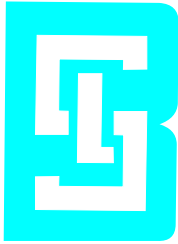


BIBOJEE GROUP



**71th
ANNUAL
REPORT
2018**



GAMMON PAKISTAN LIMITED

COMPANY INFORMATION

President of Gammon Pakistan Limited

Lt. Gen (Retd) Ali Kuli Khan Khattak

Board of Directors

Saad Waheed
Fazal-ur-Rehman Khan Burki
Kamal Abdullah
Khalid Kuli Khan Khattak
A. Karim Khan
Muhammad Kuli Khan Khattak
Sikandar Kuli Khan Khattak

Chairman
Independent Director
Independent Director
Director
Independent Director
Director
Director

Chief Executive Officer

Muhammad Salahuddin-FCA

Audit Committee

Fazal-ur-Rehman Khan Burki
Kamal Abdullah
Khalid Kuli Khan Khattak
Sikandar Kuli Khan Khattak

Chairman
Member
Member
Member

HR Committee

Khalid Kuli Khan Khattak
Muhammad Salahuddin-FCA
Kamal Abdullah
Sikandar Kuli Khan Khattak

Chairman
Member
Member
Member

Company Secretary

Amin ur Rasheed

Chief Financial Officer

Nadeem Ahmed

Internal Auditor

Nasir Ali Khan-ACCA

External Auditor

M/s BDO Ebrahim & Co.
Chartered Accountants
Islamabad

Legal Advisor

Chanda Law Associates
Rawalpindi

Advocates

Stock Exchange

The Gammon Pakistan Limited is a listed Company and its Shares are traded on Pakistan Stock Exchange Limited

Bankers

Silk Bank Limited
Askari Bank Limited
National Bank of Pakistan
Bank of Punjab
Habib Bank Limited
Allied Bank Limited

Registered Office

Gammon House, 400/2
Peshawar Road, Rawalpindi
Tel: 051-5477326-7
Fax: 051-5477511
E-mail: gammon1@dsl.net.pk

Share Registrar

Management & Registration
Services (Pvt) Limited
Business Executive Centre,
F/17/3, Block 8, Clifton,
Karachi.
Tel: 021-35375127-29
Fax: 021-3582 0325
Email: registrationservices@live.co.uk

www.gammonpakistan.com

ANNUAL REPORT

JUNE 30, 2018

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MISSION STATEMENT

Regain for Gammon Pakistan Limited its premier position in the Construction Industry of Pakistan/abroad through as aggressive but prudent construction strategy.

VISION STATEMENT

To be a Construction Company of international standard of repute which executes works confirming to the latest Engineering Practices and innovations. Employ most modern instrumentation/ mechanization to provide technical services with the highest degree of Quality Control and Customer Satisfaction. The Management also promises complete Financial Transparency to all its shareholders and customers so that it is able to turn around and bring Gammon Pakistan Limited back to its original glory.

GAMMON PAKISTAN LIMITED
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 71th Annual General Meeting of Gammon Pakistan Limited (the Company) will be held at Gammon House, 400/2, Peshawar Road, Rawalpindi on Sunday 28th October, 2018 at 11:00 A.M. to transact the following business.

ORDINARY BUSINESS

- 1 To confirm minutes of the 70th Annual General Meeting held on 27th October, 2017
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended, 30th June 2018 together with the Director's and Auditors' reports thereon.
3. To appoint Auditors of the Company for the year to be ending on 30th June 2019 and to fix their remuneration.

To consider any other business with the permission of the Chair.

BY ORDER OF THE BOARD



AMIN UR RASHEED
COMPANY SECRETARY

Rawalpindi
Dated: 7 October 2018

NOTES:

BOOK CLOSURE:

The share transfer books of the Company will be closed from 15th October, 2018 to 22nd October, 2018, both days inclusive. Transfer of shares received at our Share Registration office i.e. Management Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi at the close of business on 16th October, 2018 will be treated in time for the purpose of entitlement.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

Members of the Company are requested to immediately notify the change of address, if any, and ask for consolidation of their folio nos. provided any member holds more than one folio numbers.

E-VOTING

Pursuant to SECP S.R.O No. 43(1)/2016 dated January 22, 2016, the members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment of Execution Officer by the intermediary as a Proxy.

