 June 2019

	Discount Rate		Future salary	
	+1%	-1%	+1%	-1%
	(Rupees in thousand)			
Present value of defined benefit obligation	151,463	184,323	184,237	151,275

19.3 The amount recognized in the statement of financial position has been computed as follows:

	Note	2019	2018
		(Rupees in thousand)	
Present value of defined benefit obligations	19.3.1	**2,040,137**	2,073,580
Fair value of plan assets	19.3.2	**(1,881,833)**	(1,905,816)
		158,304	167,764

19.3.1 Changes in the present value of defined benefit obligations:

	2019	2018
Balance at beginning of the year	**2,073,580**	2,031,676
Current service cost	**122,380**	114,764
Interest expense	**158,281**	144,302
Benefits paid	**(151,644)**	(168,457)
Unpaid benefits	**(38,495)**	(46,833)
Actuarial gain	**(123,965)**	(1,872)
	2,040,137	2,073,580

19.3.2 Changes in the fair value of plan assets:

	2019	2018
Balance at beginning of the year	**1,905,816**	1,631,367
Contributions made by the Company during the year	**17,292**	363,539
Interest Income	**147,091**	129,668
Benefits paid during the year	**(151,644)**	(168,457)
Unpaid benefits	**(38,495)**	(46,833)
Return on plan assets excluding interest income	**1,773**	(3,468)
	1,881,833	1,905,816

19.3.3 Charge for the year:

	2019	2018
Profit or loss:		
Current service cost	**122,380**	114,764
Net interest expense	**11,190**	14,634
	133,570	129,398
Other comprehensive income:		
Financial assumptions	**(160,707)**	(82,034)
Experience adjustments	**36,742**	80,161
Return on plan assets, excluding amounts included in interest income	**(1,773)**	3,468
	(125,738)	1,595
	7,832	130,993

Significant actuarial assumptions at the reporting date of the statement of financial position:

	2019	2018
Discount rate	**12.5%**	8%
Future salary	**11%**	7.5%
Average duration of the obligation	**7 years**	7 years
Average expected remaining working lifetime of members	**8 years**	9 years
Expected mortality rate	**SLIC (2001-05)**	SLIC (2001-05)
Expected withdrawal rate	**Based on experience**	Based on experience

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	Discount Rate		Future salary	
	+1%	-1%	+1%	-1%
Sensitivity analysis as at 30 June 2019	(Rupees in thousand)			
Present value of defined benefit obligations	1,900,860	2,200,078	2,200,845	1,897,906

19.3.4 The components of plan assets are government securities / bonds including special saving certificates and balances with bank.

19.3.5 The expected amount chargeable to statement of profit or loss for next year is Rs. 157,338 thousand.

20 TRADE AND OTHER PAYABLES

	Note	2019	2018
		(Rupees in thousand)	
Retention money payable		**6,291**	4,638
Sundry creditors	20.1	**495,661**	562,574
Accrued liabilities		**157,097**	89,205
Employees' bonus payable		**-**	66,000
Due to Nespak Provident Fund Trust - related party		**45,472**	-
Sales tax payable	20.2	**2,952,751**	2,216,695
Other liabilities	20.3	**21,653**	30,938
		3,678,925	2,970,050

20.1 This includes Rs. 295,686 thousand (2018: Rs. 494,952 thousand) due to related parties, the break up of the amount due is as follows:

	2019	2018
	(Rupees in thousand)	
Nespak Foundation	**266,267**	488,415
Turkpak International (Private) Limited	**29,419**	6,537
	295,686	494,952

20.2 This relates to the amount payable to sales tax authorities i.e. Punjab Revenue Authority (PRA), Sindh Revenue Board (SRB), Khyber Pakhtunkhwa Revenue Authority (KPRA) and Balochistan Revenue Authority (BRA) on account of consultancy services provided to the customers by the Company. In PRA, the amount of sales tax is payable on receipt of payments.

20.3 Other liabilities include the income tax deduction at source payable, employee income tax payable and insurance payable.

21 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019	2018
	(Rupees in thousand)	
Present value of minimum lease payments	**-**	54
Less: current portion shown under current liabilities	**-**	(54)
	-	-

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

	Minimum lease payments (MLPs)	Financial charges not yet due	Present value of MLPs	Present value of MLPs
	2019			2018
	(Rupees in thousand)			
Not later than one year	-	-	-	54

21.1 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.

