NATIONAL ENGINEERING
SERVICES PAKISTAN
(PRIVATE) LIMITED

Financial Statements for The
Year Ended 30 June 2020

RSRIR RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

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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 2020**, and the statement of profit or loss and other 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, subject to the effects of the matter described in the Basis for Opinion section of our report, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the loss and comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion.

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

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.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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)

Other Matter

The financial statements of the Company for the year ended 30 June 2019, were audited by another auditor who issued an unmodified report on the financial statements on 16 July 2021.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Adnan Rashid.

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Lahore:

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020	2019	2018
		--- (Rupees in thousand) ---		
ASSETS			Restated	Restated
NON-CURRENT ASSETS				
Property and equipment	5	**1,005,043**	970,292	1,017,164
Intangible assets	6	**1,166**	3,822	6,249
Investment properties	7	**100,954**	105,478	110,240
Investment in subsidiaries	8	**2,960**	2,960	2,977
Investment in associates	9	**64,497**	57,651	53,860
Long term loans and advances	10	**2,853**	3,111	33,167
Long term deposits	11	**226,469**	240,736	6,713
Deferred tax asset - net	12	**-**	-	-
		1,403,942	1,384,050	1,230,370
CURRENT ASSETS				
Stationery stores		**8,029**	9,244	12,540
Contract fee receivables	13	**7,957,797**	8,489,350	9,521,550
Loans and advances	14	**266,318**	254,228	273,068
Deposits and prepayments	15	**98,383**	71,648	332,397
Interest accrued		**13,737**	5,974	16,132
Other receivables	16	**3,110,581**	2,698,594	2,079,318
Short term investments	17	**1,005,261**	806,377	813,563
Tax refunds due from government		**761,862**	607,209	282,870
Cash and bank balances	18	**480,464**	911,901	991,074
		13,702,432	13,854,525	14,322,512
Total assets		**15,106,374**	15,238,575	15,552,882
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
500,000 (2019: 500,000) ordinary shares of Rs. 10 each		**5,000**	5,000	5,000
Issued, subscribed and paid up share capital	19	**5,000**	5,000	5,000
Revenue reserves				
- General reserve		**11,557,516**	11,557,516	11,314,799
- Accumulated loss		**(2,390,564)**	(1,414,317)	(234,197)
Total equity		**9,171,952**	10,148,199	11,085,602
NON-CURRENT LIABILITIES				
Lease liability	20	**82,354**	-	-
Employees retirement and other benefits	21	**733,735**	781,337	766,616
		816,089	781,337	766,616
CURRENT LIABILITIES				
Trade and other payables	22	**4,387,231**	3,678,925	2,970,050
Current portion of lease liability	20	**16,543**	-	54
Contract liabilities	23	**522,879**	288,955	476,303
Dividend payable		**-**	50,000	50,000
Provision for taxation		**191,680**	291,159	204,257
		5,118,333	4,309,039	3,700,664
Total liabilities		**5,934,422**	5,090,376	4,467,280
Total equity and liabilities		**15,106,374**	15,238,575	15,552,882
CONTINGENCIES AND COMMITMENTS	24			

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive | **Director**

Faisal Arajeed

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NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		--- (Rupees in thousand) ---	
			Restated
Revenue from contracts with customers - net	25	6,366,897	7,139,561
Cost of revenue	26	(7,593,321)	(8,158,647)
Operating loss		(1,226,424)	(1,019,086)
Finance cost	27	(16,009)	(4,054)
		(1,242,433)	(1,023,140)
Other expenses	28	(143)	-
Other income	29	357,286	1,075,844
Share of profit from associates - net	9	5,985	4,415
		363,128	1,080,259
(Loss)/ Profit before taxation		(879,305)	57,119
Taxation	30	(191,680)	(291,159)
Loss for the year		(1,070,985)	(234,040)
Other comprehensive income - Net of tax			
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:			
Remeasurement gain on employees retirement and other benefits	21.3.3	93,877	135,000
Share of other comprehensive gain/ (loss) from associates	9	861	(624)
Other comprehensive income for the year		94,738	134,376
Total comprehensive loss for the year		(976,247)	(99,664)
Loss per share - basic and diluted #	32	(2.142)	(0.468)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Director

Faisal Majeed

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NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued, subscribed and paid up share capital	Revenue reserves		Total
		General reserve	Accmulated loss	
	(Rupees in thousand)			
Balance as at 30 June 2018	5,000	11,314,799	(20,273)	11,299,526
Effect of rectification of error (refer note 4.21)	-	-	(213,924)	(213,924)
Balance as at 01 July 2018 - restated	5,000	11,314,799	(234,197)	11,085,602
Effect of application of change in accounting policy resulting from adoption of IFRS 09- Net of tax	-	-	(594,795)	(594,795)
Transfer to general reserve	-	242,717	(242,717)	-
Loss for the year - restated	-	-	(234,040)	(234,040)
Other comprehensive loss for the year	-	-	134,376	134,376
Total comprehensive loss	-	-	(99,664)	(99,664)
Effect of rectification of error (refer note 4.21)	-	-	(242,944)	(242,944)
Balance as at 30 June 2019 - restated	5,000	11,557,516	(1,414,317)	10,148,199
Transfer to general reserve	-	-	-	-
Loss for the year	-	-	**(1,070,985)**	**(1,070,985)**
Other comprehensive income for the year	-	-	**94,738**	**94,738**
Total comprehensive loss	-	-	**(976,247)**	**(976,247)**
Balance as at 30 June 2020	**5,000**	**11,557,516**	**(2,390,564)**	**9,171,952**

The annexed notes 1 to 42 form an integral part of these financial statements.

Khan
Chief Executive

Alamgir
Director

Faisal Majeed

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019 Restated
		-- (Rupees in thousand) --	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ Profit before taxation		(879,305)	57,119
Adjustments:			
Depreciation of property and equipment		96,894	84,094
Depreciation of investment properties		4,524	4,762
Fair value loss/ (gain) on short term investments - net		143	(4,761)
Amortization of intangible assets		2,925	3,885
Impairment loss on investments in subsidiaries		-	17
Allowance for expected credit losses - net		719,583	878,674
Allowance for expetced credit loss - guarantees		-	13,630
Gain on disposal of property and equipment		(2,083)	(7,166)
Share of profit from associates - net		(5,985)	(4,415)
Employees retirement and other benefits		(34,310)	24,181
Gratuity expense		129,275	133,570
Return on bank deposits		(61,811)	(56,634)
Finance cost		16,009	-
		(14,141)	1,126,956
Working capital changes			
(Increase) / decrease in current assets:			
Stationery stores		1,215	3,296
Contract fee receivables		(188,030)	139,896
Loans and advances		(12,090)	59,518
Deposits and short term prepayments		(26,735)	12,916
Other receivables		(411,987)	(619,276)
Tax refunds due from government		(154,653)	(324,339)
Increase / (decrease) in current liabilities:			
Trade and other payables		708,306	708,875
Contract liabilities		233,924	(187,348)
		149,950	(206,462)
Cash generated from operations		135,809	920,494
Income taxes paid		(291,159)	(1,028,366)
Finance cost paid		(4,925)	-
Employee benefits paid		(48,690)	(8,030)
Net cash flows used in operating activities		(208,965)	(115,902)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment - net		(26,163)	(40,792)
Decrease / (Increase) in long term loans and advances		258	(10,622)
Decrease in security deposits		14,267	180
Purchase of intangible assets		(269)	(1,458)
Proceeds from disposal of property and equipment		9,010	10,736
Short term investments - net		(199,027)	(673,653)
Interest received		54,048	66,792
Net cash flows used in investing activities		(147,876)	(648,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		-	(54)
Lease liability paid		(24,596)	-
Dividend paid		(50,000)	-
Net cash flows used in financing activities		(74,596)	(54)
Net decrease in cash and cash equivalents		(431,437)	(764,773)
Cash and cash equivalents at the beginning of the year		911,901	1,676,674
Cash and cash equivalents at the end of the year	31	480,464	911,901

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive	Director

Faisal Majeed

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NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 principal 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:

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 4.10 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 have been rounded to nearest thousand of rupees, unless when otherwise stated.

2.4 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

a) Standards and interpretations that became effective but not relevant to the Company:

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the company other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amendments resulting from Annual Improvements 2015–2017 Cycle)
- IFRS 11 - Joint Arrangements (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)
- IFRS 16 - Leases
- IFRS 16 - Leases - (Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification)

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- IAS 12- Income Taxes - (Amended by Annual Improvements to IFRS Standards 2015–2017 Cycle)
- IAS 19 - Employee Benefits-(Plan amendment,curtailment or settlement)
- IAS 23 - Borrowing Costs-(Amendments resulting from annual improvements 2015-2017 cycle)
- IAS 28 - Investments in Associates-(Amended by Long-term Interests in Associates and Joint Ventures)
- IFRIC 23 - Uncertainity Over Income Tax Treatments

b) Forthcoming requirements not effective in current year and not considered relevant:

The following standards (revised or amended) and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements or are not notified by SECP other than increased disclosures in certain cases:

- IFRS 3 - Business Combinations - (Amended-definition of business)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework)-(applicable for annual periods beginning on or after 1 January 2022)
- IFRS 7 - Financial Instruments: Disclosures - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IFRS 9 - Financial Instruments - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020)-(applicable for annual periods beginning on or after 1 January 2022)
- IAS 1- Presentation of Financial Statements - (Amended-definition of material)-(effective for annual periods beginning on or after 1 January 2020).
- IAS 1- Presentation of Financial Statements - (Amended Amendments regarding the classification of liabilities)-(effective for annual periods beginning on or after 1 January 2022).
- IAS 8- Accounting Policies , Changes in Accounting Estimates and Errors - (Amended-definition of material)-(effective for annual periods beginning on or after 1 January 2020).
- IAS 16- Plant property and equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use)-(effective for annual periods beginning on or after 1 January 2022).
- IAS 39 - Financial Instruments: Recognition and Measurement - (Amendments regarding pre-replacement issues in the context of the IBOR reform)-(applicable for annual periods beginning on or after 1 January 2020)
- IAS 41- Agriculture - (Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements))-(effective for annual periods beginning on or after 1 January 2020).