PARTICIPATION IN ANNUAL GENERAL MEETING:

Any member entitled to attend and vote at this meeting shall be entitled to appoint any other numbers as his/her proxy to attend and vote in respect of him/her and the proxy instrument shall be received by the Company not later than 48 hours before the meeting.

INSTRUCTION FOR CDC ACCOUNT HOLDERS:

CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

- a. For attending the meeting:
 - i. In case of individuals, the account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original National Identity Card (NIC) or Original Passport at the time of attending the Meeting.
 - ii. In case of corporate entity the Board of Director's Resolution/Power of Attorney with certified specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing proxies:


- iii. In case of individuals the account holder and/ or person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the above requirements.
- iv. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the Form.
- v. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- vi. The proxy shall produce his original NIC or original Passport at the time of the meeting.
- vii. In case of corporate entity the Board of Director's Resolution/ Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

گیمن پاکستان لمیٹڈ

نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ گیمن پاکستان لمیٹڈ (کمپنی) کا 71 واں سالانہ اجلاس عام، کمپنی کے رجسٹرڈ دفتر گیمن ہاؤس 400/2، پشاور روڈ راولپنڈی میں بروز اتوار 28 اکتوبر 2018ء کو صبح 11 بجے منعقد ہوگا۔

- 1- 127 اکتوبر 2017ء کو منعقدہ 70 ویں سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
 - 2- ڈائریکٹر اور آڈیٹر کی رپورٹس کی ساتھ سالانہ آڈیٹڈ مالیاتی تفصیلات پر غور کرنا اور اس کا حصول۔
 - 3- مالی سال 2018-19 کیلئے آڈیٹر کا تقرر اور معاوضہ طے کرنا۔
- صاحب صدر کی اجازت سے کسی دیگر امور پر غور و خوض۔

بجلم بورڈ

 امین الرشید
 کمپنی سیکرٹری

راولپنڈی

مورخہ: 17 اکتوبر 2018ء

نوٹس:

کمپنی کے حصص منتقلی کی کتابیں 15 اکتوبر 2018ء تا 22 اکتوبر 2018ء (بشمول دونوں ایام) بند رہیں گی۔ منتقلیوں کا حصول منیجمنٹ اینڈ رجسٹریشن سروسز پرائیویٹ لمیٹڈ، بزنس ایگزیکٹو سنٹر، F-17/3 بلاک 8، کلفٹن کراچی سے ہوگا۔ کمپنی کے شیئر رجسٹرار کے کاروبار کا اختتام 16 اکتوبر 2018ء کیلئے بروقت تصور ہوگا۔

ممبران سے درخواست ہے کہ اپنے پتوں میں تبدیلی اگر کوئی ہو تو کمپنی کو فی الفور مطلع کریں۔

SECP کے S.R.O. No. 43/(I)/2016 مورخہ 22 جنوری 2016ء کے تحت اراکین شرکت کرنے کی تاریخ سے 10 دن پہلے لکھ کر بذریعہ ای۔ وونگ اپنی رضامندی سے ووٹ ڈالنے کا حق حاصل کر سکتے ہیں۔

تمام ایسے اراکین جن کو اس میٹنگ میں شامل ہونے اور ووٹ ڈالنے کا حق حاصل ہے وہ اپنی جگہ کسی دوسرے ممبر کو بذریعہ پروکسی فارم (نامزد کا نمونہ) نامزد کر سکتے ہیں۔ بصورت کہ مکمل اور دستخط شدہ نامزد کا نمونہ میٹنگ شروع ہونے سے 48 گھنٹے قبل کمپنی تک پہنچا دیا جائے۔

بصورت سی ڈی سی اکاؤنٹ ہولڈر اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ دکھا کر اپنی شناخت ثابت کرنا ہوگی۔ بصورت کارپوریٹ اینٹیٹی، بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ معہ نامزد کے نمونہ دستخط اجلاس کے وقت مہیا کرنا ہوئے۔

CHAIRMAN REVIEW

I am pleased to present the review for the year ended June 30, 2018, highlighting the Company's performance and role of the Board of Directors (the Board) of Gammon Pakistan Ltd. in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

REVIEW OF BOARD'S PERFORMANCE

During the year, the Board has undertaken a formal process of evaluation of its performance as a whole as well as individual Board member's performance. The performance evaluation of the Board Audit Committee and HR & Remuneration Committee has also been initiated. These practices helped the Board and the subcommittees' members to remain harmonized for continuous progression of the Company.

