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**Grant Thornton Anjum  
Rahman**

1 - Inter Floor, Eden  
Centre, 43-Jail Road,  
Lahore, Pakistan.

## INDEPENDENT AUDITOR'S REPORT

To the members of National Engineering Services Pakistan (Private) Limited

T +92 42 37423621-23

F +92 42 37425485

### 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 **June 30, 2021**, 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, 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 June 30, 2021 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Information other than the Financial Statements and Auditor's 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 auditor's 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.

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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 out 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- 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 June 30, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on August 03, 2023.

The engagement partner on the audit resulting in this independent auditor's report is **Imran Afzal**.

*Grant Thornton Ayazul Kulkarni*  
Chartered Accountants

Lahore

**Dated:** *May 10, 2024*

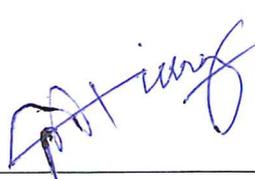
**NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	2021	2020
--- (Rupees in thousand) ---			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	5	995,413	1,005,043
Intangible assets	6	12,502	1,166
Investment properties	7	97,378	100,954
Investment in subsidiaries	8	2,960	2,960
Investment in associates	9	74,997	64,497
Long term loans and advances	10	2,473	2,853
Long term deposits	11	176,264	226,469
		<b>1,361,987</b>	<b>1,403,942</b>
<b>CURRENT ASSETS</b>			
Stationery stores		10,542	8,029
Trade debts	12	10,118,716	9,988,203
Loans and advances	13	303,764	266,318
Deposits and prepayments	14	179,698	98,383
Interest accrued		2,759	13,737
Other receivables	15	1,020,418	1,080,175
Short term investments	16	376,185	1,005,261
Tax refunds due from government - net	17	561,083	570,182
Cash and bank balances	18	978,890	480,464
		<b>13,552,055</b>	<b>13,510,752</b>
<b>Total assets</b>		<b>14,914,042</b>	<b>14,914,694</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
500,000 (2020: 500,000) ordinary shares of Rs. 10 each		5,000	5,000
<b>Issued, subscribed and paid up share capital</b>	19	5,000	5,000
<b>Revenue reserves</b>			
- General reserve		11,557,516	11,557,516
- Accumulated loss		(3,016,176)	(2,390,564)
<b>Total equity</b>		<b>8,546,340</b>	<b>9,171,952</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	20	60,960	82,354
Employees retirement and other long term benefits	21	618,391	582,850
		<b>679,351</b>	<b>665,204</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	5,159,394	4,538,116
Current portion of lease liabilities	20	21,394	16,543
Contract liabilities	23	507,563	522,879
		<b>5,688,351</b>	<b>5,077,538</b>
<b>Total liabilities</b>		<b>6,367,702</b>	<b>5,742,742</b>
<b>Total equity and liabilities</b>		<b>14,914,042</b>	<b>14,914,694</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed Notes 1 to 42 form an integral part of these financial statements.

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**Chief Executive Officer**

  
**Director**

*Babul  
 Mujeeb*

**NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	<u>Note</u>	<u>2021</u>	<u>2020</u>
		--- (Rupees in thousand) ---	
Revenue from contracts with customers - net	25	6,883,606	6,366,897
Cost of revenue	26	<u>(6,931,835)</u>	<u>(6,860,380)</u>
Gross loss		(48,229)	(493,483)
Finance cost	27	<u>(15,800)</u>	<u>(16,009)</u>
		(64,029)	(509,492)
Other expenses	28	<u>(520,042)</u>	<u>(733,084)</u>
Other income	29	119,331	357,286
Share of profit from associates - net	9	<u>10,500</u>	<u>5,985</u>
		<u>(390,211)</u>	<u>(369,813)</u>
Loss before taxation		(454,240)	(879,305)
Taxation	30	(268,572)	(191,680)
Loss for the year		<u><u>(722,812)</u></u>	<u><u>(1,070,985)</u></u>
<b>Other comprehensive income - net of tax</b>			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain on employees retirement and other benefits	22.4.3	<u>97,200</u>	<u>93,877</u>
Share of other comprehensive income from associates	9	<u>-</u>	<u>861</u>
Other comprehensive income for the year		97,200	94,738
Total comprehensive loss for the year		<u><u>(625,612)</u></u>	<u><u>(976,247)</u></u>
<b>Loss per share - basic and diluted</b>	32	<u><u>(1.446)</u></u>	<u><u>(2.142)</u></u>

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

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Chief Executive Officer

  
Director

*Bairul Majeed*

**NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Revenue reserves			Total
	Issued, subscribed and paid up share capital	General reserve	Accumulated loss	
----- (Rupees in thousand) -----				
<b>Balance as at 01 July 2019</b>	5,000	11,557,516	(1,414,317)	10,148,199
Loss for the year ended 30 June 2020	-	-	(1,070,985)	(1,070,985)
Other comprehensive income for the year	-	-	94,738	94,738
Total comprehensive loss for the year ended 30 June 2020	-	-	(976,247)	(976,247)
<b>Balance as at 30 June 2020</b>	5,000	11,557,516	(2,390,564)	9,171,952
Loss for the year	-	-	(722,812)	(722,812)
Other comprehensive income for the year	-	-	97,200	97,200
Total comprehensive loss for the year	-	-	(625,612)	(625,612)
<b>Balance as at 30 June 2021</b>	<b>5,000</b>	<b>11,557,516</b>	<b>(3,016,176)</b>	<b>8,546,340</b>

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

*AM*

  
 Chief Executive Officer

*Baisal  
Majeed*

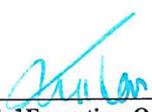
  
 Director

**NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	<u>Note</u>	<u>2021</u>	<u>2020</u>
-- (Rupees in thousand) --			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(454,240)	(879,305)
<b>Adjustments:</b>			
Depreciation of property and equipment	5	99,103	96,894
Depreciation of investment properties	7	4,298	4,524
Fair value loss/ (gain) on short term investments - net	29	(151)	143
Amortization of intangible assets	6	4,316	2,925
Allowance for expected credit loss	28	301,396	719,583
Gain on disposal of property and equipment	29	(3,328)	(2,083)
Share of profit from associates - net	9	(10,500)	(5,985)
Employees retirement and other long term benefits	21	53,042	(34,310)
Gratuity	22.4.3	133,402	129,275
Return on bank deposits	29	(31,685)	(61,811)
Finance cost	27	15,800	16,009
		<u>111,453</u>	<u>(14,141)</u>
<b>Working capital changes</b>			
<b>(Increase)/ decrease in current assets:</b>			
Stationery stores		(2,513)	1,215
Trade debts		(284,495)	(118,154)
Loans and advances		(37,446)	(12,090)
Deposits and short term prepayments		(88,845)	(26,735)
Other receivables		(10,549)	(411,987)
<b>Increase/ (decrease) in current liabilities:</b>			
Trade and other payables		621,278	708,306
Contract liabilities		(15,316)	233,924
		<u>182,114</u>	<u>374,479</u>
<b>Cash generated from operations</b>		<u>293,567</u>	<u>360,338</u>
Income tax paid		(259,473)	(445,812)
Finance cost paid		(5,288)	(4,925)
Employee benefits paid		(53,703)	(48,690)
<b>Net cash used in operating activities</b>		<u>(24,897)</u>	<u>(139,089)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment - net		(93,159)	(26,163)
Additions in investment property		(722)	-
Decrease in long term loans and advances		380	258
Decrease in security deposits		50,205	14,267
Purchase of intangible assets		(15,652)	(269)
Proceeds from disposal of property and equipment		7,014	9,010
Decrease/ (Increase) in short term investments - net		629,227	(199,027)
Interest received during the year		42,663	54,048
<b>Net cash from / (used in) investing activities</b>		<u>619,956</u>	<u>(147,876)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease liability paid during the year		(27,055)	(24,596)
Loan extended to NESPAK Qatar		(69,578)	(69,876)
Dividend paid during the year		-	(50,000)
<b>Net cash used in financing activities</b>		<u>(96,633)</u>	<u>(144,472)</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<u>498,426</u>	<u>(431,437)</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>480,464</u>	<u>911,901</u>
<b>Cash and cash equivalents at the end of the year</b>	31	<u>978,890</u>	<u>480,464</u>

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

*WPK*

  
 Chief Executive Officer

  
 Director

  
 Director

**NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021**

**1 THE COMPANY AND ITS OPERATIONS**

National Engineering Services Pakistan (Private) Limited (the Company) was incorporated in 1973 under the Companies Act, 1913 (now 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 - NESPAK**

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

<u>Business unit</u>	<u>Geographical location and address</u>
<b>Registered office</b>	1-C, Block N, Model Town Extension, Lahore.
<b>Regional offices:</b>	
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.
<b>Foreign offices:</b>	
Kabul, Afghanistan	House no. 250, Street no. 16, Wazir Akbar Khan, Kabul, Afghanistan.
Dubai, UAE	Office no. 1203, Business Tower, Business Bay, Dubai, UAE.

**1.2 Geographical locations - Subsidiaries**

The Company has following subsidiaries:

	<b>Direct Share Holding</b>
NESPAK UK Limited	100%
NESPAK and Partners LLC, Muscat, Oman	65%
NESPAK, ECC, Riyadh, KSA	49%
NESPAK, W.L.L., Doha, Qatar	49%

**1.3 Geographical locations - Associates**

The Company has following associates:

	<b>Direct Share Holding</b>
Corporation House (Private) Limited (CHPL)	25%
Engineering Consulting Associates (Nigeria) Limited	30%
Turkpak International (Private) Limited (TIPL)	50%
Technology and Resource Development (Private) Limited	40%

**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 24-11-05 with reference number RD-237(I) 2005-3237 to the Company from consolidation and investment in subsidiaries is recorded at cost net of impairment if any. while investment in associates is measured at equity method.

## **2.3 Functional and presentation currency**

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

## **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:**

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after 1 July 2021 but are considered not to be relevant or have any significant effect on the Company's financial statements.

### **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 - (Amendments updating a reference to the Conceptual Framework)-(applicable for annual periods beginning on or after 1 January 2022)
- 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 Amendments regarding the classification of liabilities)-(effective for annual periods beginning on or after 1 January 2022).
- 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).

Other than the aforesaid standards, interpretations and amendments, the IASB has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 17 – Insurance Contracts

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**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 17 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.

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**3 BENAZIR EMPLOYEES STOCK OPTION SCHEME**

On 14-08-09, 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 view difficulties that may be faced by entities covered under the Scheme, the SECP 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. Supreme Court orders in civil appeals No. 421 to 423 of 2018, the Scheme has been found to be against the Article 154 of the Constitution of Pakistan and consequently, the Scheme has been declared ultra vires, and any benefit arising out of it would be illegal.

**4 SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Property and equipment**

**Owned**

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

Depreciation is charged to the statement of profit or loss on 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 sale proceeds and carrying amount of asset is recognized as an income or expense.

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## **4.2 Accounting for leases**

### **Right-of-use assets**

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-of-use asset is subsequently depreciated using straight line method from 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, if any, and adjusted for certain remeasurements of the lease liability.