	Note	2019	2018
		(Rupees in thousand)	
22 CONTRACT LIABILITIES	22.1	**288,955**	476,303

22.1 These represent advances from customers as mobilization advances and will be adjusted against billings made in next one year.

23 CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

Income Tax

(a) The Additional Commissioner Inland Revenue (the "ACIR") passed an order under section 122(5A) of the Income Tax Ordinance, 2001 (the "Ordinance") for tax year 2009, through which alleged tax demand of Rs. 404 million has been created. The Company preferred an appeal before the Commissioner Inland Revenue (Appeals) [the "CIR (A)"], who disposed of appeal while granting relief on certain issues. On the basis of the aforesaid order, the Deputy Commissioner Inland Revenue (the "DCIR") has issued appeal effect order dated 17 September 2015 and recalculated the tax demand amounting to Rs. 15.6 million which has also been recovered by the Appellant. The Company, as well as the department, assailed the order for cross appeals before Appellate Tribunal Inland Revenue ['ATIR'], which are pending adjudications. 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.

(b) The ACIR 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 an appeal before the CIR(A) who vide order dated 23 December 2013 disposed of 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 addition on the issue of claim of exemption under clause 131 of Part I of Second Schedule to the Ordinance and exemption claimed under clause 126F of Part I of Second Schedule to the Ordinance, and also provided certain conditional reliefs to the Company subject to verification of record by the department. On the basis of order issued by ATIR, the department issued the appeal effect order and created the demand of Rs. 86 million. However, on the issues decided against the Company by ATIR, the Company has filed reference before the Honorable Lahore High Court (LHC) who has remanded the case back to the ATIR on the issue of exemption available under clause 131 of Part I of Second Schedule to the Ordinance and exemption claimed under clause 126F is rejected by the honorable LHC. Being aggrieved, the Company has filed the reference application before the honorable Supreme Court of Pakistan (SC), which is pending adjudication. It is further mentioned here that during the pendency of the case, the tax department has recovered the amount created as a result of appeal effect order issued after the decision of ATIR amounting to Rs. 29 million from the Company's bank account and DCIR on 16 December 2015 issued another notice for the demand of 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 ACIR passed an order dated 27 September 2018 under section 122(5A) of the Ordinance for tax year 2013, through which alleged tax demand of Rs. 335 million has been created on the basis that the Company has not offered the foreign remittance for tax purposes along with other matters that include non-deduction of tax on sub-consultancy expenses under section 21(c) of the Ordinance, tax on exchange gain, employee retirement benefits under section 34(3) etc. Being aggrieved, the Company preferred an appeal before CIR(A) who vide his order dated 28 February 2020 allowed the matters except to the extent of tax impact on disallowance of vehicles depreciation amounting to Rs. 0.8 million. The Company filed appeal before the ATIR in this respect which is pending adjudication. 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 ACIR has passed an order under section 122(5A) of the Ordinance and created the demand amounting to Rs. 522 million for the tax year 2013 on the basis that the expenses are not prorated to the exempt income claimed under clause 131 of Part I of Second Schedule to the Ordinance and property income. Being aggrieved with the adverse treatment, the Company has filed an appeal before the CIR (A), which is pending adjudication. 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.

(e) The ACIR has passed an order under section 122(5A) of the Ordinance and created the demand amounting to Rs. 270 million for the tax year 2014 on the basis that the expenses are not prorated to the exempt income claimed under clause 131 of Part I of Second Schedule to the Ordinance and property income along with other matters including bad debts written off, exchange loss etc. Being aggrieved, the Company has filed an appeal before the CIR (A), which has decided the case in favor of the Company other than proration of expenses on exempt income. Being aggrieved, the Company and tax department has filed cross appeals against the order of CIR(A) before the ATIR, which is pending adjudication. 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.

(f) The ACIR passed an order dated 22 February 2016 under section 122(5A) of the Ordinance for tax year 2015 on the issue of non-calculation of super tax which was imposed on the persons earning income or Rs. 500 million or above at the rate of 3%, and thereby created the tax demand of Rs. 88 million. Being aggrieved, the Company preferred an appeal before CIR(A), who decided the case vide order dated 10 October 2019 in the favor of department. Being aggrieved, the Company filed an appeal before the ATIR against the order passed by CIR(A), which is pending adjudication. 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.