The Board normally meets once every quarter to consider and approve the financial and operating results of the Company. During the year 2017-18 four board meetings, four audit committee and one HR & Remuneration committee meeting were held.

The Board also monitors the followings: -

- i. Compliance with best corporate practices and good governance.
- ii. Stable and continual growth in the Company's operations.
- iii. Encouraging diversity and upholding ethical behavior.
- iv. Development of skillful resources to attain advancement and excellence.

During the year, the board recommended and approved among other things:

- i. Routine BMR
- ii. Quarterly and annual financial statements;
- iii. Internal audit and audit committee reports and findings;
- iv. Appointment of external auditors;

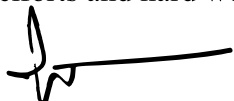
The overall performance of the Board measured on the defined parameters for the year was satisfactory. Further, the Board has played a vital role in achieving the Company's objectives.

REVIEW OF BUSINESS PERFORMANCE

Although the year 2017-18 was a difficult year for the Company but your company has strive hard to continue its steady growth. The bottom line is good due to fair value gain of Rs.41.547 million and Rs.10.421 million profits from contracts. The Revenue from Contract has been reduced as compare to last year but our vigorous efforts are in process for acquiring new projects at favorable rates. The major factors have been further elaborated in the Directors' Report to the Shareholders. The overall performance of the Board measured on the defined parameters for the year was satisfactory.

ACKNOWLEDGMENT

On behalf of the Board of Directors, I would like to acknowledge and express my appreciation for our Shareholders and suppliers and contractors for their absolute confidence in the Board of Directors and the Company's management. I would also like to put on record my utmost thanks to the Board of Directors for their contribution, the Management and the workforce's for their efforts and hard work.



SAAD WAHEED

Dated : October 7, 2018

چیئر مین کا جائزہ

مجھے 30 جون 2018ء تک ختم ہونے والے سال کیلئے جائزہ لینے کی خوشی ہے کہ کمپنی کی کارکردگی کو نمایاں کیا جا رہا ہے۔

بورڈ کی کارکردگی کا جائزہ:

سال کے دوران، بورڈ نے اپنی کارکردگی کی تشخیص کے مجموعی عمل کے ساتھ ساتھ بورڈ کے انفرادی ممبر کی کارکردگی کی تشخیص کا آغاز کیا ہے۔ بورڈ کی آڈٹ کمیٹی اور انسانی وسائل اور تجدید کی کمیٹی کی کارکردگی کی تشخیص بھی شروع کی گئی ہے۔ ان طریقوں نے بورڈ اور ذیلی کمیٹیوں کے ارکان کو کمپنی کی مسلسل ترقی کیلئے ہم آہنگی کے ساتھ کام کرنے میں مدد کی ہے

بورڈ کی میٹنگ عام طور پر ہر سہ ماہی میں ہوتی ہے تاکہ کمپنی کے مالی اور کام کرنے کے نتائج پر غور کرے اور منظور کرے۔ سال 2017-18 میں چار بورڈ کے اجلاس، چار آڈٹ کمیٹی کے اجلاس اور ایک انسانی وسائل اور معاوضے کی کمیٹی کے اجلاس منعقد ہوئے۔

اس کے علاوہ بورڈ نے مندرجہ ذیل معاملات کا جائزہ لیا:

﴿ بہترین سند یافتہ تجارتی ادارے کے طریقوں اور اچھے انتظامی امور کے مطابق چلنا۔

﴿ کمپنی کے کام کرنے کے معاملات میں استحکام اور مسلسل ترقی۔

﴿ تغیر پذیری کی حوصلہ افزائی اور اخلاقی رویے کو برقرار رکھنے۔

﴿ ترقی اور بہتری حاصل کرنے کیلئے مہارت والے وسائل کی ترقی۔

سال کے دوران، بورڈ نے دوسری چیزوں کی سفارش کی اور منظور کئے:

﴿ روزانہ کی بنیاد پر مناسب اور جدید پیداواری صلاحیت کی تبدیلی۔

﴿ سہ ماہی اور سالانہ مالی حسابات۔

﴿ اندرونی آڈٹ اور آڈٹ کمیٹی کی دستاویزات اور نتائج۔

بورڈ کی مجموعی کارکردگی تسلی بخش تھی اور جس کو سال کیلئے مقررہ کردہ اصولوں پر مابا گیا۔ اس کے علاوہ بورڈ نے کمپنی کے مقاصد کو حاصل کرنے میں اہم کردار ادا کیا ہے۔

کاروباری معاملات کا جائزہ

اگرچہ 2017-18 کمپنی کیلئے ایک مشکل سال تھا لیکن کمپنی نے اپنی مسلسل ترقی کو جاری رکھا۔ سال کے اختتام پر کمپنی نے بعد از ٹیکس اچھا منافع دکھایا جس میں جائیدادوں پر فیئر ویلیو گین 4 کروڑ 15 لاکھ روپے ہے اور پراجیکٹس کا منافع 1 کروڑ 4 لاکھ روپے ہے۔ پراجیکٹس سے آمدنی گزشتہ سال کے مقابلے میں کم ہو گئی ہے لیکن نئے کام حاصل کرنے کیلئے ہماری بھرپور کوشش جاری ہے۔ ڈائریکٹر رپورٹ میں اہم عوامل کی مزید وضاحت کی گئی ہے۔ سال کے دوران ماپی گئی مجموعی کارکردگی تسلی بخش تھی۔ اس کے علاوہ بورڈ نے کمپنی کے مقاصد کو حاصل کرنے میں اہم کردار ادا کیا ہے۔

اعتراف

بورڈ آف ڈائریکٹر کی طرف سے میں اپنے شیئر ہولڈر اور کمپنی کے سپلائرز اور ٹھیکیداروں کی قدر کرتا ہوں کہ ان کا بورڈ آف ڈائریکٹر اور کمپنی کی انتظامیہ پر اعتماد ہے۔ اسکے علاوہ میں بورڈ آف ڈائریکٹر کی شرکت، انتظامیہ اور کارکنوں کی کوششوں اور محنت کا شکریہ ادا کرتا ہوں۔

سعد وحید
چیئر مین

07 اکتوبر 2018ء

DIRECTOR'S REPORT

The directors of your Company have pleasure in presenting their report, together with the 71st Annual Report, containing Audit Report and the Audited Financial Statements of the Company for the year ended 30th June, 2018.

PERFORMANCE REVIEW

The principal activity of the Company is all type construction specially Buildings and Bridges. The highlights of the Company's financial results as compared to the preceding year are as follows:

Particulars	2018, (Rupees)	2017 (Rupees)
Contract Income	385,173,219	413,300,406
Contract Expenditure	363,685,168	384,415,532
Net contract profit	21,488,051	28,884,874
Profit before taxation	62,041,556	23,605,894
Taxation	(10,037,630)	(4,016,940)
Profit	52,003,926	19,588,954

Despite of serious financial constrain and cash flow problems due to delay in payments from various government department we have another positive financial closing for the year ended 2017-18. It is great pleasure to inform that your company has earned profit after tax amounting Rs.52 million that include Rs.41.547 million fair value gain on investment property situated at Peshawar Road and Chakbeli Road Mouza Harka Rawat Rawalpindi.

The project at Fateh Jang is at its final stage of completion. The balance left over work will be completed in upcoming year. The work done on project during year is Rs.84.50 Million.

The work at sawan bridge included some other small bridges is also near completion. In view of positive results and timely completion of work at CPEC, FWO has also offered us to work at dualiation of old Bannu Road. We hope that acquiring Bannu road site will be helpful to overcome the reduction in profitably due to change in design and deletions in scope of work at CPEC. This project has contributed Rs.299.624 million which is 78% of total workdone during the year.

Final bills for DHA Blocks and Bridge are been submitted to DHA Housing Directorate.

FUTURE PROSPECTS

Overall political scenario is visibly stable after the institution of new Govt.; but the economic position of the country is not satisfactory. Although the continuous and successful completion of CPEC projects will gained global recognition but the new govt is coming with the slogan to spend more on Human Resource Development and less on construction of roads bridges and

buildings that may impact the future profitability of the construction industry. However the resolve of new government for providing 5 million low cost houses to workers will certainly contribute towards the uplift of the Industry. Due to 18th amendment in constitution the collection rights of sales tax has been given to the provinces but now every province is levying this tax on the entire amount of work done irrespective of their jurisdiction and have resorted to coercive measures for its recovery the process of elimination of these false demands is extremely cumbersome and time consuming.