### **Lease liability**

The lease liability is initially measured at 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 recognized.

### **Short term leases**

The Company has elected not to recognize 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 recognizes 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 impairment, if any.

Investment properties are derecognized either when they have been disposed off 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, if any.

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#### **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 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 Contract fee and other receivables**

Contract fee and other receivables are carried at original invoice amounts. Contract fee receivable are amounts receivable from customers 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. Subsequently, these are measured at amortized cost less impairment. The Company recognizes impairment using Expected Credit Loss model as fully 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 long term benefits**

The main features of such schemes operated by the Company for its employees are as follows:

##### **4.10.1 Defined benefit plans**

The cost of providing benefits under 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 2021 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 fund**

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 term of employment to the maximum accumulation of 180 days and can be availed on termination of service, however, encashment of compensated absence is allowed to maximum of 60 days.

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#### **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 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 contract 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. Contract 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

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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 contract fee receivables, contract asset, short term investments, loans and advances, short term deposits, interest accrued, cash and cash equivalents and other receivables.

**Financial assets at fair value through OCI (debt instruments)**

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

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

**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.

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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

### **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. 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### **Financial liabilities**

#### **i) Initial recognition and measurement**

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







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

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

**ii) Subsequent measurement**

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

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

**Financial liabilities at fair value through profit or loss**

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

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

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

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

**Financial liabilities at amortized cost (loans and borrowings)**

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

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

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

**iii) Derecognition**

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

**Offsetting of financial instruments**

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

**4.14 Foreign currencies**

Transactions in foreign currencies are accounted for in Pak Rupees, which is the functional currency of the Company, at the rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the reporting date. Non-monetary assets are not retranslated and are kept at the original transaction amount.







#### **4.15 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable from contracts with customer in ordinary course of the Company's activities. The Company recognizes revenue when 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 contractual period or as and when services are rendered to customers;
  - i) **Lump sum contracts:**  
Revenue is recognized when the 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 completion i.e. based on contractor's invoice in accordance with consultancy agreement.
- 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 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 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.

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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 or OCI in which case it is included in equity or OCI, as the case may be.

**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 carried out in accordance with terms and conditions set by the Board of Directors of the Company.

**4.20 General reserves**

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

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

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## 5 PROPERTY AND EQUIPMENT

	Note	2021	2020
		----- (Rupees in thousand) -----	
Operating fixed assets	5.1	926,988	913,891
Right of use assets	5.2	68,425	91,152
		<u>995,413</u>	<u>1,005,043</u>

## 5.1 Operating fixed Assets

Particulars	2021						Net book value as at 30 June 2021	Depreciation rate %
	Cost		Depreciation		Accumulated as at 30 June 2021	Depreciation rate %		
	As at 01 July 2020	As at 30 June 2021	Charge for the year/ (disposal)	Accumulated as at 01 July 2020				
	----- (Rupees in thousand) -----							
<b>Owned:</b>								
Freehold land	340,040	-	340,040	-	-	-	-	
Buildings on freehold land	276,937	-	276,937	124,021	7,646	131,667	5	
Building on leasehold land	299,946	-	299,946	110,069	9,494	119,563	5	
Furniture and fixture	163,384	1,748	164,639	106,222	5,770	111,760	10	
		(493)			(232)			
Office and electrical equipment	381,390	59,899	440,564	312,138	25,107	336,738	20	
		(725)			(507)			
Computers	225,513	8,769	233,009	204,131	8,476	211,375	35	
		(1,273)			(1,232)			
Drawing and survey equipment	86,998	10,406	97,404	63,195	7,476	70,671	25	
Vehicles	202,149	12,337	199,947	142,690	12,407	143,724	20	
		(14,539)			(11,373)			
	<u>1,976,357</u>	<u>93,159</u>	<u>2,052,486</u>	<u>1,062,466</u>	<u>76,376</u>	<u>1,125,498</u>		
		<u>(17,030)</u>		<u>(13,344)</u>				

5.1.1 Addition in vehicles comprises of 2 Toyota Yaris (Rs. 5.21 million), 2 Honda City (Rs. 5.29 million), 1 Suzuki Cultus (Rs. 1.78 million) and 1 Motor Cycle (Rs. 0.057 million).





Particulars	2020					Net book value as at 30 June 2020	Depreciation rate %
	Cost		Depreciation		Accumulated as at 30 June 2020		
	As at 01 July 2019	As at 30 June 2020	Charge for the year / (disposal)	Accumulated as at 01 July 2019			
<b>Owned:</b>							
Freehold land	340,040	340,040	-	-	-	340,040	-
Buildings on freehold land	276,937	276,937	-	115,973	8,048	152,916	5
Building on leasehold land (Note 5.1)	299,946	299,946	-	100,075	9,994	189,877	5
Furniture and fixture	163,797	163,384	626	100,521	6,329	57,162	10
		(1,039)			(628)		
Office and electrical equipment	375,342	381,390	7,534	296,563	16,806	69,252	20
		(1,486)			(1,231)		
Computers	221,914	225,513	3,792	193,695	10,583	21,382	35
		(193)			(147)		
Drawing and survey equipment	86,478	86,998	520	55,333	7,862	23,803	25
Vehicles	202,050	202,149	13,691	135,522	14,545	59,459	20
		(13,592)			(7,377)		
	1,966,504	1,976,357	26,163	997,682	74,167	913,891	
		(16,310)			(9,383)		

5.1.2 Addition in vehicles comprises of 3 Toyota Corolla (Rs. 7.4 million), 2 Honda City (Rs. 5.2 million) and 1 Suzuki Alto (Rs. 1.1 million).

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## 5.2 Right of use assets

Particulars	2021					Net book value as at 30 June 2021	Depreciation rate %
	Cost		Depreciation		Accumulated as at 30 June 2021		
	As at 01 July 2020	As at 30 June 2021	As at 01 July 2020	Charge for the year/ (disposal)			
Leasehold land (Note 5.2.2)	8,083	-	8,083	245	7,103	980	3.03
Right-of-use (ROU) building (5.2.3)	112,409	-	112,409	22,482	44,964	67,445	20
	120,492	-	120,492	22,727	52,067	68,425	
	(Rupees in thousand)						
Particulars	2020					Net book value as at 30 June 2020	Depreciation rate %
	Cost		Depreciation		Accumulated as at 30 June 2020		
	As at 01 July 2019	As at 30 June 2020	As at 01 July 2019	Charge for the year/ (disposal)			

## Leased:

Leasehold land (Note 5.2.2)	8,083	-	8,083	245	6,858	1,225	3.03
Right-of-use (ROU) building (5.2.3)	-	112,409	112,409	-	22,482	89,927	20
	8,083	112,409	120,492	22,727	29,340	91,152	

5.2.1 This relates to leasehold land of the Company located at Sector G - 5/2, Islamabad. The land has been acquired through a lease for a duration of 33 years.

5.2.2 This relates to right-of-use recognized for building premises situated at NICL Building, Karachi in accordance with policy mentioned in 4.2.

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## 5.3 Details of property and equipment disposed off during the year:

Items disposed off during the year with individual net book values exceeding Rs. 500 thousand are as follows:

Description	Cost	Accumulated depreciation	Book Value	Sales proceeds	Gain	Method of disposal	Detail of customers
<b>2021</b>							
Toyota Prado TzG slc LED-9091	3,601	3,406	195	913	718	Company Policy	Mr. Asad Ismail A Khan-Former M.D NESPAK
Toyota Corolla Saloon 1299cc No. ASK-097	1,354	1,237	117	117	-	Company Policy	Mr. Infran Ahmed Khan G.M/Head Karachi Office
Toyota Corolla GLI LEJ-17-1389	1,807	1,003	804	804	-	Company Policy	Mr. Abdul Qadeer-Ex V.P/Head Islamabad
Toyota Corolla GLI LEJ-17-22	1,957	980	977	977	-	Company Policy	Mr. Abrar Ahmed Khan-Ex EVP M&QC
Toyota Corolla GLI LEJ-17-1494	1,882	997	885	885	-	Company Policy	Mr. Javed Munir- Ex V.P/Head W&A
	<b>10,601</b>	<b>7,623</b>	<b>2,978</b>	<b>3,696</b>	<b>718</b>		
<b>2020</b>							
Toyota Corolla GLI LEJ-15-1037	1,771	1,077	694	694	-	Company Policy	Mr. Aamir Bin Younus - Ex G.M/Head-Economic
Toyota Corolla GLI LEJ-17-1390	1,807	708	1,099	1,099	-	Company Policy	Mr. Abdul Qayyum Ch, Ex G.M Head, BSD
Toyota Corolla GLI LEJ-17-154	1,957	826	1,131	1,131	-	Company Policy	Mr. Kamran Imtiaz Ex V.P HRD
Toyota Corolla GLI LEJ-16-1033	1,771	983	788	788	-	Company Policy	Mr. Abdul Salam, Ex G.M/Head GT&GE
Toyota Corolla XLI LEJ-15-1606	1,685	1,000	685	685	-	Company Policy	Mr. Rizwan Baig, Ex G.M/Head H&TE
Toyota Corolla GLI BNM-874	2,154	479	1,675	1,675	-	Company Policy	Mr. Alimad Halim, Ex V.P/Head Karachi
	<b>11,145</b>	<b>5,073</b>	<b>6,072</b>	<b>6,072</b>	<b>-</b>		

5.4 Depreciation expense for the year has been charged to cost of revenue.

## 6 INTANGIBLE ASSETS

Cost	2021	2020	Note
Opening balance	29,987	29,718	
Additions during the year	15,652	269	
Closing balance	45,639	29,987	
<u>Amortization</u>			
Opening balance	28,821	25,896	
Charge for the year	4,316	2,925	
Closing balance	(33,137)	(28,821)	
Net book value as at 30 June	12,502	1,166	
Amortization rate per annum (straight line)	33.33%	33.33%	

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- 6.1 The cost of fully amortized intangible assets which are still in use amounts to Rs. 28.258 million (2020: Rs. 23.12 million).  
6.2 The amortization expense for the year has been charged to cost of revenue.

7	Note	2021	2020
---- (Rupees in thousand) ----			
Land	7.1	15,722	15,000
Building on leasehold land	7.2	81,656	85,954
		<u>97,378</u>	<u>100,954</u>

#### 7.1 Land

Opening cost	15,000	15,000
Additions made during the year	722	-
Closing cost	<u>15,722</u>	<u>15,000</u>

- 7.1.1 As per latest valuation report dated 19-12-23 issued by Independent Valuator - Hamid Mukhtar & Co. (Private) Limited, fair value of investment property in Gujranwala amounts to Rs. 25.5 million (2019: Rs. 23.4 million). The area of land is 6 Kanals, located at G. Magnolia Park Housing Scheme, G.T Road, Gujranwala.