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has

also issued the following standards which have not been adopted locally by the Securities and Exchange Commissionof Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts
- IFRS 14 – Regulatory Deferral Accounts

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 12 and 30)

In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decisions 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.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profits 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 resale values and expected usual wear and tear.

c) **Employee benefits (Note 21)**

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 unlisted 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 employees. 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 repurchase 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 and 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 from the month in which an asset is disposed off.

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

Maintenance and normal repairs are charged to 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.

4.2 Accounting for leases

Right-of-use asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-to-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful life of right-of-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use asset recognised.

Short term leases

The Company has elected not to recognise the right-of-use asset and lease liability for short term leases of properties that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense.

4.3 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises acquisition and other directly attributable costs. 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.

Amortization is charged to the statement of profit or loss on straight line basis to cost of revenue over a period of three years. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged from the month in which the asset is disposed off. The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at each financial year end.

4.4 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 the statement of profit or loss in the period of derecognition.

4.5 Investments

4.5.1 Investments in subsidiaries

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

4.5.2 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.

4.6 Long and short term deposits

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

4.7 Stationery stores

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

4.8 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 4.13. Debts considered irrecoverable are written off.

4.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks and 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 cash in hand, balances with banks and short term investments maturing within three months.

4.10 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:

4.10.1 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 2020 using the projected unit credit method. Significant assumptions used for valuation of these schemes are mentioned in Note 21. The future contribution rates of these funds include allowance for deficit and surplus.

4.10.2 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.

4.10.3 Accumulated compensated absences

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

4.10.4 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/ twenty years and thirty years of service are entitled to receive one month's/ two months' salary and three months' salary respectively. At each year end, the management records provision based upon the valuation performed by the independent actuary.

4.10.5 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.

4.11 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.

4.12 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.

4.13 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 the 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)

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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.

4.12 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.

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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.

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- 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.

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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.

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.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

4.15 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.

4.16 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.

4.17 Dividends and appropriations to reserves

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

4.18 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.

4.19 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 34.

4.20 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.

4.21 Rectification of error

During the year, the Company has written off deferred tax asset previously recorded in financial statements with retrospective effect. This has retrospective effect in accordance with the requirements of IAS-8 'Accounting Policies, Changes in Accounting Estimates, and Errors' and figures of the statement of financial position, the statement of profit or loss and other comprehensive income and the statement of changes in equity have been restated from earliest period accordingly.

The effects of adjustments are summarized below:

	30-Jun-19		
	Previously reported	Adjustment	Restated
Statement of financial position			
Non-current assets			
Deferred tax asset	1,187,669	(1,187,669)	-
Current assets			
Contract fee receivables	8,758,348	(268,998)	8,489,350
Tax refunds due from government	-	607,209	607,209
Current liabilities			
Provision for taxation	577,154	(285,995)	291,159
Statement of changes in equity			
Accumulated loss	(850,854)	(563,463)	(1,414,317)
Statement of profit or loss			
Taxation	(184,554)	(106,605)	(291,159)

	30-Jun-18		
	Previously reported	Adjustment	Restated
Statement of financial position			
Non-current assets			
Deferred tax asset	632,874	(632,874)	-
Current assets			
Contract fee receivables	9,766,365	(244,815)	9,521,550
Tax refunds due from government	-	282,870	282,870
Current liabilities			
Provision for taxation	585,152	(380,895)	204,257
Statement of changes in equity			
Accumulated loss	(20,273)	(213,924)	(234,197)
Statement of profit or loss			
Taxation		Not Applicable	

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5 PROPERTY AND EQUIPMENT

Particulars	Cost				Depreciation				Net book value as at 30 June 2020	Depreciation rate %
	As at 01 July 2019	Additions/ (disposal)	Transfers	As at 30 June 2020	Accumulated as at 01 July 2019	Charge for the year/ (disposal)	Transfers	Accumulated as at 30 June 2020		
	(Rupees in thousand)									
Owned:										
Freehold land	340,040	-	-	340,040	-	-	-	-	340,040	-
Buildings on freehold land	276,937	-	-	276,937	115,973	8,048	-	124,021	152,916	5
Building on leasehold land	299,946	-	-	299,946	100,075	9,994	-	110,069	189,877	5
Furniture and fixture	163,797	626 (1,039)	-	163,384	100,521	6,329 (628)	-	106,222	57,162	10
Office and electrical equipment	375,342	7,534 (1,486)	-	381,390	296,563	16,806 (1,231)	-	312,138	69,252	20
Computers	221,914	3,792 (193)	-	225,513	193,695	10,583 (147)	-	204,131	21,382	35
Drawing and survey equipment	86,478	520	-	86,998	55,333	7,862	-	63,195	23,803	25
Vehicles	202,050	13,691 (13,592)	-	202,149	135,522	14,545 (7,377)	-	142,690	59,459	20
	1,966,504	26,163 (16,310)	-	1,976,357	997,682	74,167 (9,383)	-	1,062,466	913,891	
Leased:										
Leasehold land (Note 5.1)	8,083	-	-	8,083	6,613	245	-	6,858	1,225	3.03
Right-of-use (ROU) asset (Note 5.2)	-	112,409	-	112,409	-	22,482	-	22,482	89,927	20
	8,083	112,409	-	120,492	6,613	22,727	-	29,340	91,152	
Total	1,974,587	138,572 (16,310)	-	2,096,849	1,004,295	96,894 (9,383)	-	1,091,806	1,005,043	

Particulars	Cost				Depreciation				Net book value as at 30 June 2019	Depreciation rate %
2019	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	276,937	-	-	276,937	102,159	13,814	-	115,973	160,964	5
Building on leasehold land (Note 5.1)	299,946	-	-	299,946	94,808	5,267	-	100,075	199,871	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 (378)	-	375,342	277,599	19,310 (346)	-	296,563	78,779	20
Computers	218,834	4,781 (1,701)	-	221,914	181,038	14,108 (1,451)	-	193,695	28,219	35
Drawing and survey equipment	73,018	13,460	-	86,478	46,086	9,247	-	55,333	31,145	25
Vehicles	198,557	18,484 (18,133)	3,142	202,050	133,144	15,111 (14,845)	2,112	135,522	66,528	20
	1,942,782	40,792	3,142	1,966,504	928,363	83,849	2,112	997,682	968,822	
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	40,792 (20,212)	3,142 (3,142)	1,974,587	936,843	84,094 (16,642)	2,112 (2,112)	1,004,295	970,292	

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

5.2 This relates to right-of-use created as per IFRS-16 on premises situated at NICL Building, Karachi

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 '000') ----						
2020							
Toyota Corolla GLI LEJ-15-1037	1,771	1,077	694	694	-	Company Policy	Mr. Aamir Bin Younus - Former G.M/Head-Economic Studies Division
Toyota Corolla GLI LEJ-17-1390	1,807	708	1,099	1,099	-	Company Policy	Mr.Abdul Qayyum Ch Former G.M Head BSD
Toyota Corolla GLI LEJ-17-154	1,957	826	1,131	1,131	-	Company Policy	Mr.kamran Imtiaz Former V.P/Head Human Resource Division
Toyota Corolla GLI LEJ-16-1033	1,771	983	788	788	-	Company Policy	Mr. Abdul Salam Former G.M/Head GT&G.E
Toyota Corolla XLI LEJ-15-1606	1,685	1,000	685	685	-	Company Policy	Mr.Rizwan Baig Former G.M/Head H&TE
Toyota Corolla GLI BNM-874	2,154	479	1,675	1,675	-	Company Policy	Mr. Ahmad Halim Former V.P/Head Karachi
	11,145	5,073	6,072	6,072	-		
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
	4,292	2,193	2,099	2,099	-		

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

6 INTANGIBLE ASSETS

	Note	2020	2019 Restated
		---- (Rupees in thousand) ----	
Cost			
Opening balance		29,718	28,260
Additions		269	1,458
Closing balance		29,987	29,718
Amortization			
Opening balance		25,896	22,011
for the year	26	2,925	3,885
Closing balance		(28,821)	25,896
Net book value as at 30 June		1,166	3,822
Amortisation rate % per annum on straight line basis		33.33%	33.33%

6.1 The cost of fully amortized intangible assets which are still in use amounted to Rs. 22.877 million (30 June 2019: Rs. 17.627 million).

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

		Note	2020	2019 Restated
7	**INVESTMENT PROPERTIES**		---- (Rupees in thousand) ----	
	Land	7.1	15,000	15,000
	Building on leasehold land	7.2	85,954	90,478
			100,954	105,478

7.1. As per valuation report issued by Independent Valuator - Hamid Mukhtar & Co. (Private) Limited dated 31 December 2019, fair value of investment property in Gujranwala amounts to Rs.23.400 million (2019: Rs. 23.400 million). The area of land is 6 Kanals, located at G. Magnolia Park Housing Scheme, G.T Road, Gujranwala.

7.2 **Building on leasehold land**

	Note	2020	2019
Net carrying value basis:			
Opening net book value		90,478	95,240
Transfers from property and equipment - at cost		-	-
Depreciation	26	(4,524)	(4,762)
Closing net book value at year end		85,954	90,478
Gross carrying value basis:			
Cost		135,780	135,780
Accumulated depreciation		(49,826)	(45,302)
Net book value at year end		85,954	90,478
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 million (2019: Rs. 129.296 million). 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.