(g) The ACIR has passed an order under section 122(5A) of the Ordinance and created the demand amounting to Rs. 206 million and Rs. 160 million for tax year 2016 and 2017 respectively on the similar issues i.e. the expenses are not prorated to the exempt income claimed under clause 131 of Part I of Second Schedule to the Ordinance and property income along with other matters including translation gain, impairment loss etc. Being aggrieved, the Company has filed an appeal before the CIR (A), which has decided the case in favor of the Company other than proration of expenses on exempt income, impairment loss etc. Being aggrieved, the Company and tax department has filed cross appeals against the order of CIR(A) before the ATIR, which is pending adjudication. 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.

(h) The ACIR has passed an order under section 122(5A) of the Ordinance and created the demand amounting to Rs. 332 million for tax year 2018 on the basis that the expenses are not prorated to the exempt income claimed under clause 131 of Part I of Second Schedule to the Ordinance and property income etc. Being aggrieved, the Company has filed an appeal before the CIR (A), which is pending adjudication. 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.

Sales Tax

(i) The Additional Commissioner of Pakistan Revenue Authority (PRA) issued notice for levy of Punjab Sales Tax on the services of the 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 Honourable Lahore High Court (LHC) on the basis that the Company being owned by the 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 PRA issued notice amounting to Rs. 385 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 was not provided by 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 re-address the objections raised by the appellant and provide opportunities of being heard. Subsequently, the Company provided a breakup of receipts based on which PRA revised the demand from Rs. 385 million to Rs. 88 million along with the default surcharge and penalty. Being aggrieved, the Company filed an appeal before the Commissioner Appeals who vide his order dated 29 January 2018 dismissed the appeal. The Company filed another appeal before the Appellate Tribunal PRA which was dismissed vide an order dated 16 December 2020 with the direction to file sales tax returns. The Company is in the process of filling sales tax returns and recorded sales tax provision with the amount of Rs. 88 million in its books of account. The legal advisor of the Company is 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 the Company from 01 July 2014 onward. The Company has challenged the notice before the Honourable Sindh High Court (SHC) on the grounds that it is owned and controlled by Federal Government 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 and the matter is still pending for adjudication.

After the issuance of above notices, the Company got itself registered in 2015 with PRA and SRB under protest and deposited approximately Rs. 1400 million till 30 June 2019 (Rs. 1096 million till 30 June 2018). However, sales tax has not been charged to all customers as the matter is subjudice and the management, based on the opinion of its legal advisor, is confident of favorable outcome of such cases. Further, total exposure of sales tax has not been calculated as the management 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.

(j) The Additional Commissioner, Enforcement issued the notice for the Financial Years 2014 to 2017 on the basis that there exists difference between the revenue in the audited financial statements and sales tax returns submitted with PRA. The Company duly submitted the replies, however, the Additional Commissioner, Enforcement passed an assessment order under sections 3, 10, 11, 18 and 35 of Punjab Sales Tax on Services Act, 2012 (the "PSTS Act") and thereby created impugned accumulated demand amounting to Rs. 4,217 million for aforesaid financial years. The Company preferred appeal before the CIR (Appeals), against the aforesaid orders, which is pending adjudication. The management, based on the opinion of its legal advisor, is confident for favorable outcome and accordingly, no provision has been made in these financial statements.

Others

(k) Other than the above cases, a number of legal cases has 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.

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23.2 Commitments

23.2.1 Guarantees given by commercial banks and an insurance company on behalf of the Company amount to Rs. 5,584,637 thousand (2018: Rs. 6,230,174 thousand).

23.2.2 Rental commitments

The amount of future payments under operating leases and the period in which these payment will become due are as follows:

Non Cancellable Lease	Note	2019	2018
		------ (Rupees in thousand) ------	
Not later than one year		**36,673**	38,356
Later than one year but not later than 5 years		**41,139**	59,634

24 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	Note	2019	2018
Services rendered in Pakistan		**7,682,975**	8,982,121
Services rendered outside Pakistan		**330,511**	345,683
	24.1	**8,013,486**	9,327,804
Less: Sales tax		**(873,925)**	(1,012,006)
		7,139,561	8,315,798