7.2	Note	2021	2020
---- (Rupees in thousand) ----			
<b>Building on leasehold land</b>			
<b>Net carrying value basis:</b>			
Opening net book value		85,954	90,478
Depreciation	26	<u>(4,298)</u>	<u>(4,524)</u>
Closing net book value at year end		<u>81,656</u>	<u>85,954</u>

#### Gross carrying value basis:

Cost	135,780	135,780
Accumulated depreciation	<u>(54,124)</u>	<u>(49,826)</u>
Net book value at year end	<u>81,656</u>	<u>85,954</u>
Rate of depreciation	<u>5%</u>	<u>5%</u>

- 7.2.1 As per latest valuation report dated 19-12-23 issued by Independent Valuator - Hamid Mukhtar & Co. (Private) Limited, fair value of building located at Sector G-5/2, Islamabad amounts to Rs. 135.404 million (2019: Rs. 129.296 million). The covered area of the building is 28,571 square ft.

- 7.2.2 Depreciation for the year has been charged to cost of revenue.

8	Note	2021	2020
---- (Rupees in thousand) ----			

#### 8 INVESTMENT IN SUBSIDIARIES

##### Subsidiary undertakings - unquoted (at cost)

NESPAK and Partners LLC, Muscat, Oman 13,000 (2020: 13,000) ordinary shares of Omani Riyal (OMR) 1 each Equity held: 65% (2020: 65%) Less: Accumulated impairment	8.2	2,821 <u>(2,821)</u> -	2,821 <u>(2,821)</u> -
Mohammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia 49 (2020: 49) ordinary shares of Saudi Riyal (SAR) 2,000 each Equity held: 49% (2020: 49%)	8.2	2,960	2,960
National Engineering Services Pakistan W.L.L - Doha, Qatar 98 (2020: 98) ordinary shares of Qatari Riyal (QAR) 1,000 each Equity held: 49% (2020: 49%) Less: Accumulated impairment	8.2	4,560 <u>(4,560)</u> -	4,560 <u>(4,560)</u> -

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	2021	2020
	---- (Rupees in thousand) ----	
NESPAK UK Limited	17	17
100 (2020: 100) ordinary shares of Great British Pound (GBP) 1 each		
Equity held: 100% (2020:100%)		
Less: Accumulated impairment	(17)	(17)
	-	-
	<u>2,960</u>	<u>2,960</u>

8.1 As disclosed in Note 2.2 to these financial statements, the Company is not consolidating these subsidiaries as the SECP has granted exemption to the Company from consolidation and investment in these subsidiaries is recorded at cost net of accumulated impairment.

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	Mr. Dar-al-Handasah	1,085
Mohammad Hisham Aitah - NESPAK Engineering Consultant Company, Riyadh, Kingdom of Saudi Arabia	Mr. Muhammad Hisham Aitah	1,632
National Engineering Services Pakistan W.L.L - Doha, Qatar	Mr. Abdulla Zayed M A Al-Khayarin	2,326

9 **INVESTMENT IN ASSOCIATES - unquoted (equity method)**

	Note	2021	2020
		---- (Rupees in thousand) ----	
Corporation House (Private) Limited (CHPL)		2,000	2,000
200,000 (2020: 200,000) ordinary shares of Rs. 10 each - cost		12,341	11,453
Opening share of accumulated profits		474	888
Share of net profit for the year	9.1 & 9.2	14,815	14,341
Turkpak International (Private) Limited (TIPL)		6,000	6,000
60,000 (2020: 60,000) ordinary shares of Rs. 100 each - cost		44,156	38,198
Opening share of accumulated profits		10,026	5,097
Share of net profit for the year		-	861
Share of net income for the year credited to other comprehensive income	9.1 & 9.2	60,182	50,156
Engineering Consulting Associates (Nigeria) Limited		91	91
6,000 (2020: 6,000) ordinary shares of Naira 1 each - cost	9.3	(91)	(91)
Less: Accumulated impairment loss		-	-
Technology and Resource Development (Private) Limited		400	400
4,000 (2020: 4,000) ordinary shares of Rs. 100 each - cost	9.4	(400)	(400)
Less: Accumulated impairment loss		-	-
		<u>74,997</u>	<u>64,497</u>

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9.1 The aggregate share of the Company in assets, liabilities, revenue and profit or loss of its two associates is as follows:

Name	Percentage of interest held	Share of assets	Share of liabilities	Share of revenue	Share of net profit credited to profit or loss*	Share of other comprehensive income*
----- (Rupees in thousand) -----						
<b>30 June 2021</b>						
CHPL	25%	14,837	22	1,032	474	-
TIPL	50%	122,763	62,581	138,741	10,026	-
		<u>137,600</u>	<u>62,603</u>	<u>139,773</u>	<u>10,500</u>	<u>-</u>
<b>30 June 2020</b>						
CHPL	25%	14,366	26	1,642	888	-
TIPL	50%	87,625	37,468	90,654	5,097	861
		<u>101,991</u>	<u>37,494</u>	<u>92,296</u>	<u>5,985</u>	<u>861</u>

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

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

	CHPL		TIPL		ECAL		TRDPL	
	2021	2020	2021	2020	2021	2020	2021	2020
----- (Rupees in thousand) -----								
Current assets	56,335	54,451	241,775	172,226	-	-	-	-
Non current assets	3,014	3,014	3,752	3,023	-	-	-	-
Current liabilities	89	103	124,170	74,180	-	-	-	-
Non current liabilities	-	-	992	757	-	-	-	-
Revenue - net for the year	4,130	6,570	277,482	181,309	-	-	-	-
Expenses for the year	1,035	1,114	247,826	166,270	-	-	-	-
Net profit for the year	1,898	3,550	20,052	10,196	-	-	-	-
Total comprehensive income	1,898	3,550	20,052	11,918	-	-	-	-
Net assets of the associate	59,260	57,362	120,365	100,312	-	-	-	-
Percentage of holding	25%	25%	50%	50%	30%	30%	40%	40%
Share in net assets of associate	14,815	14,341	60,183	50,156	-	-	-	-

- 9.2.1 Breakup value per share 0.1 0.1 1.0 0.8 - - - -
- 9.2.2 CHPL is incorporated to acquire land and construct buildings in Pakistan and have its registered office at 1st Floor Alfalah Building, Shahrah-e-Quaid-e-Azam, Lahore. The Company's interest in CHPL is accounted for using the equity method in these financial statements. Share of profit for current year is based on the audited financial statements of CHPL.
- 9.2.3 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 these financial statements. Share of profit for current year is based on the audited financial statements of TIPL.
- 9.2.4 Two shares of Turkpak International (Private) Limited are held in the name of the nominees of the Company.
- 9.3 Engineering Consulting Associates (Nigeria) Limited is engaged in providing engineering consultancy services and has its registered office at 5- Ahmadu Bello Way, Kano, Nigeria.
- 9.4 Technology and Resource Development (Private) Limited is engaged in providing engineering consultancy services and have its registered office at IEEEEP Building, 17-C-1, Civic Center, Faisal Town, Lahore.
- 9.4.1 One share of Technology and Resource Development (Private) Limited is held in the name of Dr. Tahir Masood, Ex-Managing Director of the Company.





	Note	2021	2020
		----- (Rupees in thousand) -----	
<b>10 LONG TERM LOANS AND ADVANCES</b>			
Considered good:			
Employee loans - secured	10.1	2,734	3,156
Less : Current maturity	13	(336)	(378)
		2,398	2,778
Advance due from Pakistan Hydro Consultant - unsecured		75	75
Loan to NESPAK, W.L.L., Doha, Qatar - related party	10.2	-	-
		2,473	2,853
<b>10.1 This includes loan related to:</b>			
House Building loan		2,690	2,994
Motor Cycle loan		44	162
		2,734	3,156
<b>10.1.1</b> These represent motorcycle and house building loans extended to employees of the Company in accordance with the Company's 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 (2020: 4% per annum) and 5.35% per annum (2020: 5.53% per annum) respectively.			
	Note	2021	2020
		----- (Rupees in thousand) -----	
<b>10.2 Loan to NESPAK, W.L.L., Doha, Qatar - related party</b>			
Loan to NESPAK, W.L.L., Doha, Qatar	10.2.1	260,016	190,438
Less: Impairment (Allowance for ECL)	10.2.3	(260,016)	(190,438)
		-	-
<b>10.2.1</b> The maximum aggregate amount due from related parties at any month end during the year was as follows:			
	Note	2021	2020
		----- (Rupees in thousand) -----	
NESPAK, W.L.L., Doha, Qatar	10.2.2	260,016	190,438
<b>10.2.2</b> The aging analysis of NESPAK, W.L.L., Doha, Qatar is as follows:			
Up to 1 year		69,578	74,382
More than 1 years		190,438	116,056
		260,016	190,438
<b>10.2.3 Impairment (Allowance for ECL)</b>			
Opening balance		190,438	101,039
Charge for the year		69,578	89,399
Closing balance		260,016	190,438
<b>11 LONG TERM DEPOSITS</b>			
Retention and earnest money		255,349	234,203
Current portion of retention and earnest money	14	(85,447)	(15,621)
		169,902	218,582
Security deposits		6,362	7,887
		176,264	226,469

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	Note	2021	2020
----- (Rupees in thousand) -----			
<b>12 TRADE DEBTS-UNSECURED</b>			
Contract fee receivables		11,774,927	11,738,176
Sales tax receivable from customers		2,421,895	2,174,151
	12.1	14,196,822	13,912,327
Less: Provision for doubtful debts/impairment (ECL)	12.4	(4,078,106)	(3,924,124)
		<u>10,118,716</u>	<u>9,988,203</u>
<b>12.1</b>	These include amounts due from following subsidiaries, associates and other related parties:		
<b>Subsidiaries</b>			
NESPAK and Partners LLC, Muscat, Oman		1,686,463	1,835,796
NESPAK UK Limited		3,707	1,145
NESPAK, W.L.L., Doha, Qatar		240,230	216,756
	12.2	<u>1,930,400</u>	<u>2,053,697</u>
<b>Associates &amp; Other Related Parties</b>			
Turpkak International (Private) Limited		2,013	2,013
Technology and Resource Development (Private) Limited		7,975	7,975
NESPAK Foundation		20,052	5,891
Federal Government and related departments		4,936,480	5,184,552
Provincial Governments and related departments		5,035,129	4,724,730
	12.2	<u>10,001,649</u>	<u>9,925,161</u>
		<u>11,932,049</u>	<u>11,978,858</u>

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

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>Subsidiaries</b>			
NESPAK and Partners LLC, Muscat, Oman		1,686,463	1,835,796
NESPAK UK Limited		3,707	1,145
NESPAK, W.L.L. - Qatar		240,230	216,756
		<u>1,930,400</u>	<u>2,053,697</u>
<b>Associates &amp; Other Related Parties</b>			
Turpkak International (Private) Limited		2,013	2,013
Technology and Resource Development (Private) Limited		7,975	7,975
NESPAK Foundation		20,052	5,891
Federal Government and related departments		4,936,480	5,184,552
Provincial Governments and related departments		5,035,129	4,724,730
		<u>10,001,649</u>	<u>9,925,161</u>
		<u>11,932,049</u>	<u>11,978,858</u>

**12.3 Aging analysis of subsidiaries, associates and other related parties**

The aging analysis of contract fee receivables from subsidiaries, associates and other related parties is as follows:

	Note	2021	2020
----- (Rupees in thousand) -----			
Up to 6 months		2,595,101	1,059,043
More than 6 months less than 1 year		1,151,316	1,298,468
More than 1 year less than 2 year		2,220,078	2,609,815
More than 2 year		5,965,554	7,011,532
		<u>11,932,049</u>	<u>11,978,858</u>

**12.4 Provision for doubtful debts/impairment (ECL)**

Opening balance		3,924,124	3,377,790
Charge for the year	28	153,982	554,572
Receivables written off during the year		-	(8,238)
Closing balance	12.4.1	<u>4,078,106</u>	<u>3,924,124</u>

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## 12.4.1 Impairment includes receivable from following related parties:

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>Subsidiaries</b>			
NESPAK and Partners LLC, Muscat, Oman		1,147,257	1,132,494
NESPAK UK Limited		3,495	1,145
National Engineering Services Pakistan W.L.L - Doha, Qatar		240,230	216,756
		<u>1,390,982</u>	<u>1,350,395</u>
<b>Associates &amp; Other Related Parties</b>			
Turkpak International (Private) Limited		498	85
Technology and Resource Development (Private) Limited		6,729	6,729
NESPAK Foundation		4,932	249
Federal Government and related departments		1,214,275	1,197,371
Provincial Governments and related departments		1,238,541	1,221,299
		<u>2,464,975</u>	<u>2,425,733</u>
		<u>3,855,957</u>	<u>3,776,128</u>
<b>13 LOANS AND ADVANCES</b>			
Current maturity of long term loans and advances-secured	10	336	378
Advances to employees-unsecured, considered good	13.1	29,236	34,491
Advances to suppliers-unsecured, considered good	13.2	10,920	58,650
Due from NESPAK Foundation-related party	13.4	4,327	14,233
Due from Staff Welfare Fund Trust-related party	13.5	33,083	63,826
Miscellaneous advances- unsecured, considered good	13.6	225,862	94,740
		<u>303,764</u>	<u>266,318</u>
<b>13.1</b> Details of advances extended to employees are as follows:			
Travelling advances (T.A)		6,178	5,838
Miscellaneous advances		13,729	19,337
House rent advances		2,021	1,982
T.A (Foreign)		3,128	7,334
Imprest		4,180	-
		<u>29,236</u>	<u>34,491</u>
<b>13.2</b> Details of advances extended to different suppliers are as follows:			
Mecatech Pvt Limited		-	54,821
Indus Motors Company Limited		6,216	-
Pak Suzuki Motors Limited		1,298	1,298
ILF Consultant		1,144	1,144
Impac Offshore		586	586
Honda Atlas Cars Limited		1,000	-
Turkpak International Private Limited-related party	13.3.1	24	24
Others		652	777
		<u>10,920</u>	<u>58,650</u>
<b>13.3</b> The maximum aggregate of amount due from Turkpak International Private Limited at the end of any month during the year was as follows:			
		<u>2021</u>	<u>2020</u>
		----- (Rupees in thousand) -----	
Turkpak International Private Limited		<u>24</u>	<u>24</u>





		2021	2020
		----- (Rupees in thousand) -----	
<b>13.3.1</b>	The ageing analysis of Turpkak International Private Limited is as follows:		
	Up to 30 days	-	-
	30 to 90 days	-	-
	Past due 90 days	24	24
<b>13.4</b>	This represents amount due from NESPAK Foundation, related party, on account of miscellaneous advances paid to its employees who were engaged in the engineering contracts for the Company. The maximum aggregate amount due calculated with reference to month end balances during the year was Rs. 4.327 million (2020: Rs. 14.233 million).		
		2021	2020
		----- (Rupees in thousand) -----	
<b>13.4.1</b>	The ageing analysis of due from NESPAK Foundation is as follows:		
	Up to 30 days	-	-
	30 to 90 days	-	-
	Past due 90 days	4,327	14,233
<b>13.5</b>	This represents amount due from Staff Welfare Fund Trust, 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. 33.083 million (2020: Rs. 85.826 million).		
		2021	2020
		----- (Rupees in thousand) -----	
<b>13.5.1</b>	The ageing analysis of recoverable from Staff Welfare Fund Trust is as follows:		
	Up to 30 Days	-	-
	30 to 90 Days	-	-
	Past due 90 Days	33,083	63,826
<b>13.6</b>	These represents advances extended to joint venture based projects:		
	Mohmand Dam	46,970	22,355
	TPB Consultant	23,158	13,227
	Diamer Basha Consultants	89,803	-
	LBDC Consultants	1,064	236
	BWRDSP Consultants	13,500	6,539
	Pakpattan Sulimanki Canal Consultants	15,360	15,360
	GIS/MIS/Design Support Services	9,927	9,927
	Jalalpur Consultants	8,109	12,159
	NESPAK - AHT J.V	2,535	2,914
	Murunj Dam Consultants	4,707	-
	Others	10,729	12,023
		<u>225,862</u>	<u>94,740</u>
<b>14</b>	<b>DEPOSITS AND PREPAYMENTS</b>		
	Current portion of retention and earnest money	11	15,621
	Margins on bank guarantees	14.1	42,750
	Security deposits	55,785	46,911
	Prepayments	10,684	6,731
		200,859	112,013
	Less: Impairment- margin on bank guarantee	14.2	(13,630)
		<u>179,698</u>	<u>98,383</u>

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14.1 This represents margin amounting to SAR 0.504 million (2020: 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 (2020: 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.

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

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>15 OTHER RECEIVABLES</b>			
Sales tax receivable	15.1	1,020,354	936,375
Receivable from Turpkak International (Private) Limited- related party	15.2	9	-
Miscellaneous receivables	15.3	55	55
Receivable from subsidiaries	15.4	412,227	485,666
Less: Impairment (ECL)	15.5	(412,227)	(341,921)
		-	143,745
		<u>1,020,418</u>	<u>1,080,175</u>

15.1 This includes an amount of Rs. 1,000 million (2020: Rs. 902 million) on account of sales tax with-held on sales tax invoices issued by NESPAK Foundation. The Company has made payments of amounts exclusive of sales tax to NESPAK Foundation while sales tax amount so with-held from payments has not been deposited into the Government Treasury by both the Company itself and NESPAK Foundation as NESPAK Foundation is currently in litigation with PRA. (Note 22.3.2)

15.2 These represents reimbursable amount due from Turpkak International (Private) Limited, in respect of accommodation expense that has not yet been received by the Company (2020: Nil).

15.3 These represent petty cash/impresst given to sub-contractors against expenses.

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>15.4 This represent amounts due from following subsidiaries as follows:</b>			
NESPAK, W.L.L., Doha, Qatar		338,901	337,580
NESPAK, ECC, Riyadh, KSA		73,326	148,086
	15.4.1	<u>412,227</u>	<u>485,666</u>
<b>15.4.1 The maximum aggregate amount due from subsidiaries at any month end during the year was as follows:</b>			
NESPAK, W.L.L., Doha, Qatar		338,901	337,580
NESPAK, ECC, Riyadh, KSA		73,326	148,086
		<u>412,227</u>	<u>485,666</u>

15.4.2 The aging analysis of other receivable from subsidiaries is as follows:

Up to 30 days	-	-
30 to 90 days	-	-
Past due 90 days	412,227	485,666

**15.5 Impairment (ECL) for the year:**

Opening Balance		341,921	266,309
Charge for the year		70,306	75,612
Closing Balance	15.5.1	<u>412,227</u>	<u>341,921</u>

15.5.1 Impairment is held against following subsidiaries:

NESPAK, W.L.L., Doha, Qatar		338,901	337,580
NESPAK, ECC, Riyadh, KSA		73,326	4,341
		<u>412,227</u>	<u>341,921</u>

**16 SHORT TERM INVESTMENTS**

**Investments at fair value through profit or loss**

Mutual funds 16.1 89,485 100,361

**Investments at amortized cost**

Term deposit receipts 16.2 286,700 904,900

376,185 1,005,261

*GAZPAC*

*[Handwritten signature]*

		2021	2020
		----- (Rupees in thousand) -----	
<b>16.1</b>	<b>Mutual funds</b>		
	UBL Government Securities Fund-Class 'C' 806,405.61 (2020: 912,699.68) units	85,300	96,402
	Pakistan Cash Management Fund 44,187.41 (2020: 41,778.86) units	2,230	2,105
	NBP Government Securities Liquid Fund- Related Party 191,413.78 (2020: 181,749.24) units	1,955	1,854
		<u>89,485</u>	<u>100,361</u>
<b>16.1.1</b>	Fair value of these investments is determined using their respective redemption net asset values:		
	Balance at the beginning of the year	100,361	89,237
	Dividend reinvested during the year	3,973	11,267
	Redemption during the year	(15,000)	-
	Unrealized gain/ (loss) on remeasurement of investments	151	(143)
	Balance as at year end	<u>89,485</u>	<u>100,361</u>
<b>16.2</b>	<b>Term deposit receipts</b>		
	- Local currency	50,000	30,000
	- Foreign currency	236,700	874,900
		<u>286,700</u>	<u>904,900</u>
<b>16.2.1</b>	<b>Local currency</b>		
	Bank Al Habib Limited*	50,000	30,000
		<u>50,000</u>	<u>30,000</u>
	* This represents local currency accounts with 10% margin on letter of guarantees in the shape of lien with commercial banks amounting to Rs. 50 million (2020: Rs. 30 million).		
<b>16.2.2</b>	<b>Foreign currency</b>		
	Bank Alfalah Limited	-	168,250
	Allied Bank Limited	236,700	706,650
		<u>236,700</u>	<u>874,900</u>
	Rate of profit on foreign currency investments is 0.70% ( 2020: 3.20% to 4.01%) per annum with maturing period of 6 months (2020: 6 months).		
<b>17</b>	<b>TAX REFUNDS DUE FROM GOVERNMENT - NET</b>		
		Note	2021
			2020
			----- (Rupees in thousand) -----
	Income tax Refundable as on 30 June		818,292
	Income tax provision for the year	30	(191,680)
			<u>561,083</u>
			<u>570,182</u>
<b>18</b>	<b>CASH AND BANK BALANCES</b>		
	Balances with bank:		
	- In current accounts		
	Local currency		11,857
	Foreign currency		6,391
	Less: Impairment	18.3	(2,548)
			<u>3,843</u>
			<u>15,700</u>
	- In PLS accounts		
	Local currency	18.1	355,904
	Foreign currency	18.2	604,071
			<u>959,975</u>
			<u>451,855</u>
			<u>975,675</u>
			<u>477,268</u>