8 **INVESTMENT IN SUBSIDIARIES**

	Note	2020	2019
Subsidiary undertakings - unquoted (at cost)			
NESPAK and Partners LLC, Muscat, Oman	8.2	2,821	2,821
13,000 (2019: 13,000) ordinary shares of Omani Riyal (OMR) 1 each			
Equity held: 65% (2019: 65%)			
Less: Accumulated impairment loss		(2,821)	(2,821)
		-	-
Mohammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia	8.2	2,960	2,960
49 (2019: 49) ordinary shares of Saudi Riyal (SAR) 2,000 each			
Equity held: 49% (2019: 49%)			
National Engineering Services Pakistan W.L.L - Doha, Qatar	8.2	4,560	4,560
98 (2019: 98) ordinary shares of Qatari Riyal (QAR) 1,000 each			
Equity held: 49% (2019: 49%)			
Less: Accumulated impairment loss		(4,560)	(4,560)
		-	-
NESPAK UK Limited		17	17
100 (2019: 100) ordinary shares of Great British Pound (GBP) 1 each			
Equity held: 100% (2019:100%)			
Less: Accumulated impairment loss		(17)	(17)
		-	-
		2,960	2,960

8.1 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.

8.2 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	2020	2019 Restated
		---- (Rupees in thousand) ----	
Corporation House (Private) Limited (CHPL)			
200,000 (2019: 200,000) ordinary shares of Rs. 10 each - cost		2,000	2,000
Opening share of accumulated profits		11,453	10,791
Share of net profit for the year charged to profit or loss		888	662
	9.1	14,341	13,453
Engineering Consulting Associates (Nigeria) Limited			
6,000 (2019: 6,000) ordinary shares of Naira 1 each - cost	9.2	91	91
Less: Accumulated impairment loss		(91)	(91)
		-	-
Turkpak International (Private) Limited (TIPL)			
60,000 (2019: 60,000) ordinary shares of Rs. 100 each - cost		6,000	6,000
Opening share of accumulated profits		38,198	35,069
Share of net profit for the year charged to profit or loss		5,097	3,753
Share of net profit/ (loss) for the year charged to other comprehensive income		861	(624)
	9.1	50,156	44,198
Technology and Resource Development (Private) Limited			
4,000 (2019: 4,000) ordinary shares of Rs. 100 each - cost	9.3	400	400
Less: Accumulated impairment loss		(400)	(400)
		-	-
		64,497	57,651

9.1 Summary of financial information of associates as per audited financial statements for the year:

	CHPL 2020	CHPL 2019	TIPL 2020	TIPL 2019
	---- (Rupees in thousand) ----			
Current assets	54,451	51,499	172,226	141,101
Non current assets	3,014	3,014	3,023	15,600
Current liabilities	103	701	74,180	67,626
Non current liabilities	-	-	757	680
Revenue - net for the year	6,570	4,673	181,309	168,424
Expenses for the year	1,114	727	166,270	147,408
Profit for the year	3,550	2,647	10,196	7,506
Total comprehensive income	3,550	2,647	11,918	6,258
Net assets of the associate	57,362	53,812	100,312	88,395
Percentage of holding	25%	25%	50%	50%
Share in net assets of associate	14,341	13,453	50,156	44,198
9.1.1 Breakup value per share (Rupees)	0.1	0.1	0.8	0.7

9.1.2 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 the financial statements. Share of profit for current year is based on the audited financial statements.

9.1.3 TIPL is engaged in providing engineering consultancy services and have its registered office at 1-Nursery Lane, Lawrence Road, Lahore. The Company's interest in TIPL is accounted for using the equity method in the financial statements. Share of profit for current year is based on the audited financial statements.

9.1.4 Two shares of Turkpak International (Private) Limited are held in the name of the nominees of the Company.

9.2 Engineering Consulting Associates (Nigeria) Limited is engaged in providing engineering consultancy services and has its registered office at 5- Ahmadu Bello Way, Kano, Nigeria .

9.3 Technology and Resource Development (Private) Limited is engaged in providing engineering consultancy services and have its registered office at IEEEP Building, 17-C-1, Civic Center, Faisal Town, Lahore.

9.3.1 One share of Technology and Resource Development (Private) Limited is held in the name of Mr. Dr. Tahir Masood, Managing Director of the Company.

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	Note	2020	2019 Restated
10 LONG TERM LOANS AND ADVANCES		------ (Rupees in thousand) ------	
Considered good:			
Employee loans - secured	10.1	**3,156**	4,592
Less : Current maturity	14	**(378)**	(1,556)
		2,778	3,036
Advance due from Pakistan Hydro Consultant - unsecured		**75**	75
		2,853	3,111

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 (2019: 4% per annum) and 5.53% per annum (2019: 5.53% per annum), respectively.

11 LONG TERM DEPOSITS

	Note	2020	2019
Retention and earnest money		**234,203**	235,483
Current portion of retention and earnest money	15	**(15,621)**	(1,280)
		218,582	234,203
Security deposits		**7,887**	6,533
		226,469	240,736

12 DEFERRED TAX ASSET - NET

The Company has been recognizing deferred tax asset in past years in respect of all temporary differences arising from carrying values of assets and liabilities in the financial statements and their tax base. The Company has calculated its deferred tax asset amounting to Rs. 1,431 million (2019: Rs. 1,188 million) mainly on account of allowance for expected credit losses and remeasurement of employees' retirement and other benefits. Following a prudence concept, deferred tax asset has not been recognized as no future profits are expected to be available to utilize this asset.

The deferred tax asset comprises temporary differences arising due to:

	2020	2019
Accelerated tax depreciation	**(63,823)**	(68,089)
Allowance for expected credit losses	**1,292,380**	1,086,090
Right-of-use asset (ROU)	**2,601**	-
Remeasurement of employees' retirement and other benefits	**212,783**	168,287
Others	**(12,248)**	1,381
	1,431,693	1,187,669
Unrecognized deferred tax asset	**(1,431,693)**	(1,187,669)
Deferred tax asset as on 30 June	**-**	-

13 CONTRACT FEE RECEIVABLE

	Note	2020	2019
Contract fee receivables	13.1	**12,414,280**	12,234,488
Less: Allowance for expected credit losses	13.4	**(4,456,483)**	(3,745,138)
		7,957,797	8,489,350

13.1 This includes amounts due from subsidiaries and associates as follows:

	Note	2020	2019
Subsidiaries			
Nespak and Partners LLC, Muscat, Oman		**1,835,796**	1,723,562
Muhammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia		**148,086**	189,716
NESPAK UK Limited		**1,145**	8,145
National Engineering Services Pakistan W.L.L - Doha, Qatar		**744,774**	618,884
	13.2	**2,729,801**	2,540,307
Associates			
Turkpak International (Private) Limited		**1,698**	1,189
Technology and Resource Development (Private) Limited		**6,729**	6,729
NESPAK Foundation		**4,970**	4,742
Federal Government and departments		**4,374,335**	4,332,237
	13.2	**4,387,732**	4,344,897
		7,117,533	6,885,204

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

	2020	2019
Subsidiaries		
Nespak and Partners LLC, Muscat, Oman	**1,835,796**	1,723,562
Muhammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia	**148,086**	189,716
NESPAK UK Limited	**1,145**	8,145
National Engineering Services Pakistan W.L.L - Doha, Qatar	**744,774**	618,884
	2,729,801	2,540,307

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	
Associates			
Turkpak International (Private) Limited		**1,698**	1,189
Technology and Resource Development (Private) Limited		**6,729**	6,729
NESPAK Foundation		**4,970**	4,742
Federal Government and departments		**4,374,335**	4,332,237
		4,387,732	4,344,897
	13.3	**7,117,533**	6,885,204

13.3 Aging analysis of subsidiaries and associates

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

Up to 6 months	**921,938**	1,757,815
More than 6 months less than 1 year	**1,130,367**	460,982
More than 1 year	**5,041,156**	4,666,407
	7,093,461	6,885,204

13.4 Allowance for expected credit losses

Opening balance		**3,745,138**	2,042,280
Impact of adoption of IFRS 9		**-**	837,739
Charge for the year	26	**719,583**	878,674
Receivables written off during the year		**(8,238)**	(13,555)
Closing balance		**4,456,483**	3,745,138

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

Subsidiaries		
Nespak and Partners LLC, Muscat, Oman	**1,132,494**	905,852
Muhammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia	**4,341**	4,341
NESPAK UK Limited	**3,144**	5,914
National Engineering Services Pakistan W.L.L - Doha, Qatar	**744,774**	538,806
	1,884,753	1,454,913
Associates		
Turkpak International (Private) Limited	**85**	59
Technology and Resource Development (Private) Limited	**6,729**	6,729
NESPAK Foundation	**249**	237
Federal Government and departments	**1,751,648**	1,060,709
	1,758,711	1,067,734

14 LOANS AND ADVANCES

Current maturity of long term loans and advances	10	**378**	1,556
Advances to employees		**34,491**	23,596
Advances to suppliers	14.1	**68,498**	42,443
Due from NESPAK Foundation	14.2	**4,385**	4,404
Due from Staff Welfare Fund Trust	14.3	**63,826**	132,578
Miscellaneous advances	14.4	**94,740**	49,651
		266,318	254,228

14.1 These include amount due from following related parties:

NESPAK Foundation	**9,848**	-
Turkpak International Private Limited	**24**	-

In addition to above, the current year balance includes an amount of Rs. 54.821 million which was provided to M/s Mecatech (Private) Limited for the rehabilitation of HVAC System in NESPAK House Lahore.