24.1 Disaggregation of revenue from contracts with customers:

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	Note	2019	2018
		------ (Rupees in thousand) ------	
Type of service:			
- Engineering consultancy services		**8,013,486**	9,327,804
Timing of revenue recognition:			
- Services rendered over time		**8,013,486**	9,327,804
Geographical markets:			
- Pakistan		**7,682,975**	8,982,121
- Oman		**137,277**	172,942
- Afghanistan		**44,623**	92,496
- Qatar		**12,648**	12,728
- Nigeria		**46,106**	28,878
- Jordan		**89,857**	38,639
		8,013,486	9,327,804

25 COST OF REVENUE

	Note	2019	2018
Salaries, wages and other benefits	25.1	**4,684,667**	4,849,501
Sub-consultancy expenses		**1,135,455**	1,413,604
Vehicle running expenses		**569,187**	563,506
Office maintenance and utilities		**374,343**	361,411
Traveling and conveyance		**200,133**	205,278
Allowance for expected credit losses	12.4	**878,674**	387,261
Allowance for expetced credit loss - guarantees	14	**13,630**	-
Provision for sales tax	25.2	**88,928**	-
Depreciation of operating fixed assets	5	**83,849**	89,230
Depreciation of investment property	7.2	**4,762**	5,013
Printing and stationery		**48,821**	51,256
Survey and investigation		**20,889**	34,713
Advertisement and business promotion		**14,399**	14,230
Amortization of intangible assets	6	**3,885**	6,840
Legal charges		**9,044**	6,069
Donation	25.3	**871**	4,437
Auditor's remuneration	25.4	**1,750**	1,650
Depreciation of leased assets	5	**245**	502
Impairment on investment in subsidiary	8	**17**	6,466
Bank charges and commission		**4,054**	4,796
General Insurance expenses		**7,864**	13,549
Uniform expense		**6,342**	7,524
Security expense		**6,054**	5,844
Miscellaneous expenses		**4,848**	6,038
		8,162,711	8,038,718

25.1 This includes expense incurred in respect of provident fund, welfare fund and gratuity amounting to Rs. 150,167 thousand (2018: Rs. 153,096 thousand), Rs. 31,236 thousand (2018: Rs. 66,797 thousand) and Rs. 133,570 thousand (2018: Rs. 129,398 thousand) respectively.

25.2 This relates to the provision for sales tax against the notice issued by Punjab Revenue Authority (PRA) for levy of Punjab Sales Tax on the services of the Company being taxable under the head "technical, scientific and engineering" with effect from 01 July 2013 to 11 January 2016 . The Company agitated against the levy before the PRA as well as filed writ petition before the Honourable Lahore High Court (LHC) on the basis that the Company being owned by Federal Government is not liable to pay provincial sales tax prospectively or retrospectively on the contracts executed before the date of levy. However, the appeal was dismissed by ATIR vide order dated 16 December 2020. Moreover, the management of the Company has not filled any appeal before Honourable Lahore High Court against the decision of ATIR.

25.3 None of the Directors and their spouses had interest in the donees.

		Note	2019	2018
25.4	**Auditor's remuneration**		------ (Rupees in thousand) ------	
	Audit fee		**1,400**	1,300
	Other certifications		**150**	150
	Out of pocket expenses		**200**	200
			1,750	1,650
26	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits on PLS saving accounts		**56,634**	83,539
	Interest on long term loans to employees		**212**	200
	Exchange gain - net		**942,148**	432,409
	Fair value gain on short term investments - net		**4,761**	4,411
	Income from non financial assets			
	Gain on disposal of property and equipment		**7,166**	5,127
	Rental income from investment property		**62,250**	59,286
	Others		**2,673**	4,014
			1,075,844	588,986
27	**TAXATION**			
	Income tax:			
	- Current year		**496,405**	589,920
	- Prior year		**-**	158,396
		27.1	**496,405**	748,316
	Deferred tax	27.2	**(311,851)**	(128,634)
			184,554	619,682

Any

27.1 Tax charge reconciliation

The reconciliation of accounting profit and tax expense has not been presented as the Company is subject to minimum tax @ 8% on its gross receipts under section 153 1(B) of the Income Tax Ordinance, 2001.