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	Note	2021	2020	
		----- (Rupees in thousand) -----		
Cash in hand:				
Foreign currency		4,669	4,650	
Less: Impairment	18.3	(1,454)	(1,454)	
		<u>3,215</u>	<u>3,196</u>	
		<u>978,890</u>	<u>480,464</u>	
18.1	Rate of profit on PLS local currency accounts is 5.5% (2020: 6%) per annum.			
18.2	Rate of profit on PLS foreign currency accounts is 0.25% (2020: 1%) per annum.			
18.3	This represents impairment charged on bank balances of Iran and Yemen offices amounting to Rs. 2.49 million (2020: Rs. 2.49 million) and Rs. 0.058 million (2020: Rs. 0.058 million) respectively and on cash in hand in Iran office amounting to Rs. 1.454 million (2020: Rs. 1.454 million).			
		2021	2020	
		----- (Rupees in thousand) -----		
<b>19</b>	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL</b>			
	50,000 (2020: 50,000) ordinary shares of Rs. 10 each fully paid in cash	500	500	
	450,000 (2020: 450,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,500	4,500	
		<u>5,000</u>	<u>5,000</u>	
19.1	All shares are similar with respect to their rights on voting (Board selection, first refusal and block voting).			
19.2	The Government of Pakistan (related party) holds 100% shareholding of the Company.			
		Note	2021	
			2020	
			----- (Rupees in thousand) -----	
<b>20</b>	<b>LEASE LIABILITIES</b>		<u>60,960</u>	<u>82,354</u>
	The movement in this head of account is as follows:			
	Opening liability		98,897	-
	Additions during the year		-	112,409
	Less: Repayments made during the year		(27,055)	(24,596)
	Interest on unwinding of liability against right-of-use assets	27	10,512	11,084
	Closing liability		82,354	98,897
	Less: Current portion shown under current liabilities		(21,394)	(16,543)
			<u>60,960</u>	<u>82,354</u>
<b>20.1</b>	Maturity analysis-contractual undiscounted cash flows:			
		<b>30 JUNE 2021</b>		
		<b>Rupees in thousand</b>		
		Minimum lease payments	Less: Future finance cost	Present value of minimum lease payments
	Not later than one year	29,760	8,366	21,394
	Later than one year but not later than five years	68,746	7,786	60,960
		<u>98,506</u>	<u>16,152</u>	<u>82,354</u>
	Maturity analysis-contractual undiscounted cash flows:			
		<b>30 JUNE 2020</b>		
		<b>Rupees in thousand</b>		
		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	98,506	16,152	82,354
		<u>125,561</u>	<u>26,664</u>	<u>98,897</u>




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.

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>21</b>	<b>EMPLOYEES RETIREMENT AND OTHER LONG TERM BENEFITS</b>		
Accumulated compensated absences	21.1	452,481	428,682
Long term association benefits	21.2	165,910	154,168
		<u>618,391</u>	<u>582,850</u>
<b>21.1</b>	Changes in the present value of defined benefit obligations:		
Present value of defined benefit obligations - opening balance		428,682	456,451
Expense chargeable to statement of profit or loss	21.1.1	23,799	(27,769)
Present value of defined benefit obligations - closing balance		<u>452,481</u>	<u>428,682</u>

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

	2021	2020
----- (Rupees in thousand) -----		
<b>21.1.1</b>	Charge for the year:	
Statement of profit or loss:		
Current service cost	9,877	11,584
Net interest expense	36,438	57,056
Actuarial gains	(22,516)	(96,409)
	<u>23,799</u>	<u>(27,769)</u>

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

	2021	2020
Discount rate	10.00%	8.50%
Future salary	9.50%	8.00%
Average expected remaining working lifetime of members	8 years	8 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%
----- (Rupees in thousand) -----				
<b>Sensitivity analysis as at 30 June 2021</b>				
Present value of defined benefit obligation	<u>417,853</u>	<u>489,966</u>	<u>489,978</u>	<u>417,858</u>

21.1.3 The average duration of the defined benefit obligation is 7 years (2020: 7 years)

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>21.2</b>	Changes in the Present value of defined benefit obligations:		
Present value of defined benefit obligations - opening balance		154,168	166,582
Expense chargeable to the statement of profit or loss	21.2.1	29,243	(6,541)
Benefits paid during the year		(17,501)	(5,873)
Present value of defined benefit obligations - closing balance		<u>165,910</u>	<u>154,168</u>
<b>21.2.1</b>	Expense chargeable to the statement of profit or loss		
Current service cost		11,914	11,734
Net interest expense		12,360	20,456
Actuarial (gain)/loss		4,969	(38,731)
		<u>29,243</u>	<u>(6,541)</u>

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	2021	2020
<b>21.2.2</b> Significant actuarial assumptions at the reporting date of the statement of financial position:		
Discount rate	10.00%	8.50%
Future salary	9.50%	8.00%
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
	<b>Discount Rate</b>	<b>Future Salary</b>
	+1%	-1%
	-1%	+1%
	+1%	-1%
<b>Sensitivity analysis as at 30 June 2021</b>	----- (Rupees in thousand) -----	
Present value of defined benefit obligations	<b>154,746</b>	<b>177,880</b>
	<b>177,876</b>	<b>154,747</b>

**21.2.3** The average duration of the defined benefit obligation is 7 years (2020: 7 years).

	Note	2021	2020
		----- (Rupees in thousand) -----	

## 22 TRADE AND OTHER PAYABLES

Retention money payable		6,099	7,405
Sundry creditors	22.1	747,367	592,808
Accrued liabilities	22.2	269,463	289,427
Due to NESPAK Provident Fund Trust - related party		124,410	81,565
Sales tax payable	22.3.1	3,762,442	3,381,727
Due to NESPAK Gratuity Fund Trust - related party	22.4	186,128	150,885
Other liabilities	22.5	63,485	34,299
		<b>5,159,394</b>	<b>4,538,116</b>
<b>22.1</b> This includes Rs. 541.354 million (2020: Rs. 446.973 million) due to following related parties:			
NESPAK Foundation		408,096	393,635
Turkpak International (Private) Limited		114,744	53,338
National Insurance Company Limited		18,514	-
		<b>541,354</b>	<b>446,973</b>
		<b>2021</b>	<b>2020</b>
		----- (Rupees in thousand) -----	
<b>22.1.1</b> Sundry Creditors includes payable to:			
LBDC Consultants		17,107	12,608
Fazal Din's Pharma Plus		11,090	8,716
Mooyoung CM		10,802	-
		<b>38,999</b>	<b>21,324</b>
<b>22.2</b> These include salaries payable amounting to Rs. 144.87 million (2020: Rs. 161.82 million) and other accrued expenses amounting to Rs. 124.59 million (2020: Rs. 127.6 million).			
<b>22.3.1</b> This is payable to sales tax authorities i.e. Federal Board of Revenue (FBR), Punjab Revenue Authority (PRA), Sindh Revenue Board (SRB), Khyber Pakhtunkhwa Revenue Authority (KPRA) and Baluchistan Revenue Authority (BRA) on account of consultancy services rendered to the customers across Pakistan. Sales tax will be paid upon receipt from its customers.			
<b>22.3.2</b> This includes an amount of Rs. 1,000 million (2020: 902 million) as sales tax payable against invoices issued by NESPAK Foundation. The Company has withheld sales tax on payments made to NESPAK Foundation but has not deposited said amount with PRA as NESPAK Foundation is in litigation with PRA. Related penalty and default surcharge, if any, on tax not deposited by the Company cannot be ascertained at this stage and hence, the same has not been recognized in these financial statement.			
<b>22.3.3</b> This also includes an amount of Rs. 89 million on account of penalties imposed due to non filling of sales tax returns after Appellate orders of ATIR.			

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	Note	2021	2020			
		----- (Rupees in thousand) -----				
<b>22.4 Due to NESPAK Gratuity Trust - related party</b>						
Present value of defined benefit obligations	22.4.1	2,227,909	2,153,459			
Fair value of plan assets	22.4.2	(2,041,781)	(2,002,574)			
		<u>186,128</u>	<u>150,885</u>			
<b>22.4.1 Changes in the present value of defined benefit obligations:</b>						
Balance at beginning of the year		2,153,458	2,040,137			
Current service cost		120,618	113,998			
Interest expense		174,109	245,102			
Benefits paid during the year		(193,543)	(129,288)			
Unpaid benefits		(16,678)	(29,358)			
Actuarial gain		(10,055)	(87,132)			
		<u>2,227,909</u>	<u>2,153,459</u>			
<b>22.4.2 Changes in the fair value of plan assets:</b>						
Balance at beginning of the year		2,002,573	1,881,833			
Contributions made by the Company during the year		960	42,817			
Interest income		161,325	229,825			
Benefits paid during the year		(193,543)	(129,288)			
Unpaid benefits		(16,678)	(29,358)			
Return on plan assets excluding interest income		87,144	6,745			
		<u>2,041,781</u>	<u>2,002,574</u>			
<b>22.4.3 Charge for the year:</b>						
Statement of profit or loss:						
Current service cost		120,618	113,998			
Net interest expense		12,784	15,277			
		133,402	129,275			
Other comprehensive income:						
Financial assumptions		(103)	156,314			
Experience adjustments		(9,953)	(243,446)			
Return on plan assets, excluding amounts included in interest income		(87,144)	(6,745)			
		<u>(97,200)</u>	<u>(93,877)</u>			
		<u>36,202</u>	<u>35,398</u>			
<b>22.4.4 Significant actuarial assumptions at the reporting date of the statement of financial position:</b>		<b>2021</b>	<b>2020</b>			
Discount rate		10.00%	8.50%			
Future salary		9.50%	8.00%			
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			
		<b>Discount Rate</b>	<b>Future Salary</b>			
		+1%	-1%			
		+1%	-1%			
<b>22.4.5 Sensitivity analysis as at 30 June 2021</b>		----- (Rupees in thousand) -----				
Present value of defined benefit obligation		<u>2,057,462</u>	<u>2,412,530</u>			
		<u>2,412,477</u>	<u>2,057,437</u>			
<b>22.4.6 Maturity profile (undiscounted future expected benefits payments)</b>						
<b>Year</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027 +</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Benefit Payments	169,508,218	174,651,159	182,659,696	193,911,832	208,956,691	2,285,591,700
<b>22.4.7</b>	Plan assets of the Fund are Government securities/bonds including special saving certificates and balances with banks.					
<b>22.4.8</b>	The expected amount chargeable to the statement of profit or loss for FY 2022 is Rs. 159.571 million while expected contribution is Rs. 45.02 million.					
<b>22.4.9</b>	Average duration of the defined benefit obligation is 7 years (2020: 7 years).					

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## 22.4.10 Year wise present value of defined benefit obligation is as follows:

Year	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Rs. 000				
Benefit Payments obligation	1,593,850	2,031,676	2,073,580	2,040,137	2,153,459

## 22.5 Other liabilities include income tax deducted at source of employees and parties.

Note	2021	2020
	----- (Rupees in thousand) -----	

## 23 CONTRACT LIABILITIES

23.3

	<u>507,563</u>	<u>522,879</u>
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## 23.1 These represent advances from customers as mobilization advances and will be adjusted against billings made in future.