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

NESPAK Foundation	**9,848**	-
Turkpak International Private Limited	**24**	-

14.1.2 The ageing analysis of NESPAK Foundation is as follows:

Up to 30 Days	**-**	-
30 to 90 Days	**-**	-
Past due 90 Days	**9,848**	-

14.1.3 The ageing analysis of Turkpak International Private Limited is as follows:

Up to 30 Days	**-**	-
30 to 90 Days	**-**	-
Past due 90 Days	**24**	-

14.2 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. 4.385 million (2019: Rs. 4.404 million).

14.2.1 The ageing analysis of NESPAK Foundation Limited is as follows:

Up to 30 Days	**-**	-
30 to 90 Days	**-**	-
Past Due 90 Days	**4,385,000**	4,418,994

14.3 This represents amount due from Staff Welfare Fund Trust, (a related party) in respect of payment made to employees of the Company 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. 85.826 million (2019: Rs. 132.578 million).

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		Note	2020	2019 Restated
			----- (Rupees in thousand) -----	
14.3.1	The ageing analysis of Staff Welfare Fund Trust is as follows			
	Up to 30 Days		-	-
	30 to 90 Days		-	-
	Past due 90 Days		63,825,768	132,578,020

14.4 This represents advances provided to various joint venture projects for their day to day operations.

15 DEPOSITS AND PREPAYMENTS

	Note	2020	2019
Current portion of retention and earnest money	11	15,621	1,280
Margins on bank guarantees	15.1	42,750	41,133
Security deposits		46,911	40,293
Prepayments		6,731	2,572
		112,013	85,278
Less: Allowance for expected credit loss - guarantees	15.2	(13,630)	(13,630)
		98,383	71,648

15.1 This represents the margin amounting to SAR 0.504 million (2019: SAR 0.504 million) 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 0.068 million (2019: OMR 0.068 million) 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.

15.2 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.

16 OTHER RECEIVABLES

	Note	2020	2019
Sales tax receivable	16.1	3,110,526	2,698,318
Miscellaneous receivables	16.2	55	276
		3,110,581	2,698,594

16.1 This includes input tax credit for the peroid from July 2013 to June 2017 amounting to Rs 6.376 million. Additional Commisioner PRA passed order No. 72/2019 dated 17 June 2019 and 113/2019 dated 12 September 2019 by assesing whole receipts declared in sales tax returns on accrual basis and by rejecting the Company's province wise bifurcation. The Company has filed appeal against the said orders and is hopefull that income tax authorities will allow to file revised monthly sale tax returns on receipt basis and adjust the pending input tax .

16.2 These represent advances given to project managers and sub-contractors against the routine expenses at projects. This also includes receivable from Turkpak International (Private) Limited amounting to Rs. Nill (2019: 199 thousand) , an associate company. The maximum aggregate amount due calculated with reference to month end balances during the year was Rs. Nill (2019: Rs. 199 thousand).

17 SHORT TERM INVESTMENTS

	Note	2020	2019
Investments at fair value through profit or loss			
Mutual funds	17.1	100,361	89,237
Investments at amortized cost			
Term deposit receipts	17.2	904,900	717,140
		1,005,261	806,377

17.1 Mutual funds

	2020	2019
UBL Government Securities Fund-Class 'C' 912,699.68 (2019: 809,671.30) units	96,402	85,651
Pakistan Cash Management Fund 41,778.86 (2019: 37,934.36) units	2,105	1,909
NBP Government Securities Liquid Fund 181,749.24 (2019: 164,636.64) units	1,854	1,677
	100,361	89,237

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

	2020	2019
Balance at the beginning of the year	89,237	97,963
Dividend reinvested during the year	11,267	-
Redemption during the year	-	(3,965)
Realized gain on conversion of investments during the year	-	169
Unrealized loss on remeasurement of investments during the year	(143)	(4,930)
Closing and fair value of short term investment	100,361	89,237

17.2 Term deposit receipts

	Note	2020	2019
- Local currency	17.2.1	30,000	30,000
- Foreign currency	17.2.2	874,900	687,140
		904,900	717,140

17.2.1 Local currency	Rate of return	Period of deposit	2020	2019
Bank Al Habib Limited*	12.00%	1 year	30,000	30,000

* 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 million (2019: Rs. 30.000 million).

17.2.2 Foreign currency

	2020	2019
Bank Alfalah Limited	168,250	159,800
Allied Bank Limited	706,650	431,460
United Bank UK	-	95,880
	874,900	687,140

Rate of profit on foreign investments ranges from 3.20% to 4.01% (2019: 2.85% to 5.40%) per annum with a deposit period of 6 months (2019: 6 months).

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	

18 CASH AND BANK BALANCES

	Note	2020	2019
Balances with bank:			
- In current accounts			
Local currency		**20,891**	12,078
Foreign currency		**7,070**	58,973
Less: Impairment		**(2,548)**	(2,490)
		4,522	56,483
		25,413	68,561
- In PLS savings accounts			
Local currency	18.1	**307,585**	338,870
Foreign currency	18.2	**144,270**	501,292
		451,855	840,162
		477,268	908,723
Cash in hand:			
Local currency		-	32
Foreign currency		**4,650**	4,600
Less: Impairment		**(1,454)**	(1,454)
		3,196	3,146
		480,464	911,901

18.1 Rate of profit on saving and deposit local currency accounts ranges from 3.00% to 14.80% (2019: 6.00% to 11.00%) per annum.

18.2 Rate of profit on saving and deposit foreign currency accounts ranges from 0.05% to 1.50% (2019: 0.10% to 1.50%) per annum.

18.3 This represents impairment charged on bank balances of Iran and Yemen offices amounting to Rs 2.490 million and 0.058 million respectively and on cash in hand in Iran office amounting to Rs. 1.454 million.

19 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2020	2019
50,000 (2019: 50,000) ordinary shares of Rs. 10 each fully paid in cash	**500**	500
450,000 (2019: 450,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	**4,500**	4,500
	5,000	5,000

19.1 All the shares are similar with respect to their rights on voting board selection, first refusal and block voting.

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

20 Lease liability

	Note	2020	2019
Lease liability		**82,354**	-
The movement in this head of account is as follows:			
Opening Liability		-	-
Addition during the year		**112,409**	
Less: Payments made during the year		**(24,596)**	-
Interest on unwinding of liability against right-of-use assets	27	**11,084**	-
Balance as at 30 June 2020		**98,897**	-
Less: Current portion shown under current liabilities		**(16,543)**	-
		82,354	-

Reconciliation of present value of future minimum lease payments under the contract and finance cost are as follows:

20.1 Maturity analysis-contractual undiscounted cash flow:

	30 JUNE 2020 Rupees		
	Minimum lease payments	Less: Future finance cost	Present value of minimum lease payments
Not later than one year	**27,055**	10,512	**16,543**
Later than one year but not later than five years	**98,507**	16,153	**82,354**
	125,562	26,665	**98,897**

20.2 The Company has lease contracts for offices used in its operations. These leases have lease terms of 5 years. In general, the Company is restricted from assigning and subleasing the leased assets. These lease contracts include extension and termination options subject to the mutual consent of the Company and the lessors. The Company is bound by certain covenants which include but are not limited to payment of certain taxes and to exercise reasonable care.

21 EMPLOYEES RETIREMENT AND OTHER BENEFITS

	Note	2020	2019
Accumulated compensated absences	21.1	**428,682**	456,451
Long term association benefit	21.2	**154,168**	166,582
Due to Nespak Gratuity Fund Trust - related party	21.3	**150,885**	158,304
		733,735	781,337

		Note	2020	2019 Restated
			------ (Rupees in thousand) ------	
21.1	Changes in the present value of defined benefit obligations:			
	Present value of defined benefit obligations - opening balance		**456,451**	446,768
	Actuarial gain charged to statement of profit or loss	21.1.1	**(27,769)**	9,683
	Present value of defined benefit obligations - closing balance		**428,682**	456,451

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

21.1.1	Charge for the year:		
	Statement of profit or loss:		
	Current service cost	**11,584**	12,803
	Net interest expense	**57,056**	35,741
	Actuarial gains	**(96,409)**	(38,861)
		(27,769)	9,683

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

	2020	2019
Discount rate	**8.50%**	12.50%
Future salary	**8.00%**	12.00%
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	**Industry experience**	Industry experience

	Discount Rate		Future Salary	
	+1%	-1%	+1%	-1%
Sensitivity analysis as at 30 June 2020	---- (Rupees in thousand) ----			
Present value of defined benefit obligation	399,835	459,600	459,611	399,839

		Note	2020	2019
21.2	Changes in the present value of defined benefit obligations:			
	Present value of defined benefit obligations - opening balance		**166,582**	152,084
	Acturial (gain)/ loss charged to the statement of profit or loss	21.2.1	**(6,541)**	14,498
	Benefits paid during the year		**(5,873)**	-
	Present value of defined benefit obligations - closing balance		**154,168**	166,582
21.2.1	Charge for the year			
	Statement of profit or loss:			
	Current service cost		**11,734**	11,593
	Net interest expense		**20,456**	12,167
	Actuarial gains		**(38,731)**	(9,262)
			(6,541)	14,498

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

	2020	2019
Discount rate	**8.50%**	12.50%
Future salary	**8.00%**	12.00%
Average duration of the obligation	**7 years**	5 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

	Discount Rate		Future Salary	
	+1%	-1%	+1%	-1%
Sensitivity analysis as at 30 June 2020	---- (Rupees in thousand) ----			
Present value of defined benefit obligation	143,793	165,287	165,291	143,795