27.2 Deferred tax	**Note**	**2019**	**2018**
		- (Rupees in thousand) -	
Relating to origination and reversal of temporary difference	27.2.1	**332,947**	111,842
(Expense) / income resulting from change of rate of tax		**(21,096)**	16,792
		311,851	128,634

27.2.1 This includes deferred tax amounting Rs. 111,684 related to remeasurement of employees' retirement and other benefits which has been derecognized based on management assessment that amount is not adjustable against the future available taxable income.

28 CASH AND CASH EQUIVALENTS

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

	2019	**2018**
Short term investments:	**- (Rupees in thousand) -**	
Local currency	**30,000**	230,000
Foreign currency	**687,140**	485,600
Bank balances in:		
Current accounts	**63,801**	180,045
Deposit accounts	**844,922**	806,687
Cash in hand	**3,178**	4,342
Less: Investment maturing after three months	**(717,140)**	(30,000)
	911,901	1,676,674

29 REMUNERATION OF CHIEF EXECUTIVE (MANAGING DIRECTOR), DIRECTORS AND EXECUTIVES

	Chief Executives		**Directors**		**Executives**	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in thousand)					
Managerial remuneration	**8,802**	13,898	**-**	-	**348,444**	354,096
Fee	**-**	-	**2,520**	3,901	**-**	-
Bonus	**-**	-	**-**	-		13,897
Reimbursable expenses	**678**	1,360	**41**	-	**80,027**	74,329
Other benefits	**291**	6	**-**	-	**514,579**	548,823
	9,771	15,264	**2,561**	3,901	**943,050**	991,145
Number of persons	**1**	1	**11**	14	**232**	269

29.1 Chief Executive is also provided with the company's maintained car in accordance with the policy of the Company.

30 RELATED PARTY TRANSACTIONS

Related parties include Directors, subsidiaries, associates, associated undertakings in which Directors have interest, Federal Government, key management personnel and post retirement funds.

Significant transactions with related parties, other than remuneration and benefits to key management personnel as disclosed in Note 30 to these financial statements, are as follows:

	2019	**2018**
Subsidiary undertakings	**- (Rupees in thousand) -**	
Nespak and Partners LLC, Muscat, Oman		
- Consultancy services rendered	**137,277**	172,941
National Engineering Services Pakistan W.L.L - Doha, Qatar		
- Consultancy services rendered	**12,648**	12,728

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	2019	2018
Associates	--- (Rupees in thousand) ---	
Turkpak International (Private) Limited		
- Consultancy services rendered	**1,189**	1,252
- Consultancy services received	**157,269**	39,617
Technology and Resource Development (Private) Limited		
- Consultancy services rendered	**-**	814
Other related parties		
Nespak Employees Provident Fund Trust		
- Charge for the year	**150,167**	153,096
Nespak Employee Gratuity Fund Trust		
- Charge for the year	**133,570**	129,398
- Contribution paid	**17,292**	363,539
Nespak Foundation		
- Consultancy services received	**1,049,037**	1,445,316
- Consultancy services rendered	**15,019**	9,885
Federal Government and departments		
- Consultancy services rendered	**2,841,797**	3,104,780

30.1 The details of related parties outside Pakistan are as follows:

	Name of related party	Basis of relationship	Registered address	Country of incorporation
1	Nespak and Partners LLC, Muscat, Oman	Subsidiary	Office No 105, 106, First Floor, Moosa Mosque, P.O. Box 3506 Postal Code: 112, Ruwi, Muscat Sultanate of Oman	Oman
2	Mohammad Hisham Aitah - Nespak Engineering Consultant Company, 'Riyadh,Kingdom of Saudi Arabia	Subsidiary	Office No 2 , First Floor, Ibrahim Mohammad AL Moosa Commercial Complex, Abdul Aziz Bin Masaad Bin Jalwi Road, (Dabbab Road) P.O Box 50344, Riyadh 11523,Kingdom of Saudi Arabia.	Kingdom of Saudi Arabia
3	National Engineering Services Pakistan W.L.L - Doha, Qatar	Subsidiary	Al Muthana Complex, Building No. 2 New Salata, Off Salwa Road P.O Box: 32057, Doha, Qatar	Qatar
4	NESPAK UK Limited	Subsidiary	Nespak UK Limited, Parkview 183-189 the vale, London, UK.	United Kingdom

30.2 A number of entities owned directly/indirectly by the Government of Pakistan (GOP) are the related parties of the Company due to significant influence of the GOP over the Company. Accordingly, the management has applied the exemption available under IAS 24 'Related Party Disclosures' and the transactions with those entities, other than disclosed above, are considered insignificant at the financial statement level to be disclosed.