## 23.2 Advances amounting to Rs. 191 million (2020: Rs. 107 million) have been recognized as revenue during the year.

Note	2021	2020
	----- (Rupees in thousand) -----	

## 23.3 Such advances includes:

Diamer Basha Dam- Related party	139,852	199,786
Improvement of Water Courses in Pakistan-Phase-II	117,688	-
Mohmand Dam Hydropower Project- Related party	-	59,000
Baluchistan Water Resources Development Sector (BWRDSP)- Related party	41,307	54,950
20 MW Hydropower Project, Gilgit-Baltistan	18,654	24,274
Torkham Jalalabad Road, Afghanistan	38,291	45,233
Spaceport Project (Kund Malir)	23,661	-
500 KV T.Line 3rd Circuit Jamshoro-Moro-Dadu-R.Y. Khan (NTDC)- Related party	-	15,789
Establishment of Modern Drug Testing Laboratory, Lahore- Related party	19,367	19,367
Jalalpur Irrigation Project	1,023	12,281
Murunj Dam Project	5,005	10,010
Hill Torrent	18,709	-
Promotion of High Value Agriculture	11,437	-
	<u>434,994</u>	<u>440,690</u>

## 24 CONTINGENCIES AND COMMITMENTS

## 24.1

**Income Tax**

- (a) The Learned Additional Commissioner Inland Revenue (Add. CIR) passed two separate orders u/s 122(5A) of the Income Tax Ordinance, 2001 (Ordinance) for the tax year 2010 and 2011 wherein minimum tax was charged @ 6% on the gross engineering services rendered/provided in and outside the Pakistan and created tax demand amounting to Rs. 49.46 million and Rs. 81.24 million respectively vide orders dated 31-05-2012. The Company filed appeals against the impugned orders before the Learned Commissioner Inland Revenue, Appeals (CIR(A)) who disposed off the same vide orders dated 04-12-2012, however, failed to decide the issue of minimum tax in clear terms due to which both parties interpreted the orders in their favor. Consequently, the Company contested the said orders of CIR(A) before the Learned Appellate Tribunal Inland Revenue (ATIR) who vide order dated 18-08-2014 accepted the stance of the Company and restored the deemed assessment orders u/s 120(1)(b). The Department filed reference against order of ATIR before the Honorable High Court (HC) who vide order dated 01-06-2023 rejected both the references. The Department has filed C.P.L.A before the Honorable Supreme Court (SC) which is pending for adjudication. The management of the Company, based on the opinion of its legal advisor is confident, of favorable outcome of pending CPLA.
- (b) The Add. CIR passed an order dated 27-09-18 under section 122(5A) of the Ordinance for Tax Year 2013, through which alleged tax demand of Rs. 335 million was 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 salary expense reported in accounts and withholding tax statements of the Ordinance u/s 21(c), 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 28-02-20 allowed the matters except to the extent of tax impact on disallowance of vehicles depreciation amounting to Rs. 0.8 million on account of being in excess of Rs. 1.5 million threshold. 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 of such appeal.

The Learned Add. CIR again amended his own order u/s 122(5A) dated 30-06-20 for Tax Year 2013 created a demand of Rs. 522 million. Being aggrieved, the Company preferred an appeal before CIR(A) which is pending for adjudication. The management of the Company, based on the opinion of its legal advisor, is confident for favorable outcome of such appeal.




- (c) The Add. CIR has passed an order under section 122(5A) of the Ordinance and created the demand amounting to Rs. 270 million for the tax year 2014 on the basis that the expenses are not prorated to the exempt income claimed under clause 131 of Part I of the Second Schedule to the Ordinance and property income along with other matters including bad debts written off, exchange loss etc. Being aggrieved, the Company has filed an appeal before the CIR(A), which has decided the case in favor of the Company vide order dated 14-10-20 other than proration of expenses on exempt income. Being aggrieved, the Company and tax department has filed cross appeals against the order of CIR(A) before the ATIR, which is pending adjudication. The management of the Company, based on the opinion of its legal advisor, is confident of favorable outcome of such appeals.
- (d) An order u/s 122(1)/(5) for Tax Year 2015 was passed by the Learned Deputy Commissioner Inland Revenue (DCIR) creating demand of Rs. 570 million against which an appeal was filed before CIR(A) who vide his order dated 12-07-18 remanded back the case to DCIR for a fresh decision. An appeal was filed before ATIR against the decision of CIR(A) which is pending for adjudication. During pendency of appeal, Learned DCIR passed an order u/s 124/129 dated 27-07-21 and again created a demand of Rs. 570 million. The Company filed an appeal before CIR(A) who vide his order dated 30-03-22 annulled the order of the learned DCIR with the direction to wait for the Learned ATIR order before passing ultimate order u/s 122(5)/124 of the Ordinance. The management of the Company based, on the opinion of its legal advisor, is confident of favorable outcome of such appeal.

Another order u/s 122(5A) for Tax Year 2015 was passed by the Learned Add. CIR on the issue of super tax and disallowance of credit of advance tax paid raising a demand of Rs. 33 million and Rs. 55 million respectively against which an appeal was filed before CIR(A) who vide his ex-parte order dated 10-10-19 dismissed the appeal. The Company filed an appeal before the ATIR who vide order dated 27-05-21 remanded back the case to Add. CIR with the directions to recalculate the super tax and allow the credit of tax payments. The learned Add. CIR while giving appeal effect of the order of Learned ATIR supra, wrongly took the income amounting to Rs. 1,720,509,696/- from the re-assessment order passed u/s 124/122(1) dated 02-06-21 which had been annulled by the learned CIR(A) and did not exist at the time of providing appeal effect. The Company had filed appeal against the said appeal effect order before the learned CIR(A) who vide order dated 29-05-23 annulled the appeal effect order with the direction to revisit the issue and determine the super tax liability u/s 4B of the Ordinance on the basis of assessment order which holds the field at present. Feeling aggrieved by the orders of CIR(A) supra, the Company filed second appeal before the Learned ATIR with the contention that super tax charged should have been deleted by CIR(A) which is pending for adjudication. The management of the Company, based on the opinion of its legal advisor, is confident of favorable outcome of such appeal.

- (e) The Add. CIR passed an order under section 122(5A) of the Ordinance and created the demand amounting to Rs. 206 million and Rs. 161 million for Tax Years 2016 and 2017 respectively on account of disallowance of deductions claimed under the head income from property, disallowance of expenses allocated to exempt foreign income subject to tax under Clause (131) of Part I of the Second Schedule of the Ordinance, impairment loss claimed on investment in subsidiaries and share of profit from associates. The Company filed appeals against the said order before the CIR(A) vide his orders dated 03-11-20 deleted the additions made on account of deductions on property income, restricted the expenses allocated to foreign income to 25% as per case history, while confirming the additions made on share from associate and impairment loss on subsidiaries. The Company, as well as the Department, assailed the orders for cross appeals before Learned ATIR which are pending for adjudications. The management of the Company, based on the opinion of its legal advisor, is confident of favorable outcome of such appeals.
- (f) The Add. CIR passed order u/s 122(5A) dated 29-10-20 for the Tax Year 2018 and created demand of Rs. 332 million on similar issues as mentioned supra. The Company filed appeals against the said order before the CIR(A) who vide order dated 29-10-21 decided the case as per history. The Company, as well as the Department, assailed the order for cross appeals before Learned ATIR which are pending for adjudications. The management of the Company, based on the opinion of its legal advisor, is confident of favorable outcome of such appeal.
- (g) The Add. CIR issued an order u/s 122(5A) dated 13-04-21 for the Tax Year 2019 and created demand of Rs. 279 million on similar issues as stated supra. The Company filed appeal against the said order before the CIR (A) who vide order dated 29-10-21 decided the case as per history. The Company, as well as the Department, assailed the order for cross appeals before the Learned ATIR which are pending for adjudications. The management of the Company, based on the opinion of its legal advisor, is confident of favorable outcome of such appeal.
- (h) The Add. CIR passed an order u/s 122(5A) dated 12-08-21 for the Tax Year 2020 and created demand of Rs. 450 million on similar issues as stated supra. The Company filed appeal against the said order before the CIR(A) who vide order dated 31-03-22 decided the case as per history. The Company, as well as the Department, assailed the order for cross appeals before the ATIR which are pending for adjudications. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome of such appeal.
- (i) The Add. CIR passed an order u/s 122(5A) dated 27-04-22 for the Tax Year 2021 and created demand of Rs. 145 million on similar issues as stated supra. The Company filed appeal against the said order before the CIR(A) who vide order dated 15-07-22 decided the case as per history. The Company, as well as the department, assailed the order for cross appeals before the ATIR which are pending adjudication. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome of such appeal.



**Sales Tax**

- (j) The Learned Additional Commissioner Enforcement PRA had passed two separate Orders bearing reference No.72/2019 dated 17-06-2019 for the tax periods 2013-14 & 2014-15 and reference No. 113/2019 dated 12-09-2019 for tax periods 2015-16 & 2016-17. While doing so, she had assessed worldwide engineering receipts declared in the income tax return on accrual basis in Punjab and created tax demand of Rs. 2,154 million and Rs. 2,063 million respectively while rejecting the province wise bifurcation.

The Company filed appeals against these orders. The appeal relating to Tax Year 2013-14 & 2014-15 was partly heard by the Commissioner Appeals. The learned Commissioner Appeal had marked an enquiry to Add. Commissioner Enforcement PRA for adjudging the factual quantum of services rendered/provided by the Company in Punjab to Add. Commissioner Enforcement PRA who vide her report dated 27-06-22 reassessed the Company's engineering receipts for the tax years 2013-14 at Rs. 1,919 million and for 2014-15 at Rs. 2,393 million respectively which includes an amount of Rs. 555 million and Rs. 348 million relating to the services rendered/provided by the Company prior to levy of sales tax on services. After exclusion of services provided in other territories, a demand of Rs. 596 Million left behind as payable. Similarly, issue of default of non-withholding of tax against services received by the Company was not properly dealt by the Add. Commissioner in her inquiry report, therefore, both these issues were contested again before the Commissioner Appeal, by filing additional grounds. However, no provision has been made in these financial statements. The management of the Company, based on the opinion of its legal advisor, is confident for favourable outcome of such appeal.

- (k) Sindh Revenue Board (SRB) issued notice for the tax year 2018-19 against which the Company has submitted its comprehensive reply which seems to be accepted as no rebuttal of the same has yet been made by the Department.

**Others**

- (l) Other than the above cases, a number of legal cases have been filed against the Company by individuals/employees/local authorities at various forums relating to several disputes/difference of opinion. Because of their nature, it is not possible to quantify their financial impact at present. However, the management and the Company's legal advisors are of the view that the outcome of these cases is expected to be 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**

- (m) Guarantees given by commercial banks and an insurance company on behalf of the Company amount to Rs. 9,310.6 million (2020: Rs. 3,924.74 million). These also includes guarantees given by foreign banks.