		Note	2020	2019
21.3	The amount recognized in the statement of financial position has been computed as follows:			
	Present value of defined benefit obligations	21.3.1	**2,153,459**	2,040,137
	Fair value of plan assets	21.3.2	**(2,002,574)**	(1,881,833)
			150,885	158,304
21.3.1	Changes in the present value of defined benefit obligations:			
	Balance at beginning of the year		**2,040,137**	2,073,580
	Current service cost		**113,998**	122,380
	Interest expense		**245,102**	158,281
	Benefits paid		**(129,288)**	(151,644)
	Unpaid benefits		**(29,358)**	(38,495)
	Actuarial gain		**(87,132)**	(123,965)
			2,153,459	2,040,137

		Note	2020	2019 Restated
21.3.2	Changes in the fair value of plan assets:		------ (Rupees in thousand) ------	
	Balance at beginning of the year		1,881,833	1,905,816
	Contributions made by the company during the year		42,817	17,292
	Interest income		229,825	147,091
	Benefits paid during the year		(129,288)	(151,644)
	Unpaid benefits		(29,358)	(38,495)
	Return on plan assets excluding interest income		6,745	1,773
			2,002,574	1,881,833
21.3.3	Charge for the year:			
	Statement of profit or loss:			
	Current service cost		113,998	122,380
	Net interest expense		15,277	11,190
			129,275	133,570
	Other comprehensive income:			
	Financial assumptions		156,314	(160,707)
	Experience adjustments		(243,446)	36,742
	Return on plan assets, excluding amounts included in interest income		(6,745)	(1,773)
			(93,877)	(125,738)
			35,398	7,832

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

	2020	2019
Discount rate	8.50%	12.50%
Future salary	8.00%	11.00%
Average duration of the obligation	7 years	7 years
Average expected remaining working lifetime of members	8 years	8 years
Expected mortality rate	SLIC (2001-05)	SLIC (2001-05)
Expected withdrawal rate	Based on experience	Based on experience

	Discount Rate		Future Salary	
	+1%	-1%	+1%	-1%
Sensitivity analysis as at 30 June 2020	------ (Rupees in thousand) ------			
Present value of defined benefit obligation	2,006,445	2,322,284	2,323,093	2,003,327

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

21.3.5 The expected amount chargeable to statement of profit or loss for next year is Rs. 136.820 million.

22 TRADE AND OTHER PAYABLES

	Note	2020	2019
Retention money payable		7,405	6,291
Sundry creditors	22.1	592,808	495,661
Accrued liabilities		289,427	157,097
Due to Nespak Provident Fund Trust - related party		81,565	45,472
Sales tax payable	22.2	3,381,727	2,952,751
Other liabilities	22.3	34,299	21,653
		4,387,231	3,678,925

22.1 This includes Rs. 446.973 million (2019: Rs. 295.686 million) due to related parties, the break up of the amount due is as follows:

	2020	2019
Nespak Foundation	393,635	266,267
Turkpak International (Private) Limited	53,338	29,419
	446,973	295,686

22.2 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 revenue.

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

	Note	2020	2019
23 CONTRACT LIABILITIES	23.1	522,879	288,955

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

24 CONTINGENCIES AND COMMITMENTS

24.1 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 department. 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 favourable outcome and accordingly, no provision has been made in these financial statements.

	Note	2020	2019
			Restated
		------ (Rupees in thousand) ------	

(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. 51 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 Honourable 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 Honourable LHC. Being aggrieved, the Company has filed the reference application before the Honourable 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. The management of the Company, based on the opinion of its legal advisor, is confident for favourable 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 favourable outcome and accordingly, no provision has been made in these financial statements.An other order u/s 122(5A) dated 30.06.2020 has been passed by the ACIR for tax year 2013 and created a demand of Rs.522 million. Being aggrieved, the Company preferred an appeal before CIR(A) which is pending adjudication. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome and accordingly, no provision has been made in these financial statements

(d) 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), who remanded back the case to ACIR for a fresh decision by recalculating the super tax and allowing the due tax credits.The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome and accordingly, no provision has been made in these financial statements.

(e) The ACIR issued notices u/s 122(5A) dated 19 April 2019 showing his intention to recover tax on gross receipts including foreign receipts for the tax years 2016 and 2017. The Company submitted a comprehensive reply to the above notices against which orders dated 03 March 2020 and 07 May 2020 were received creating an accumulated demand of Rs. 367 million. The Company filed appeals against the said order before the CIR (A) along with stay application who vide his orders dated 19 May 2020 stayed the demand for 30 days subject to payment of 5% of the demand. The Company filed appeal before the ATIR who vide order dated 4 June 2020 stayed the demand for 45 days from the date of receipt of said order. CIR(A) decided the cases and deleted the major additions made by ACIR. The Company, as well as the department, assailed the orders 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 favourable outcome and accordingly, no provision has been made in these financial statements.

(f) The ACIR issued notice u/s 122(5A) dated 19 April 2019 showing his intention to recover tax on gross receipts including foreign receipts for the tax year 2018 and created demand of Rs. 536 million. The Company filed appeals against the said order before the CIR (A) who decided the case and deleted the major additions made by ACIR. The Company, as well as the department, assailed the order for cross appeals before Appellate Tribunal Inland Revenue ['ATIR'], which is pending adjudication. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome and accordingly, no provision has been made in these financial statements.

(g) The ACIR issued an order 122(5A) dated 13.04.2021 for the tax year 2019 and created demand of Rs. 279 million. The Company filed appeal against the said order before the CIR (A) who decided the case and deleted the major additions made by ACIR. The Company, as well as the department, assailed the order for cross appeals before Appellate Tribunal Inland Revenue ['ATIR'], which is pending adjudication. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome and accordingly, no provision has been made in these financial statements.

(h) The ACIR issued an order 122(5A) dated 12.08.2021 for the tax year 2020 and created demand of Rs. 450 million. The Company filed appeal against the said order before the CIR (A) who decided the case and deleted the major additions made by ACIR. The Company, as well as the department, assailed the order for cross appeals before Appellate Tribunal Inland Revenue ['ATIR'], which is pending adjudication. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome and accordingly, no provision has been made in these financial statements.

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	

Sales Tax

(i) 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, who prior to adjudication and decision of appeals referred the matter to the Commissioner Audit in order to adjudicate and decide the factual matters regarding the breakup of total turnover relating to the province of Punjab which is in process. The management, based on the opinion of its legal advisor, is confident for FAVOURABLE outcome and accordingly, no provision has been made in these financial statements.

(j) Sindh Revenue Board (SRB) issued notices to NESPAK for levy of sales tax on services including the contracts executed prior to the levy of (SST). The matter was challenged before the Sindh High Court Karachi on the ground that NESPAK is fully owned by the Federal Government and the effect of the levy is not retrospective on the contacts executed by NESPAK prior to this levy. The petition has been decided by the Court with the direction that department may afford proper opportunity of hearing to the petitioner and thereafter pass an appropriate order in accordance with the law. The management, based on the opinion of its legal advisor, is confident for favourable outcome and accordingly, no provision has been made in these financial statements.

Others

(k) The Company, based on legal opinion, has withheld sales tax on payments made to Nespak Foundation but has not deposited the said amount with relevant tax authorities as Nespak Foundation is in litigation with relevant tax authoritites (i.e PRA and SRB etc.). According to to the opinion the penalty and default surcharge (if any) on tax not deposited by the Company cannot be ascertained at this stage.

(l) 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 favourable 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.

Guarantees

Guarantees given by commercial banks and an insurance company on behalf of the Company amount to Rs. 3,924.74 million (2019: Rs. 5,584.64 million).

25 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	Note	2020	2019
Services rendered in Pakistan		6,840,709	7,682,975
Services rendered outside Pakistan		265,287	330,511
	25.1	7,105,996	8,013,486
Less: Sales tax		(739,099)	(873,925)
		6,366,897	7,139,561

25.1 Disaggregation of revenue from contracts with customers:

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

	2020	2019
Type of service:		
- Engineering consultancy services	7,105,996	8,013,486
Timing of revenue recognition:		
- Services rendered over time	7,105,996	8,013,486
Geographical markets:		
- Pakistan	6,840,709	7,682,975
- Oman	64,182	137,277
- Afghanistan	33,854	44,623
- Qatar	9,601	12,648
- Nigeria	70,402	46,106
- Jordan	87,248	89,857
	7,105,996	8,013,486

*Contract liabilities as at the beginnig of the year, amounting to Rs. 0.522 million (2019: Rs. 0.288 million), of which Rs. 0.440 million have been recognized during the year as revenue against such advances.

		Note	2020	2019 Restated
			------ (Rupees in thousand) ------	
26	**COST OF REVENUE**			
	Salaries, wages and other benefits	26.1	**4,712,586**	4,684,667
	Sub-consultancy expenses		**908,657**	1,135,455
	Vehicle running expenses		**540,508**	569,187
	Office maintenance and utilities		**330,003**	374,343
	Traveling and conveyance		**151,208**	200,133
	Allowance for expected credit losses	13.4	**719,583**	878,674
	Allowance for expetced credit loss - guarantees	15	**-**	13,630
	Provision for sales tax	26.2	**-**	88,928
	Depreciation of operating fixed assets	5	**96,894**	84,094
	Depreciation of investment property	7.2	**4,524**	4,762
	Printing and stationery		**36,364**	48,821
	Survey and investigation		**37,965**	20,889
	Advertisement and business promotion		**13,358**	14,399
	Amortization of intangible assets	6	**2,925**	3,885
	Legal charges		**9,007**	9,044
	Donation	26.3	**2,301**	871
	Auditor's remuneration	26.4	**945**	1,750
	Impairment on investment in subsidiary	8	**-**	17
	Impairment of Yemen bank balance		**58**	-
	Insurance expense		**8,312**	7,864
	Uniform expense		**9,032**	6,342
	Security expense		**6,047**	6,054
	Miscellaneous expenses		**3,044**	4,838
			7,593,321	8,158,647

26.1 This includes expense incurred in respect of provident fund, welfare fund and gratuity amounting to Rs. 161.816 million (2019: Rs. 150.167 million), Rs. 78.242 million (2019: Rs. 31.236 million) and Rs. 129.275 million (2019: Rs. 133.570 million) respectively.