Due to financial constraint your company is striving hard to get further business. It is expected that some more work will be awarded to your company by some clients in the near future.

COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

The Board is pleased to state that the management of the Company is compliant with the best practices of the Code of Corporate Governance. The Board acknowledges its responsibility in respect of the corporate and financial reporting framework and thus states that:

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgments.
3. The Company has maintained proper books of account.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue as on-going process with objective to strengthen the controls and bring improvements in the system.
6. There are no doubts about the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the CCG Regulations).
8. There are no statutory payments on account of taxes, duties levies and charges which are outstanding as at June 30, 2018, except for those disclosed in the financial statements.
9. No trades in the shares of the Company were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30 June, 2018.

COMPOSITION OF THE BOARD

The Composition of the Board is in line with the requirements of the CCG Regulations.

The current composition of the Board is as follows:

Total number of directors	8
Male	8
Female	nil
Independent Director	3
Other Non-executive Directors	4
Executive Directors	1

The performance of the Board of our Company is evaluated regularly both at individual and team levels. The majority of the Board members have the prescribed qualification and experience required for exemption from training programs of Directors pursuant to the clause 20(2) of the CCG Regulations. All the Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies. The Board had arranged orientation courses for its Directors in the prior years to apprise them of their roles and responsibilities.

The overall performance of the Board for the year was satisfactory. The Board members effectively bring the diversity to the Board and constitute a mix of independent and non executive directors. The Board is also effective in formulating the corporate goals for the company.

BOARD AUDIT COMMITTEE

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board. The Committee met 4 times during 2017-18.

The names of committee members are as follows:

Mr. Fazal ur Rehman Khan Burki	- Independent Director	Chairman of the Board
Mr. Khalid Kuli Khan Khattak	- Non Executive Director	Member
Mr. Sikandar Kuli Khan Khattak	- Non Executive Director	Member
Mr. Nasir Ali Khan	- Head of internal Audit	Secretary of the Committee

In addition to above meetings, Audit Committee also met with external auditors without Chief Financial Officer (CFO) and Head of Internal Audit (HIA). Audit Committee also met the head of internal audit and other Members of the internal audit function without the CFO and the external auditors being present

HR AND REMUNERATION COMMITTEE

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the executive

directors and members of the management committee. The CEO of the Company attended the Human Resource and Remuneration Committee meeting held during the as member of the committee. The Committee met once during 2017-18.

The names of committee members are as follows:

Mr. Khalid Kuli Khan Khattak	- Chairman of the Committee
Mr. Kamal Abdullah	- Member
Mr. Sikandar Kuli Khan Khattak	- Member
Mr. Muhammad Salahuddin	- Secretary of the Committee

MEETINGS OF BOARD AND ITS COMMITTEES IN 2017-18

During the year 2017-18 four board meetings, four audit committee and one HR & Remuneration committee meetings were held. The number of meetings attended by each director during the year is given here under:

Sr.No.	Director	Committee Members		Attendance		
		Board Audit Committee	HR & RC	Board Meetings	Board Audit Committee	HR & RC
1.	Mr. Saad Waheed	-	-	3	-	-
2.	Mr. Khalid Kuli Khan Khattak	✓	✓	4	4	1
3.	Mr. Sikandar Kuli Khan Khattak	✓	✓	3	3	1
4.	Mr. Mohammad Kuli Khan Khattak	-	-	2	-	-
5.	Mr. Kamal Abdullah	✓	✓	4	4	1
6.	Mr. Muhammad Salahuddin	-	✓	4	-	1
7.	Mr. Fazal ur Rehman Khan Burki	✓	-	4	4	-

102 Leave of absence was granted to directors who could not attend the board meetings due to their busy schedule and other appointments.

KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY):

Key operating and financial data of six years is annexed to the annual report.

PATTERN OF SHAREHOLDING:

The statement of the pattern of shareholding as at June 30, 2018 and additional information thereabout is annexed to the report.

CONTRIBUTION OF OUR COMPANY TOWARDS GOVERNMENT AND SOCIAL SECTOR:

We wish to give hereunder our Company's revenue contribution towards the Government, Semi Government sectors, banks and Social sector during the year ended 30 June, 2018.