31 FINANCIAL RISK MANAGEMENT

31.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme 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 Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(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 and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD), Pound (GBP), Euro (EUR), Qatari Riyal (QAR), Saudi Riyal (SAR), Yemeni Riyal (YER), Omani Riyal (OMR), Irani Riyal (IRR), and UAE Dirham (AED). The Company's exposure to currency risk is as follows:

	2019	2018
	------ (Rupees in thousand) ------	
Trade receivables - USD	**503,422**	310,866
Foreign currency bank balances - USD	**557,716**	328,931
Foreign currency cash balances - USD	**490**	2,252
Foreign currency short term investment - USD	**687,140**	485,600
Net exposure - USD	**1,748,768**	1,127,649
Trade receivables - GBP	**8,145**	8,145
Foreign currency cash balances - GBP	**953**	751
Net exposure - GBP	**9,098**	8,896
Trade receivables - EUR	**36,205**	-
Foreign currency cash balances - EUR	**1,707**	1,338
Net exposure - EUR	**37,912**	1,338
Trade receivables - QAR (Net exposure)	**618,884**	454,233
Trade receivables - SAR ((Net exposure)	**189,716**	175,901
Foreign currency bank balances - YER (Net exposure)	**58**	18
Trade receivables - OMR (Net exposure)	**1,723,562**	1,577,412
Foreign currency bank balances - IRR	**2,365**	2,365
Foreign currency cash balances - IRR	**1,454**	1,454
Net exposure - IRR	**3,819**	3,819
Trade receivables - AED	**1,174**	1,174
Foreign currency bank balances - AED	**-**	395
Foreign currency cash balances - AED	**11**	-
Net exposure - AED	**1,185**	1,569

The following significant exchange rates have been applied during the year:

	2019	2018
Rupees per USD		
Average rate	140.60	113.13
Reporting date rate	159.80	121.40
Rupees per GBP		
Average rate	180.56	147.69
Reporting date rate	201.97	159.14
Rupees per EUR		
Average rate	160.79	130.48
Reporting date rate	180.24	141.33
Rupees per QAR		
Average rate	38.61	30.63
Reporting date rate	43.88	33.33
Rupees per SAR		
Average rate	37.47	30.17
Reporting date rate	42.56	32.37

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	2019	2018
Rupees per YER		
Average rate	0.57	0.45
Reporting date rate	0.64	0.49
Rupees per AED		
Average rate	38.27	30.80
Reporting date rate	43.49	33.05
Rupees per OMR		
Average rate	360.48	293.86
Reporting date rate	405.46	315.50

If the functional currency, at reporting date, had fluctuated by 5% against the USD, GBP, EUR, QAR, SAR, YER, AED, OMR and IRR with all other variables held constant, the impact on loss after taxation for the year would have been Rs. 216,652 thousand (2018: Rs. 139,378 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 financial assets of the company include short term investments at fair value through profit or loss of amounting to Rs. 89,237 thousand (2018: Rs. 97,963 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. 4,462 thousand (2018: Rs. 4,898 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 reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
Financial assets	------ (Rupees in thousand) ------	
Bank balances - short term investments - local currency	**30,000**	230,000
Bank balances - short term investments - foreign currency	**687,140**	485,600
Bank balances - PLS savings accounts - local currency	**343,630**	595,733
Bank balances - PLS savings accounts - foreign currency	**501,292**	210,954
	1,562,062	1,522,287

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 date would not affect loss of the Company.