26.2 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 filed any appeal before Honourable Lahore High Court against the decision of ATIR.

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

26.4 Auditor's remuneration:

			2020	2019
	Audit fee		**945**	1,400
	Other certifications		**-**	150
	Out of pocket expenses		**-**	200
			945	1,750
27	**FINANCE COST**			
	Lease liability	20	**11,084**	-
	Bank charges and commission		**4,925**	4,054
			16,009	4,054
28	**OTHER EXPENSES**			
	Fair value loss on short term investments - net		**143**	-
			143	-
29	**OTHER INCOME**			
	Income from financial assets			
	Return on bank deposits on PLS saving accounts		**61,811**	56,634
	Dividend on short term investements		**13,255**	-
	Interest on long term loans to employees		**122**	212
	Exchange gain - net		**206,692**	942,148
	Fair value gain on short term investments - net		**-**	4,761
	Income from non-financial assets			
	Gain on disposal of property and equipment		**2,083**	7,166
	Rental income from investment property		**71,363**	62,250
	Others		**1,960**	2,673
			357,286	1,075,844
30	**TAXATION**			
	Income Tax:			
	- Current year		**191,680**	291,159
	- Prior year		**-**	-
		30.1	**191,680**	291,159
	Deferred tax	30.2	**-**	-
			191,680	291,159

30.1 **Tax charge reconciliation**
The reconciliation of accounting profit and tax expense has not been presented as the Company is subject to minimum tax @ 3% on its gross receipts under section 153 1(b) of the Income Tax Ordinance, 2001.

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	

30.2 **Deferred tax**

	Note	2020	2019
Relating to origination and reversal of temporary difference	30.2.1	-	21,096
(Expense) / income resulting from change of rate of tax		-	(21,096)
		-	-

30.2.1 This includes deferred tax amounting Rs. Nill (2019: 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.

31 CASH AND CASH EQUIVALENTS

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

	2020	2019
Short term investments:		
Local currency	**30,000**	30,000
Foreign currency	**874,900**	687,140
Bank balances in:		
Current accounts	**25,413**	63,801
Deposit accounts	**451,855**	844,922
Cash in hand	**3,196**	3,178
Less: Investment maturing after three months	**(904,900)**	(717,140)
	480,464	911,901

32 EARNINGS PER SHARE - BASIC AND DILUTED

Earnings/ (Loss) per share is calculated by dividing the profit/ (loss) after tax for the year by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Loss after tax	**(1,070,985)**	(234,040)
Weighted average number of ordinary shares in issue during the period	**500**	500
Loss per share	**(2.142)**	(0.468)

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

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

	Chief Executive		Directors		Executives	
	2020	2019	**2020**	2019	**2020**	2019
	------ (Rupees in thousand) ------					
Managerial remuneration	**2,073**	2,073	-	-	**382,465**	348,444
Fee	-	-	**1,980**	2,520	-	-
Bonus	-	-	-	-	-	-
Reimbursable expenses	**1,239**	1,174	**15**	41	**96,459**	80,027
Other benefits	**7,067**	4,919	-	-	**525,483**	514,579
Post employment benefits	**498**	447	-	-	**126,332**	122,427
	10,877	8,613	**1,995**	2,561	**1,130,739**	1,065,477
Number of persons	**1**	1	**11**	11	**253**	232

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

34 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 33 to these financial statements, are as follows:

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	
		2020	2019
Subsidiary undertakings		------ (Rupees in thousand) ------	
Nespak and Partners LLC, Muscat, Oman			
- Consultancy services rendered		**64,182**	137,277
- Expenses paid on behalf of subsidiary		**58,096**	7,145
- Expenses paid on behalf of parent by subsidary		**118,399**	398,614
National Engineering Services Pakistan W.L.L - Doha, Qatar			
- Consultancy services rendered		**9,601**	12,648
- Expenses paid on behalf of subsidiary		**78,262**	8,491
- Expenses paid on behalf of parent by subsidary		**179**	702
Muhammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia			
- Expenses paid on behalf of subsidiary		**6,843**	42,000
- Expenses paid on behalf of parent by subsidary		**56,051**	56,283
Associates			
Turkpak International (Private) Limited			
- Consultancy services rendered		**509**	1,189
- Consultancy services received		**153,533**	157,269
Other related parties			
Nespak Employees Provident Fund Trust			
- Charge for the year		**161,816**	150,167
Nespak Employee Gratuity Fund Trust			
- Charge for the year		**129,275**	133,570
- Contribution paid		**42,817**	17,292
Nespak Foundation			
- Consultancy services received		**792,960**	1,049,037
- Consultancy services rendered		**11,502**	15,019
Federal Government and departments			
- Consultancy services rendered		**2,889,982**	2,841,797

34.1 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

34.2 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.

35 FINANCIAL RISK MANAGEMENT

35.1 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.

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	

(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:

	2020	2019
Trade receivables - USD	**560,571**	503,422
Foreign currency bank balances - USD	**148,792**	557,716
Foreign currency cash balances - USD	**428**	490
Foreign currency short term investment - USD	**874,900**	687,140
Net exposure - USD	**1,584,691**	1,748,768
Trade receivables - GBP	**3,144**	8,145
Foreign currency cash balances - GBP	**977**	953
Net exposure - GBP	**4,121**	9,098
Trade receivables - EUR	**73,543**	36,205
Foreign currency cash balances - EUR	**1,791**	1,707
Net exposure - EUR	**75,334**	37,912
Trade receivables - QAR (Net exposure)	**744,774**	618,884
Trade receivables - SAR (Net exposure)	**148,086**	189,716
Foreign currency bank balances - YER (Net exposure)	**58**	58
Trade receivables - OMR (Net exposure)	**1,835,796**	1,723,562
Foreign currency bank balances - IRR	**2,490**	2,365
Foreign currency cash balances - IRR	**1,454**	1,454
Net exposure - IRR	**3,944**	3,819
Trade receivables - AED	**1,174**	1,174
Foreign currency cash balances - AED	**-**	11
Net exposure - AED	**1,174**	1,185

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

	2020	2019
Rupees per USD		
Average rate	**164.03**	140.60
Reporting date rate	**168.25**	159.80
Rupees per GBP		
Average rate	**204.51**	180.56
Reporting date rate	**207.05**	201.97
Rupees per EUR		
Average rate	**184.68**	160.79
Reporting date rate	**189.11**	180.24
Rupees per QAR		
Average rate	**45.04**	38.61
Reporting date rate	**46.20**	43.88
Rupees per SAR		
Average rate	**43.68**	37.47
Reporting date rate	**44.80**	42.56

	2020	2019
Rupees per YER		
Average rate	**0.66**	0.57
Reporting date rate	**0.67**	0.64
Rupees per AED		
Average rate	**44.64**	38.27
Reporting date rate	**45.79**	43.49
Rupees per OMR		
Average rate	**418.38**	360.48
Reporting date rate	**431.30**	405.46

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. 219,899 thousand (2019: Rs. 216,652 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.

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	

(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 statement of profit or loss amounting to Rs. 100.361 million (2019: Rs. 89.237 million) 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. 5.018 million (2019: Rs. 4.462 million) 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:

	2020	2019
Financial assets	------ (Rupees in thousand) ------	
Bank balances - short term investments - local currency	**30,000**	30,000
Bank balances - short term investments - foreign currency	**874,900**	687,140
Bank balances - PLS savings accounts - local currency	**307,585**	343,630
Bank balances - PLS savings accounts - foreign currency	**144,270**	501,292
	1,356,755	1,562,062

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) -----	
2020		
Pak Rupees	**100**	**13,568**
Pak Rupees	**-100**	**(13,568)**
2019		
Pak Rupees	100	15,621
Pak Rupees	-100	(15,621)

(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		
Investment in subsidiaries	**2,960**	2,960
Investment in associates	**64,497**	57,651
Long term advance	**75**	75
Long term security deposits	**226,469**	6,533
Contract fee receivables	**7,957,797**	8,758,348
Loans and advances	**162,951**	316,909
Deposits and prepayments	**91,652**	69,076
Interest accrued	**13,737**	5,974
Other receivables	**55**	77
Short term investments	**904,900**	806,377
Bank balances	**477,268**	908,723
	9,902,361	10,932,703

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.