	Note	2021	2020
----- (Rupees in thousand) -----			
<b>25 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b>			
Services rendered in Pakistan		7,475,993	6,840,709
Services rendered outside Pakistan		200,492	265,287
	25.1	7,676,485	7,105,996
Less: Sales tax on services		(792,879)	(739,099)
		<u>6,883,606</u>	<u>6,366,897</u>
<b>25.1 Disaggregation of revenue from contracts with customers:</b>			
Set out below is the disaggregation of the Company's revenue from contracts with customers:			
<b>Type of services:</b>			
Engineering consultancy services		<u>7,676,485</u>	<u>7,105,996</u>
<b>Timing of revenue recognition:</b>			
Services rendered over time		<u>7,676,485</u>	<u>7,105,996</u>
<b>Geographical markets:</b>			
Pakistan		7,475,993	6,840,709
Oman		91,832	64,182
Afghanistan		9,536	33,854
Qatar		61,274	9,601
Nigeria		13,085	70,402
Jordan		22,166	87,248
Sierra Leone		2,599	-
		<u>7,676,485</u>	<u>7,105,996</u>





	Note	2021	2020	
----- (Rupees in thousand) -----				
<b>26</b>	<b>COST OF REVENUE</b>			
	Salaries, wages and other benefits	26.1	4,727,893	4,712,586
	Sub-consultancy expenses		910,076	908,657
	Vehicle running expenses		551,532	540,508
	Surveys and investigations		48,993	37,965
	Office maintenance and utilities		354,848	330,003
	Traveling and conveyance		139,642	151,208
	Depreciation of property and equipment	5	99,103	96,894
	Depreciation of investment property	7.2	4,298	4,524
	Printing and stationery		48,577	36,364
	Amortization of intangible assets	6	4,316	2,925
	Legal charges		4,919	9,007
	Donations	26.2	1,279	2,301
	Auditor's remuneration	26.3	945	945
	Impairment of bank balance-Yemen		-	58
	Insurance expenses		17,634	8,312
	Security expenses		15,224	15,079
	Miscellaneous expenses		2,556	3,044
			<u>6,931,835</u>	<u>6,860,380</u>
<b>26.1</b>	This includes expense incurred in respect of provident fund, welfare fund and gratuity amounting to Rs. 164.285 million (2020: Rs. 161.816 million), Rs. 78.483 million (2020: Rs. 78.242 million) and Rs. 133.402 million (2020: Rs. 129.275 million) respectively.			
<b>26.2</b>	None of the directors and their spouses had interest in the donees.			
		Note	2021	2020
----- (Rupees in thousand) -----				
<b>26.3</b>	Auditor's remuneration			
	Audit Fee		900	900
	Sales Tax		45	45
			<u>945</u>	<u>945</u>
<b>27</b>	<b>FINANCE COST</b>			
	Lease liability	20	10,512	11,084
	Bank charges and commission		5,288	4,925
			<u>15,800</u>	<u>16,009</u>
<b>28</b>	<b>OTHER EXPENSES</b>			
	Fair value loss on short term investments - net		-	143
	Exchange loss-net		211,703	-
	Impairment (including ECL)		301,396	719,583
	Advertisement and business promotion		6,943	13,358
			<u>520,042</u>	<u>733,084</u>
<b>29</b>	<b>OTHER INCOME</b>			
	<b>Income from financial assets</b>			
	Return on bank deposits and TDRs		31,685	61,811
	Dividend on short term investments		4,674	13,255
	Interest on long term loans to employees		149	122
	Exchange gain - net		-	206,692
	Unrealized fair value gain on short term investments - net		151	-
	<b>Income from non-financial assets</b>			
	Gain on disposal of property and equipment		3,328	2,083
	Rental income from investment property		70,447	71,363
	Others		8,897	1,960
			<u>119,331</u>	<u>357,286</u>

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		2021	2020
		----- (Rupees in thousand) -----	
<b>30</b>	<b>TAXATION</b>		
	<b>Current Taxation:</b>		
	Pakistan	214,159	191,680
	Prior years	43,050	-
	Foreign	11,363	-
		268,572	191,680
	<b>Deferred Tax:</b>	-	-
		<u>268,572</u>	<u>191,680</u>

**30.1** This relates to exemption of income amounting to Rs. 123 million claimed by the Company in Tax Year 2012 under Clause 126-F which was disallowed by the Department. The Company defended this case on various forums however, the Honorable Supreme Court of Pakistan vide its order dated 11-06-21 also rejected company's appeal.

**30.2** Deferred tax asset amounting to Rs. 1,479 million (2020: Rs. 1,432 million) has not been accounted for due to uncertainty in availability of future taxable profits against which this asset can be utilized.

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

### **31 CASH AND CASH EQUIVALENTS**

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

		2021	2020
		----- (Rupees in thousand) -----	
	Short term investments:		
	Local currency	50,000	30,000
	Foreign currency	236,700	874,900
	Balances with bank:		
	Current accounts	15,700	25,413
	PLS accounts	959,975	451,855
	Cash in hand	3,215	3,196
	Less: Investment not maturing within three months	(286,700)	(904,900)
		<u>978,890</u>	<u>480,464</u>

### **32 LOSS PER SHARE - BASIC AND DILUTED**

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

		2021	2020
		----- (Rupees in thousand) -----	
	Loss after tax	(722,812)	(1,070,985)
	Weighted average number of ordinary shares in issue during the year	500	500
	Loss per share	<u>(1.446)</u>	<u>(2.142)</u>

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

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

	Chief Executive Officer		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in thousand) -----					
Managerial remuneration/ Basic Salary	2,073	2,073	-	-	374,811	382,465
Fee	-	-	5,340	1,980	-	-
Bonus	-	-	-	-	-	-
Reimbursable expenses	1,236	1,239	30	15	92,360	96,459
Other benefits and allowances	7,557	7,067	-	-	503,066	525,483
Post employment benefits	108	498	-	-	69,883	126,332
	<b>10,974</b>	<b>10,877</b>	<b>5,370</b>	<b>1,995</b>	<b>1,040,120</b>	<b>1,130,739</b>
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>11</b>	<b>11</b>	<b>267</b>	<b>253</b>

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

33.2 The detail of other benefits and allowances provided to CEO, Directors and Executives are as follows:

	Chief Executive Officer		Executives	
	2021	2020	2021	2020
	----- (Rupees in thousand) -----			
Technical pay	601	601	88,460	92,128
Adhoc reliefs	483	482	78,181	75,235
Cost of living allowance	114	114	11,421	12,299
Conveyance allowance	-	-	2,111	1,681
House rent	1,800	1,800	158,378	167,662
Utility allowances	1,223	734	82,615	83,315
P.H.D/MSc allowance	120	120	3,213	3,873
G.M/V.Ps/M.D Allowances	3,000	3,000	43,488	49,875
Incr/comp allowance	-	-	2,892	3,768
Project allowance	-	-	6,564	10,645
Field/High risk allowance	-	-	9,671	8,065
Staff maintenance allowance	120	120	12,690	12,045
Others	96	96	3,382	4,892
<b>Total</b>	<b>7,557</b>	<b>7,067</b>	<b>503,066</b>	<b>525,483</b>

## 34 RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant transactions with related parties, other than remuneration and benefits to the key management personnel as disclosed in Note 33 to these financial statements, are as follows:

	2021	2020
	----- (Rupees in thousand) -----	
<b>Subsidiaries</b>		
NESPAK and Partners LLC, Muscat, Oman		
- Consultancy services rendered	91,832	64,182
- Expenses paid on behalf of subsidiary	68,290	58,096
- Expenses paid on behalf of parent by subsidiary	214,654	118,399
NESPAK, W.L.L., Doha, Qatar		
- Consultancy services rendered	61,274	9,601
- Expenses paid on behalf of subsidiary	10,521	8,386
- Loan given to subsidiary	70,899	69,876
- Expenses paid on behalf of parent by subsidiary	111	179
NESPAK, ECC, Riyadh, KSA		
- Expenses paid on behalf of subsidiary	5,808	6,843
- Expenses paid on behalf of parent by subsidiary	73,149	56,051




	2021	2020
	----- (Rupees in thousand) -----	
<b>Associates</b>		
Turkpak International (Private) Limited		
- Consultancy services rendered	-	509
- Consultancy services received	243,081	153,533
<b>Other related parties</b>		
NESPAK Employees Provident Fund Trust		
- Charge for the year	164,285	161,816
- Contribution made during the year	432,565	435,472
NESPAK Employee Gratuity Fund Trust		
- Charge for the year	133,403	129,275
- Contribution paid	960	42,817
NESPAK Foundation		
- Consultancy services received	594,808	792,960
- Consultancy services rendered	11,845	11,502
Federal Government and departments		
- Consultancy services rendered	2,570,752	2,889,982
Provincial Governments & related departments		
- Consultancy services rendered	3,030,840	2,374,544
<b>Balances with related parties are as follows:</b>		
<b>Subsidiaries</b>		
NESPAK and Partners LLC, Muscat, Oman	<b>Nature of Balances</b>	
NESPAK UK Limited	Contract Fee Receivable	1,835,796
NESPAK, ECC, Riyadh, KSA	Contract Fee Receivable	1,145
	Other Receivables	148,086
	Contract Fee Receivable	216,756
NESPAK, W.L.L., Doha, Qatar	Other Receivables	337,580
	Long Term Loans and Advances	190,438
<b>Associates</b>		
Turkpak International (Private) Limited	Contract Fee Receivable	2,013
	Advances	24
	Receivable against expenses	-
	Payable against services	53,338
Technology and Resource Development (Private) Limited	Contract Fee Receivable	7,975
<b>Other related parties</b>		
NESPAK Employees Provident Fund Trust	Contribution Payable	81,565
NESPAK Employee Gratuity Fund Trust	Defined benefit obligation-net	150,885
NESPAK Foundation	Contract Fee Receivable	5,891
	Advances	14,233
	Payable against services	393,635
Federal Governments & related departments	Contract Fee Receivable	5,184,552
Provincial Governments & related departments	Contract Fee Receivable	4,724,730
Staff Welfare Fund	Receivable	63,826
FBR and Provincial tax authorities	Sales tax payable	3,381,727





## 34.1 Details of related parties outside Pakistan are as follows:

	<b>Name of related party</b>	<b>Basis of relationship</b>	<b>Registered address</b>	<b>Country of incorporation</b>
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	NESPAK, ECC, Riyadh, KSA	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	NESPAK, 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) and the Provincial Governments are related parties of the Company due to significant influence of the GOP and Provincial Governments over the Company.