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 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) in basis points	**Effect on loss before tax**
	------ (Rupees in thousand) ------	
2019		
Pak Rupees	**100**	**15,621**
Pak Rupees	**-100**	**(15,621)**
2018		
Pak Rupees	100	8,066
Pak Rupees	-100	(8,066)

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(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, contract fee receivables, investments, loans, deposits 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 contract fee receivables, loans and advances, other receivables, short term investments and bank balances. Therefore, the Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy. The maximum exposure to credit risk on the reporting date as follows:

Financial assets at amortized cost - unsecured	2019	2018
	-- (Rupees in	thousand) --
Long term advance	**75**	75
Long term security deposits	**6,533**	6,713
Contract fee receivables	**8,758,348**	9,766,365
Deposits	**316,909**	330,162
Interest accrued	**5,974**	16,132
Other receivables	**77**	1,795
Short term investments	**806,377**	813,563
Bank balances	**908,723**	986,732
	10,803,016	11,921,537

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			2019	2018
Financial institution	**Short term**	**Long term**	**Agency**	-- (Rupees in	thousand) --
Allied Bank Limited	A-1+	AAA	PACRA	**431,460**	364,200
Arif Habib Investment	A-1	AA-	JCR-VIS	**1,909**	1,808
Bank AL Habib Limited	A-1+	AA+	PACRA	**30,000**	30,000
Bank Alfalah Limited	A-1+	AA+	PACRA	**159,800**	121,400
JS Bank Limited	A-1+	AA-	PACRA	-	200,000
NAFA Government		Not Available		**1,677**	1,575
United National Bank-Lon		Not Available		**95,880**	-
United Bank Limited	A-1+	AAA	JCR-VIS	**85,651**	94,580
				806,377	813,563
Cash at bank					
Financial institution					
Allied Bank Limited	A-1+	AAA	PACRA	**357,886**	109,534
Bank Alfalah Limited	A-1+	AA+	PACRA	**23,879**	145,918
Bank AL Habib Limited	A-1+	AA+	PACRA	**104,742**	109,673
Bank of Punjab	A-1+	AA	PACRA	**30,134**	22,656
Faysal Bank Limited	A-1+	AA	PACRA	**14,832**	14,741
Habib Bank Limited	A-1+	AAA	JCR-VIS	**49,341**	115,429
JS Bank Limited	A-1+	AA-	PACRA	**11,818**	15,781
MCB Bank Limited	A-1+	AAA	PACRA	**3,386**	12,652
Meezan Bank Limited	A-1+	AAA	PACRA	**63,717**	-
National Bank of Pakistan	A-1+	AAA	PACRA	**142,067**	162,218
United Bank Limited	A-1+	AAA	JCR-VIS	**52,742**	158,451
United National Bank-Lon		Not Available		**52,153**	115,291
Silk Bank Limited	A-2	A-	JCR-VIS	**2,026**	4,388
				908,723	986,732

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

The ageing analysis of contract fee receivables is as follows:

	2019	2018
	-- (Rupees in thousand) --	
Up to 6 months	**3,144,965**	5,924,984
More than 6 months less than 1 year	**1,659,051**	1,440,286
More than 1 year	**7,699,470**	4,443,375
	12,503,486	11,808,645

As at 30 June 2019, contract fee receivables amounting to Rs. 3,745,138 thousand (2018: Rs. 2,042,280 thousand) were impaired and provided for.

(c) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

	Maturity upto one year	Maturity after one year	Total
		2019	
Financial liabilities are analyzed below, with regard to their remaining contractual maturities:	------- (Rupees in thousand) -------		
Trade and other payables	**726,174**	-	**726,174**
Dividend payable	**50,000**	-	**50,000**
Total financial liabilities	**776,174**	-	**776,174**

	Maturity upto one year	Maturity after one year	Total
		2018	
	------- (Rupees in thousand) -------		
Trade and other payables	687,355	-	687,355
Liabilities against assets subject to finance lease	54	-	54
Dividend payable	50,000	-	50,000
Total financial liabilities	737,409	-	737,409

31.2 **Financial instruments - Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

31.2.1 **Fair value estimation**

	2019			
	Level 1	Level 2	Level 3	Total
	---------- Rupees ----------			
Investment properties	-	**152,696**	-	**152,696**
Short term investements	**89,237**	-	-	**89,237**
	89,237	**152,696**	-	**241,933**

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	2018			
	Level 1	Level 2	Level 3	Total
	Rupees			
Investment properties	-	150,780	-	150,780
Short term investements	97,963	-	-	97,963
	97,963	150,780	-	248,743

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

In respect of financial asset at fair value through profit or loss, there were no transfers between Level 1, 2 or 3 during 2019 and 2018.