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	

(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**			**2020**	**2019**
Financial institution	**Short term**	**Long term**	**Agency**	------ (Rupees in thousand) ------	
Allied Bank Limited	A1+	AAA	PACRA	**706,650**	431,460
MCB - Arif Habib Savings and Investments Limited	-	AA+(f)	PACRA	**2,105**	1,909
Bank Al Habib Limited	A1+	AA+	PACRA	**30,000**	30,000
Bank Alfalah Limited	A1+	AA+	PACRA	**168,250**	159,800
NBP Fund Management Limited	-	AAA(f)	PACRA	**1,854**	1,677
UBL Fund Managers	-	A+(f)	VIS	**96,402**	85,651
United National Bank-London	Not Available			**-**	95,880
				1,005,261	806,377

Cash at bank	**Rating**			**2020**	**2019**
Financial institution	**Short term**	**Long term**	**Agency**	**------ (Rupees in thousand) ------**	
Allied Bank Limited	A1+	AAA	PACRA	**63,211**	357,886
Bank Alfalah Limited	A1+	AA+	PACRA	**14,864**	23,879
Bank Al Habib Limited	A1+	AA+	PACRA	**87,941**	104,742
Bank of Punjab	A1+	AA	PACRA	**-**	30,134
Faysal Bank Limited	A1+	AA	PACRA	**12,129**	14,832
Habib Bank Limited	A1+	AAA	VIS	**34,562**	49,341
JS Bank Limited	A1+	AA-	PACRA	**2,649**	11,818
MCB Bank Limited	A1+	AAA	PACRA	**8,262**	3,386
Meezan Bank Limited	A1+	AA+	VIS	**79,480**	63,717
National Bank of Pakistan	A1+	AAA	PACRA	**142,938**	142,067
United Bank Limited	A1+	AAA	VIS	**30,184**	52,742
Silk Bank Limited	A-2	A-	VIS	**180**	2,026
United National Bank-London		Not Available		**868**	52,153
Milli Bank-Iran		Not Available		**-**	-
Bank Pasargad-Iran		Not Available		**-**	-
Bank Kashvarzi-Iran		Not Available		**-**	-
				477,268	908,723

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

The aging analysis of contract fee receivables is as follows:

	2020	2019
Up to 6 months	**5,056,252**	3,077,305
More than 6 months less than 1 year	**1,652,821**	1,623,358
More than 1 year	**5,705,207**	7,533,825
	12,414,280	12,234,488

As at 30 June 2020, contract fee receivables amounting to Rs. 5,151.905 million (2019: Rs. 3,745.138 million) 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.

Financial liabilities are analyzed below, with regard to their remaining contractual maturities:	**Maturity upto one year**	**Maturity after one year**	**Total**
	2020		
	---------------- (Rupees in thousand) -------------		
Lease Liabilities	**16,543**	**82,354**	**98,897**
Trade and other payables	**1,005,504**	**-**	**1,005,504**
Total financial liabilities	**1,022,047**	**82,354**	**1,104,401**

	Maturity upto one year	**Maturity after one year**	**Total**
	2019		
	---------------- (Rupees in thousand) -------------		
Trade and other payables	726,174	-	726,174
Dividend payable	50,000	-	50,000
Total financial liabilities	776,174	-	776,174

35.2 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.

Note	2020	2019
		Restated
------ (Rupees in thousand) ------		

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.

35.2.1 Fair value estimation

	2020			
	Level 1	Level 2	Level 3	Total
	------------------ (Rupees in thousand) ------------------			
Investment properties	-	100,954	-	100,954
Short term investements	100,361	-	-	100,361
	100,361	100,954	-	201,315

	2019			
	Level 1	Level 2	Level 3	Total
	------------------ (Rupees in thousand) ------------------			
Investment properties	-	105,478	-	105,478
Short term investements	89,237	-	-	89,237
	89,237	105,478	-	194,715

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 2020 and 2019.

35.2.1.1 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 Investments Limited and NAFA Government Securities Liquid Fund of NBP Fund 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.

35.3 Financial instruments by categories

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

	2020		
	At Fair Value through Profit or Loss	Amortized Cost	Total
	------------------ (Rupees in thousand) ------------------		
As at 30 June 2020			
Financial asset measured at fair value			
Short term investments	100,361	-	100,361
Financial assets - not measured at fair value			
Investment in subsidiaries	-	2,960	2,960
Investment in associates	-	64,497	64,497
Long term advance	-	75	75
Long term security deposits	-	226,469	226,469
Contract fee receivables	-	7,957,797	7,957,797
Loans and advances	-	162,951	162,951
Deposits and prepayments	-	91,652	91,652
Interest accrued	-	13,737	13,737
Other receivables	-	55	55
Short term investments	-	904,900	904,900
Bank balances	-	477,268	477,268
	-	9,902,361	9,902,361

	Note	2020	2019 Restated
		------ (Rupees in thousand) ------	
Financial liabilities - not measured at fair value			
Lease Liabilities	-	98,897	98,897
Trade and other payables	-	1,005,504	1,005,504
	-	1,104,401	1,104,401

	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			
Investment in subsidiaries	-	2,960	2,960
Investment in associates	-	57,651	57,651
Long term advance	-	75	75
Long term security deposits	-	6,533	6,533
Contract fee receivables	-	8,489,350	8,489,350
Loans and advances	-	316,909	316,909
Deposits and prepayments	-	69,076	69,076
Interest accrued	-	5,974	5,974
Other receivables	-	77	77
Short term investments	-	806,377	806,377
Bank balances	-	908,723	908,723
	-	10,663,705	10,663,705
Financial liabilities - not measured at fair value			
Trade and other payables	-	726,174	726,174
Dividend payable	-	50,000	50,000
	-	776,174	776,174

Inrespect of financial asset at fair value through profit or loss, there were no transfers between Level 1, 2 or 3 during 2020 and 2019.

36 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.

37 Number of employees

	2020	2019
Total number of employees as at June 30	2,582	2,682
Average number of employees during the year	2,632	2,750

38 Disclosures relating to Provident Fund

	2020	2019
Size of the fund	3,542,318	3,183,512
Cost of investments made	2,468,678	2,396,474
Fair value of investments	2,468,678	2,396,474
Breakup of investments		
Special saving certificates	2,468,678	2,396,474
Percentage of investments made	69.69%	75.28%

The figures for 2020 and 2019 are based on the audited financial statements of Employees Contributory Provident Fund Trust. 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.

39 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no any events after the statement of financial position date causing any adjustment to/ disclosure in the financial statements.

40 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

A novel strain of corona virus (COVID-19) that was classified as a pandemic by the World Health Organization in March 2020, impacting countries globally. This pandemic has significantly affected all segments of economy. The fair value determination at the measurement date has become more challenging due to the uncertainty of the economic impact of COVID-19. The Company expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and management have evaluated and concluded that there is no going concern uncertainty and there are no material implications of COVID-19 impacts that requires disclosures/ adjustments in these financial statements.

Note	2020	2019 Restated
	------ (Rupees in thousand) ------	

41 **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)
Cash and Bank Balances	PLS - Local Currency	Current - Local Currency	4,760
Advances to suppliers - unsecured	Long term loans and advances	Loans and advances	40,678
Retention and earnest money	Deposit and prepayment	Long term Deposits	234,203
Transfer of asset from bulidings on freehold land to building on lease hold land	Buildings on freehold land	Building on leasehold land	299,946
Transfer of accumulated deperciation on bulidings on freehold land to building on lease hold land	Accumulated depreciation on buildings on freehold land	Accumulated depreciation on building on leasehold land	100,075

42 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on _______________ by the Board of Directors of the Company.

Chief Executive

Director

Stamped for Identification RSRIR CAs

Faisal Majeed.

Rahman Sarfaraz House
54-P, Gulberg-II,
Lahore-54660, Pakistan.
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REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance (Schedule I) along with Explanation for non-compliance (Schedule-II) with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of National Engineering Services Pakistan (Private) Limited, for the year ended 30 June 2020.

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

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

The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended 30 June 2020.

Rsrir Cas.

Rahman Sarafarz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANT
Engagement Partner: Mr. Adnan Rashid
Lahore 03 AUG 2023

SCHEDULE I

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of Company	**National Engineering Services Pakistan (Pvt.) Ltd**
Name of the line ministry	**Ministry of Energy (Power Division)**
For the year ended	**30th June 2020**

I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector Company is managed in compliance with the best practices of public sector governance.

II. The Company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓	
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes:	3(2)		✓

Category	Names	Date of appointment
Independent Directors	Mr. Naeemuddin Khan, Ex-President & CEO, The Bank of Punjab.	21-06-2017
	Mr. Muhammad Irfan Akram, Ex – Vice President, Mobilink	21-06-2017
	Mr. Muhammad Nawaz Kasuri, Barrister at Law	21-06-2017
Executive Directors	Dr. Tahir Masood, Managing Director	13-07-2018
Non-Executive Directors.*	Mr. Irfan Ali (Chairman), Secretary - Ministry of Water & Power	05-10-2018
	Chairman, National Highway Authority	04-01-2018
	Chairman, Planning & Development Board/Additional	28-06-2018

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	Chief Secretary (Development), Government of the Punjab Additional Chief Secretary (Development), Government of the Sindh — 27-06-2016 Additional Chief Secretary (Development), Government of Khyber Pakhtoon Khawa — 04-01-2018 Additional Chief Secretary (Development), Government of the Balochistan — 01-02-2019 Additional Secretary (CF), Ministry of Finance, Government of Pakistan — 08-03-2018 Additional Secretary (Water), Ministry of Water & Power, Government of Pakistan. — 08-02-2019 *Board was reconstituted on 21-06-2017 by the Ministry of Water and Power, now Ministry of Energy (Power) with most Board members being Ex-Officio members.			
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)		✓
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	N/A	
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓	
6.	The chairman has been elected by the Board of Directors except where the chairman of the Board has been appointed by the Government.	4(4)	✓	
7.	The Board has evaluated the candidates for the position of chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not Applicable where the Chief Executive has been nominated by the Government)	5(2)	N/A	
8.	(a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website. (http://www.nespak.com.pk/Downloads.html) (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓ ✓	

9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety objectivity, integrity and honesty, and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have an actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
11.	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Company.	5(5)(b)(vi)	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
13.	The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards; when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	N/A	
17.	The Board has ensured compliance with policy directions and requirements received from the Government.	5(11)	✓	
18.	a) The Board has met at least four times during the year.	6(1)		✓
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓	
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓	
19.	The Board has monitored and assessed the performance of senior management on annual/half-yearly/quarterly basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)		✓
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9		✓