## 35 FINANCIAL RISK MANAGEMENT

## 35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks i.e. 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 which provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

## (a) Market risk

## (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from currency exposure to the United States Dollar (USD), Pound (GBP), Euro (EUR), Qatari Riyal (QAR), Saudi Riyal (SAR), Yemeni Riyal (YER), Omani Riyal (OMR), Irani Riyal (IRR), and UAE Dirham (AED). The Company's exposure to currency risk is as follows:

	<u>2021</u>	<u>2020</u>
	----- (Rupees in thousand) -----	
Trade receivables - USD	519,752	560,571
Foreign currency bank balances - USD	607,972	148,792
Foreign currency cash balances - USD	401	428
Foreign currency short term investment - USD	236,700	874,900
<b>Net exposure - USD</b>	<b>1,364,825</b>	<b>1,584,691</b>
Trade receivables - GBP	3,707	3,144
Foreign currency cash balances - GBP	1,032	977
<b>Net exposure - GBP</b>	<b>4,739</b>	<b>4,121</b>
Trade receivables - EUR	83,525	73,543
Foreign currency cash balances - EUR	1,782	1,791
<b>Net exposure - EUR</b>	<b>85,307</b>	<b>75,334</b>

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	2021	2020
	----- (Rupees in thousand) -----	
Trade receivables - QAR	240,230	216,756
Other receivables- QAR	338,901	337,580
Long term loans- QAR	260,016	190,438
<b>Net exposure - QAR</b>	<b>839,147</b>	<b>744,774</b>
<b>Other receivables - SAR (Net exposure)</b>	<b>73,326</b>	<b>148,086</b>
<b>Foreign currency bank balances - YER (Net exposure)</b>	<b>58</b>	<b>58</b>
<b>Trade receivables - OMR (Net exposure)</b>	<b>1,686,463</b>	<b>1,835,796</b>
Foreign currency bank balances - IRR	2,490	2,490
Foreign currency cash balances - IRR	1,454	1,454
<b>Net exposure - IRR</b>	<b>3,944</b>	<b>3,944</b>
<b>Trade receivables - AED (Net exposure)</b>	<b>1,174</b>	<b>1,174</b>

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

	2021	2020
<b>Rupees per USD</b>		
Average rate	163.03	164.03
Reporting date rate	157.80	168.25
<b>Rupees per GBP</b>		
Average rate	212.82	204.51
Reporting date rate	218.58	207.05
<b>Rupees per EUR</b>		
Average rate	188.62	184.68
Reporting date rate	188.12	189.11
<b>Rupees per QAR</b>		
Average rate	44.78	45.04
Reporting date rate	43.35	46.20
<b>Rupees per SAR</b>		
Average rate	43.46	43.68
Reporting date rate	42.12	44.80
<b>Rupees per YER</b>		
Average rate	0.67	0.66
Reporting date rate	0.67	0.67
<b>Rupees per AED</b>		
Average rate	44.53	44.64
Reporting date rate	43.27	45.79
<b>Rupees per OMR</b>		
Average rate	412.90	418.38
Reporting date rate	394.50	431.30

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. 200 million (2020: Rs. 220 million) 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.

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**(ii) Other price risk**

Other price risk represents the risk that the fair values 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. 89.485 million (2020: Rs. 100.361 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. 4.474 million (2020: Rs. 5.018 million) higher/lower. mainly as a result of higher/lower redemption price on units of mutual funds.

**(iii) Interest/ Markup rate risk**

Interest/Markup rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest/markup rates. At the reporting date, the interest/markup rate profile of the Company's interest bearing financial instruments was:

	2021	2020
	----- (Rupees in thousand) -----	
<b>Financial assets</b>		
Bank balances - PLS accounts - local currency	355,904	307,585
Bank balances - PLS accounts - foreign currency	604,071	144,270

**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/Markup rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest/markup rates, with all other variables held constant, of the Company's loss before tax. Impact of interest/markup rate are as follows:

	Increase/ (decrease) in Basis points	Effect on loss before tax
	----- (Rupees in thousand) -----	
<b>2021</b>		
Pak Rupees	100	9,600
Pak Rupees	-100	(9,600)
<b>2020</b>		
Pak Rupees	100	4,519
Pak Rupees	-100	(4,519)

**(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 its credit risk exposure through having exposure to credit worthy customers (usually grant based entities). The maximum exposure to credit risk on the reporting date as follows:





	2021	2020
<b>Financial assets at amortized cost</b>		
Contract fee receivables	10,118,716	9,988,203
Loans and advances	263,272	172,799
Deposits	169,014	91,652
Interest accrued	2,759	13,737
Other receivables	64	143,800
Short term investments	286,700	904,900
Bank balances	975,675	477,268
	<b>11,816,200</b>	<b>11,792,359</b>

**Financial assets at Fair Value**

<b>Mutual Funds</b>	89,485	100,361
---------------------	--------	---------

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

**(ii) Credit quality of major financial assets**

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

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

Short term investments	Rating			2021	2020
	Short term	Long term	Agency	----- (Rupees in thousand) -----	
<b>Bank and Financial institutions</b>					
Allied Bank Limited	A1+	AAA	PACRA	236,700	706,650
MCB - Arif Habib Savings & Investments Limited	-	AA+(f)	PACRA	2,230	2,105
Bank Al Habib Limited	A1+	AA+	PACRA	50,000	30,000
Bank Alfalah Limited	A1+	AA+	PACRA	-	168,250
NBP Fund Management Limited-related party	-	AAA(f)	PACRA	1,955	1,854
UBL Fund Managers	-	A+(f)	VIS	85,300	96,402
				<b>376,185</b>	<b>1,005,261</b>
<b>Cash at banks</b>					
<b>Financial institutions</b>					
Allied Bank Limited	A1+	AAA	PACRA	155,645	63,211
Bank Alfalah Limited	A1+	AA+	PACRA	9,420	14,864
Bank Al Habib Limited	A1+	AAA	PACRA	460,963	87,941
Faysal Bank Limited	A1+	AA	PACRA	103,471	12,129
Habib Bank Limited	A-1+	AAA	VIS	39,734	34,562
JS Bank Limited	A1+	AA-	PACRA	2,952	2,649
MCB Bank Limited	A1+	AAA	PACRA	3,242	8,262
Meezan Bank Limited	A-1+	AAA	VIS	43,271	79,480
National Bank of Pakistan-related party	A1+	AAA	PACRA	121,031	142,938
United Bank Limited	A-1+	AAA	VIS	35,464	30,184
Silk Bank Limited	A-2	A-	VIS	482	180
				<b>975,675</b>	<b>476,400</b>

Aging analysis of total contract fee receivables including good and impaired is as follows:

	2021	2020
	----- (Rupees in thousand) -----	
Up to 6 months	3,230,445	5,992,774
More than 6 months less than 1 year	1,260,830	1,958,957
More than 1 year less than 2 year	2,632,358	1,616,827
More than 2 year	7,073,189	4,343,769
	<b>14,196,822</b>	<b>13,912,327</b>

As at 30 June 2021, contract fee receivables amounting to Rs. 4,078 million (2020: Rs. 3,924 million) were impaired.

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(c) **Liquidity risk**

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

	Maturity up to one year	Maturity after one year	Total
<b>2021</b>			
----- (Rupees in thousand) -----			
Financial liabilities are analyzed below, with regard to their remaining contractual maturities:			
Lease liabilities	21,394	60,960	82,354
Trade and other payables	1,396,952	-	1,396,952
Total financial liabilities	<u>1,418,346</u>	<u>60,960</u>	<u>1,479,306</u>
	Maturity up to one year	Maturity after one year	Total
<b>2020</b>			
----- (Rupees in thousand) -----			
Lease Liabilities	16,543	82,354	98,897
Trade and other payables	1,156,389	-	1,156,389
Total financial liabilities	<u>1,172,932</u>	<u>82,354</u>	<u>1,255,286</u>

**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.

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**

	<b>2021</b>			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Investment properties	-	97,378	-	97,378
Short term investments	89,485	-	-	89,485
	<u>89,485</u>	<u>97,378</u>	<u>-</u>	<u>186,863</u>
	<b>2020</b>			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Investment properties	-	100,954	-	100,954
Short term investments	100,361	-	-	100,361
	<u>100,361</u>	<u>100,954</u>	<u>-</u>	<u>201,315</u>

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 2021 and 2020.




**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:

	<b>2021</b>		
	<b>At Fair Value through Profit or Loss</b>	<b>Amortized Cost</b>	<b>Total</b>
	----- (Rupees in thousand) -----		
<b><u>As at 30 June 2021</u></b>			
<b><u>Financial asset measured at fair value</u></b>			
Short term investments	89,485	-	89,485
<b><u>Financial assets - not measured at fair value</u></b>			
Contract fee receivables		10,118,716	10,118,716
Loans and advances		263,272	263,272
Deposits		169,014	169,014
Interest accrued		2,759	2,759
Other receivables		64	64
Short term investments		286,700	286,700
Bank balances		975,675	975,675
	-	11,816,200	11,816,200
<b><u>Financial liabilities - not measured at fair value</u></b>			
Lease liabilities	-	82,354	82,354
Trade and other payables	-	1,396,952	1,396,952
	-	1,479,306	1,479,306
<b>2020</b>			
	<b>At Fair Value through Profit or Loss</b>	<b>Amortized Cost</b>	<b>Total</b>
	----- (Rupees in thousand) -----		
<b><u>As at 30 June 2020</u></b>			
<b><u>Financial asset measured at fair value</u></b>			
Short term investments	100,361	-	100,361
<b><u>Financial assets - not measured at fair value</u></b>			
Contract fee receivables	-	9,988,203	9,988,203
Loans and advances	-	172,799	172,799
Deposits	-	91,652	91,652
Interest accrued	-	13,737	13,737
Other receivables	-	143,800	143,800
Short term investments	-	904,900	904,900
Bank balances	-	477,268	477,268
	-	11,792,359	11,792,359

4/11/21



**Financial liabilities - not measured at fair value**

Lease liabilities	-	98,897	98,897
Trade and other payables	-	1,156,389	1,005,504
	-	<u>1,255,286</u>	<u>1,104,401</u>

In respect of financial asset at fair value through profit or loss, there were no transfers between Level 1, 2 or 3 during 2021 and 2020.

**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.

<b>37 Number of employees</b>	<b>2021</b>	<b>2020</b>
Total number of employees as at June 30	<u>2,512</u>	<u>2,582</u>
Average number of employees during the year	<u>2,547</u>	<u>2,632</u>

**37.1 Staff onboard form NESPAK Foundation and Turkpak**

Total number of employees as at June 30	1,538	1,614
	<u>2021</u>	<u>2020</u>
	----- (Rupees in thousand) -----	

**38 Disclosures relating to Provident Fund**

Size of the fund	3,807,454	3,542,318
Cost of investments made	2,468,678	2,468,678
Fair value of investments	2,468,678	2,468,678
<b>Breakup of investments</b>		
Special saving certificates	2,468,678	2,468,678
Percentage of investments made	<u>64.84%</u>	<u>69.69%</u>

The figures for 2021 and 2020 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 many segments of economy including operations and liquidity of NESPAK. However, 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 that requires further disclosures/adjustments in these financial statements.

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41 **CORRESPONDING FIGURES**

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

<u>Nature of Item</u>	<u>Reclassified from</u>	<u>Reclassified to</u>	<u>Rupees in thousand</u>
Receivable from NESPAK Qatar	Trade debts	Long term loans and advances	185,932
ECL on receivable from NESPAK Qatar	Trade debts	Long term loans and advances	(185,932)
Receivable from NESPAK Qatar	Trade debts	Other receivables	342,086
ECL on receivable from NESPAK Qatar	Trade debts	Other receivables	(342,086)
Receivable from NESPAK Riyadh	Trade debts	Other receivables	148,086
ECL on receivable from NESPAK Riyadh	Trade debts	Other receivables	(4,341)
Sales tax receivable from clients	Other receivables	Trade debts	2,174,151
Provision for taxation	Provision for taxation- net	Tax refunds due from government- net	191,680
Allowances for Expected Credit Loss (Impairment)	Cost of revenue	Other expenses	719,583

42 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on **18 APR 2024** by the Board of Directors of the Company.

*GMK*

*[Signature]*

Chief Executive Officer

*Bairul  
najeed*

*[Signature]*

Director