31.2.1.1 **Valuation techniques used to derive level 1 and level 2 fair values:**

Level 1 fair value relates to short term investment in mutual funds of three different mutual fund entities i.e. UBL Government Securities Fund of UBL Fund Managers, Pakistan Cash Management Fund of MCB Arif Habib Savings and Investment Limited and NAFA Government Securities Liquid Fund of NBP Fullerton Asset Management Limited. Fair value of investments measured at fair value through statement of profit or loss is derived from quoted market prices in active markets.

Level 2: fair value of investment properties has been derived using a sales comparison approach. Sale prices of comparable land in close proximity are adjusted for differences in key attributes such as location and size of the properties. The most significant input into this valuation approach is price per square foot.

31.3 **Financial instruments by categories**

The following table shows the carrying amounts and fair values of financial instruments and non-financial instruments:

	2019		
	At fair value through profit or loss	**Amortized cost**	**Total**
	(Rupees in thousand)		
As at 30 June 2019			
Financial asset measured at fair value			
Short term investments	**89,237**	-	**89,237**
Financial assets - not measured at fair value			
Long term advance	-	**75**	**75**
Long term security deposits	-	**6,533**	**6,533**
Contract fee receivables	-	**8,758,348**	**8,758,348**
Other receivables	-	**77**	**77**
Deposits	-	**316,909**	**316,909**
Interest accrued	-	**5,974**	**5,974**
Short term investments	-	**717,140**	**717,140**
Bank balances	-	**911,901**	**911,901**
	-	**10,716,957**	**10,716,957**
Financial liabilities - not measured at fair value			
Trade and other payables	-	**726,174**	**726,174**
Dividend payable	-	**50,000**	**50,000**
Liabilities against assets subject to finance lease	-	-	-
	-	**776,174**	**776,174**

	2018		
	At fair value through profit or loss	Amortized cost	Total
	(Rupees in thousand)		
As at 30 June 2018			
Financial asset measured at fair value			
Short term investments	97,963	-	97,963

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	2018		
	At fair value through profit or loss	Amortized cost	Total
Financial assets - not measured at fair value	----- (Rupees in thousand) -----		
Long term advance	-	75	75
Long term security deposits	-	6,713	6,713
Contract fee receivables	-	9,766,365	9,766,365
Other receivables	-	1,795	1,795
Deposits	-	330,162	330,162
Interest accrued	-	16,132	16,132
Short term investments	-	715,600	715,600
Bank balances	-	986,732	986,732
	-	11,823,574	11,823,574

	At fair value through profit or loss	Amortized cost	Total
Financial liabilities - not measured at fair value	----- (Rupees in thousand) -----		
Trade and other payables	-	687,355	687,355
Dividend payable	-	50,000	50,000
Liabilities against assets subject to finance lease	-	54	54
	-	737,409	737,409

In respect of financial asset at fair value through profit or loss, there were no transfers between Level 1, 2 or 3 during 2019 and 2018.

32 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.

		2019	2018
33	**Number of employees**	--- (No. of persons) ---	
	Total number of employees as at June 30	**2,697**	2,817
	Average number of employees during the year	**2,757**	2,856

		2019	2018
34	**Disclosures relating to Provident Fund**	-- (Rupees in thousand) --	
	Size of the fund	**3,183,512**	3,023,970
	Cost of investments made	**2,396,474**	2,370,332
	Fair value of investments	**2,396,474**	2,370,332
	Breakup of investments		
	Special saving certificates	**2,396,474**	2,370,332
	Percentage of investments made	**75.28%**	78.38%

The figures for 2019 and 2018 are based on the audited financial statements of the Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

35 POST BALANCE SHEET EVENTS

35.1 The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. Accordingly, on 20 March 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 had a distressing impact on overall demand in the global economy with notable downgrade in growth forecast.

The Company has reviewed its exposure to business risks and has not identified any risks that could materially impact the financial performance or position of the Company. Further, in FY 2020, the overall economic situation of the country was improved with the easing of lock down and re-opening of the businesses. Consequently, there is no material impact on the recognition and measurement of assets and liabilities.

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36 **CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of better and fair presentation, however, no significant rearrangements and reclassifications has been made in these financial statements except for the following:

Nature of item	Reclassified from	Reclassified to	(Rupees in thousand)
Advances from customers	Trade and other payables	Contract liabilities	476,303
Security deposits	Long term loans and advances	Deposits and prepayments	50,402

37 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 24-06-2021 by the Board of Directors of the Company.

Chief Executive

Director