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21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10		✓
	b) In case of listed PSCs, the board has prepared half-yearly accounts and undertaken limited scope review by the auditors.		N/A	
	c) The Board has placed the annual financial statements on the Company's website.		✓	
22.	All the Board members underwent an orientation course arranged by the Company to apprise them of the material developments and information as specified in the Rules.	11		✓
23.	a) The Board has formed the requisite committees, as specified in the Rules.	12	✓	
	b) The committees were provided with written term of reference defining their duties, authority and composition.			✓
	c) The minutes of the meetings of the committees were circulated to all the Board members.		✓	
	d) The committees were chaired by the following non-executive directors:		✓	

Committee	Number of members	Name of Chair
Audit Committee	i) Mr. Muhammad Nawaz Kasuri (Independent Director) ii) Mr. Muhammad Irfan Akram (Independent Director) iii) Additional Secretary (I) Ministry of Energy (Power Division) (Director)	Mr. Muhammad Nawaz Kasuri (Independent Director)
Risk Management Committee**	i) Additional Secretary (CF), Ministry of Finance. (Director) ii) Mr. Muhammad Nawaz Kasuri (Independent Director) iii) Managing Director NESPAK (Executive Director)	Additional Secretary (CF), Ministry of Finance. (Director)
Human Resources Committee	i) Chairman Planning and Development Board, Government of Punjab-Lahore. (Director) ii) Mr. Irfan Akram (Independent Director) iii) Managing Director NESPAK (Executive Director)	Chairman Planning and Development Board, Government of Punjab-Lahore. (Director)
Procurement Committee**	i) Mr. Irfan Akram (Independent Director)	Mr. Irfan Akram (Independent Director)

	|	ii) Chairman Planning and Development Board, Government of Punjab-Lahore. (Director) iii) Managing Director NESPAK (Executive Director)	| | | Nomination Committee** | i) Chairman Planning and Development Board, Government of Sindh-Karachi. (Director) ii) Chairman Planning and Development Board, Government of Punjab-Lahore. (Director) iii) Mr. Muhammad Nawaz Kasuri (Independent Director) | Chairman Planning and Development Board, Government of Sindh-Karachi. (Director) | ** Risk, Procurement and Nomination Committee Committees are inactive.			
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor by whatever name, with their remuneration and terms and conditions of employment.	13		✓
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓	
26.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓	
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓	
28.	The Directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company other than those disclosed to the company.	18		✓
29.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The annual report of the Company contains criteria and details of remuneration of each director.	19	N/A N/A	
30.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓	

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<table>
<tr><td>31.</td><td>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:
<table>
<tr><td>Name of member</td><td>Category [i]</td><td>Professional background [ii]</td></tr>
<tr><td>Mr. Muhammad Nawaz Kasuri</td><td>(Independent Director)</td><td>Barrister at Law</td></tr>
<tr><td>Mr. Muhammad Irfan Akram</td><td>(Independent Director)</td><td>Ex- VP Mobilink</td></tr>
<tr><td>Additional Secretary (I) Ministry of Energy (Power Division)</td><td>(Director)</td><td>Additional Secretary (I) Ministry of Energy (Power Division)</td></tr>
</table>
</td><td>21(1)</td><td>✓</td><td></td></tr>
<tr><td></td><td>The chief executive and chairman of the Board are not members of the audit committee.</td><td>21(2)</td><td>✓</td><td></td></tr>
<tr><td>32.</td><td>a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.

b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.

c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</td><td>21(3)</td><td></td><td>✓
✓
✓</td></tr>
<tr><td>33.</td><td>a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.

b) The chief internal auditor has requisite qualification and experience prescribed in the rules.

c) The internal audit reports have been provided to the external auditor for their review.</td><td>22</td><td></td><td>✓
✓
✓</td></tr>
<tr><td>34.</td><td>The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>✓</td><td></td></tr>
<tr><td>35.</td><td>The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.</td><td>23(5)</td><td>✓</td><td></td></tr>
</table>

CEO

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SCHEDULE II

Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of the next accounting year.

Sr No.	Ref Sr. No.	Rule/ sub-rule no.	Reasons for non-compliance	Future course of action
1.	2.	3(2)	The Directors have been nominated/ appointed by the Ministry of Water & Power (MOWP), Government of Pakistan (GOP) in accordance with the provision of Companies Act 2017.	The Board was reconstituted vide Ministry of Water & Power notification no.Ent 7(38)/2000-NESPAK-BOD dated June 21, 2017. Three (03) Members were appointed as Independent directors instead of four (04). The matter has been pointed to the Board and the Ministry of Energy (Power Division) for taking action for having at least one-third Independent Directors, so as to comply with the requirement of CODE.
2.	3.	3(5)	The Board was reconstituted vide Ministry of Water & Power notification no.Ent 7(38)/2000-NESPAK-BOD dated June 21, 2017. The matter was also discussed in the 152nd BoD meeting dated 2nd March, 2019.	Compliance with the Code will be made soon.
3.	18.	6(1)	The Board could not meet four times as required in the rules. The reasons for the same, were beyond the control of the Management. However, the Management made vigorous efforts for holding of at least one (01) Board of Directors meeting during each quarter, nonetheless, due to pre-occupation of most of the Directors, being ex-officio officers, the Board meetings could not be held.	Compliance with the Code will be made in the future.
4.	19.	8(2)	Annual performance of senior management was planned to take place in April 2020. However, the same could not take place due to the Covid-19 lockdown.	Compliance with the Code will be made in the future.
5.	20	9	The Board has constituted the Finance Committee in its 158th meeting held on 05.04.2021, and as per approved TORs of the Finance Committee, the lastly audited financial statements were presented to the Finance Committee for recommendation to the Board, and the related party transactions were disclosed in note 31 of those Financial statements.	Compliance with the said rule shall be made in the future.

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6.	21.	10	A financial Presentation with half-yearly accounts was presented before the audit committee of the Board.	Compliance with the Code will be made in the future wherein quarterly accounts will be presented before the audit committee for a recommendation to the Board.
7.	22.	11	No such orientation program has been held during the year. The BoD in its meeting are informed about the progress of work etc. The matter was also put up in the 152nd BoD meeting dated 2nd March, 2019. However, only one director attended the training course on his own end.	Learning and orientation courses will be arranged in the upcoming year.
8.	23.	12	Risk, Procurement and Nomination Committee Committees are inactive. However, any relevant assignment / matter is assigned by the Board to other committees of the Board. For instance, the major asset of NESPAK is receivables which is discussed in the Finance and Audit Committees before presentation of their status before the Board. Similarly, procurement by NESPAK is of nominal / immaterial nature approximately 0.5% to 1% of revenue. If there is any major procurement in any financial year, the matter is placed before the sub-committee of the Board (normally audit or finance) before being presented for final approval from the Board. Instances of the same in recent years include rehabilitation of HVAC of NESPAK House Lahore and solarization of NESPAK House Lahore. In addition, since the Board of Directors are appointed by the Federal Government, the nomination Committee was also inactive.	The matter is being shared here for the Board's information and compliance.
9.	24.	13	The CFO is working as per organizational hierarchy and his appointment as CFO was regularized by the then Managing Director vide office order dated 06-10-2011. As far as the appointment of the Company Secretary is concerned, the CFO was given the additional role of Company Secretary by the Board during the year. Subsequently, as per the requirement of the Company Act 2017, the Board vide its 153rd BOD meeting held on 20.07.2019, directed the management to initiate a process for the appointment of a full-time company secretary.	The Board vide its 162nd meeting held on 22.11.2021 had appointed Ms. Fareeha Asif as the company secretary.

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			The matter of the appointment of Chief Internal Audit was put up in the 153rd Board of Directors meeting held on 20.07.2019, whereby the Board directed that the HR Committee should shortlist candidates for the post of Manager Internal Audit by co-opting with two members from the Institute of Chartered Accountants of Pakistan (ICAP) and present their recommendation to the Board for approval and appointment.	The Board in its 156th meeting held on 21-10-2020 had appointed Mr. Waqas Khalid as Manager Internal Audit to look after the affairs of the Internal Audit Function, as a chief internal auditor.
10.	28	18	It was informed that the Directors and Executives do not have any direct or indirect interest in any arrangement entered into on behalf of the company, otherwise the same would have been disclosed as required by the code or Conflict of Interest Policy.	In compliance with the Ministry's directive issued on August 2021, a confirmation of the Directors regarding no conflict of Interest on any of the agenda of the meetings of the Board and its Committee(s) is being recorded in the minutes of the meetings. Therefore, no action is required further.
11.	32.	21(3)	a) The Chief Internal Auditor did not attend the meetings of the Audit Committee. b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. c) The Audit Committee has not met with the members of the Internal Audit function.	a) It is informed that the Board in its 156th meeting held on 21-10-2020 had appointed Mr. Waqas Khalid as Manager Internal Audit to look after the affairs of the Internal Audit Function. b) Compliance with this rule will be made in the future. c) Compliance with the rule will be made in the future.
12.	33.	22	a) Internal Audit Function has been set up. However, audit charter has not been duly approved by the Finance and Audit Committee. The matter was put up in the 05^{th} Audit Committee dated 28^{th} February, 2019. b) The Chief Internal Auditor does not fulfill the prescribed qualification.	a) Compliance with the Code will be made soon. b) It is informed that the Board had appointed Mr. Waqas Khalid as Manager Internal Audit to look after the affairs of the Internal Audit Function on 21-10-2020. Mr. Waqas Khalid meets the prescribed qualification, hence compliance has been made.

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			c) Internal Audit Reports of regional offices were not provided as audit could not take place due to global pandemic of Covid-19.	c) We have initiated post audit for the year 2018-19 and 2019-20 online. Furthermore, we are pre-auditing all regional offices now as well.

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