I. GOVERNMENT SECTOR

(Rs. In Million)

Income Tax paid	15.94
Power & Fuel	1.83

HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report.

DIVIDEND:

The Board has not recommended any dividend for the year due to financial constrain.

COMMENTS ON “EMPHASIS OF MATTER” PARAGRAPH IN THE AUDITOR’S REPORT:

The Company's Board of Directors are of the opinion that the case falls within the ambit of SBP “Incentive Scheme” for the Recovery of Loan Defaults vide BPRD Circular no. 19 and, as such, liable to pay only Rs. 35.122 million in full and final settlement of its outstanding liability and provision for same has already been made in Financial Statement.

APPOINTMENT OF AUDITORS:

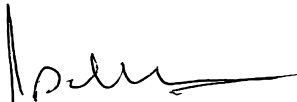
The Company's auditors M/s BDO Ebrahim & Co., Chartered Accountants, 3rd Floor Saeed Paza 22- East Blue Area, Islamabad retired and offered themselves for reappointment. The Board of Directors of the Company as recommended by the Board Audit Committee hereby recommends that the retiring auditors be re-appointed.

ACKNOWLEDGMENT

We appreciate the hard work and dedication of the Company’s Management, engineers and employees during the period under review.

We would also like to express our gratitude to our bankers, clients and suppliers for their co-operation, support and trust reposed in the Company.

For and on behalf of Board of Director’s



Muhammad Salahuddin
Chief Executive Officer

گیممن پاکستان لمیٹڈ

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 71 ویں سال 30 جون 2018ء کے اختتام پر کمپنی کے آڈیٹر کی جاری کردہ مالیاتی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

کارکردگی کا جائزہ

کمپنی کی بنیادی سرگرمی تمام قسم کے تعمیراتی کام بالخصوص عمارتوں اور پلوں کی تعمیر ہے۔ پچھلے سال کے مقابلے میں کمپنی کی مالیاتی نتائج کی اہم جھلکیاں مندرجہ ذیل ہے:-

30 جون 2017ء	30 جون 2018ء	
(روپے)	(روپے)	
413,300,406	385,173,219	پراجیکٹس سے آمدن
384,415,532	363,685,168	پراجیکٹس کا خرچ
28,884,874	21,488,051	مجموعی منافع
23,605,894	62,041,556	قبل از ٹیکس منافع
(4,016,940)	(10,037,630)	ٹیکس
19,588,954	52,003,926	منافع بعد از ٹیکس

سرکاری اداروں کی جانب سے ادائیگیوں میں تاخیر کی وجہ سے پیدا ہونے والے مالی بحران کے باوجود ہم ایک اور سال 2017-18 کا مثبت اختتام کر رہے ہیں۔ یہ بتاتے ہوئے خوشی ہے کہ کمپنی کا بعد از ٹیکس منافع 5 کروڑ 20 لاکھ روپے رہا۔ جس میں پشاور روڈ راولپنڈی اور چک بلی روڈ موضع ہر کہ روات راولپنڈی میں واقع جائیدادوں پر فیز و بلیو گین 4 کروڑ 15 لاکھ روپے شامل ہے۔

فتح جنگ میں واقع پراجیکٹ اپنے تکمیلی مراحل میں ہے۔ باقی ماندہ کام موجودہ سال کے اختتام سے پہلے مکمل کر لیا جائے گا۔ ٹوٹل آمدن میں اس پراجیکٹ کا حصہ 8 کروڑ 45 لاکھ روپے ہے۔

سی پیک راجیکٹ سواں پل اور دیگر چھوٹے پلوں پر کام بھی تکمیلی مراحل میں ہے۔ سی پیک کے اس کام کے مثبت نتائج اور وقتی تکمیل کو مد نظر رکھتے ہوئے ایف ڈی بی او (FWO) نے بنوں روڈ پر دوہری سڑک کے کام کی پیشکش کی ہے۔ ہمیں امید ہے کہ بنوں روڈ کا کام حاصل کرنے کے بعد سی پیک کے پراجیکٹ میں کام کے گنجائش میں کمی اور ڈیزائن میں تبدیلی کی وجہ سے منافع کی کمی کو پورا کیا جاسکے گا۔ اس سال کے دوران منصوبے کا آمدن میں حصہ 29 کروڑ 96 لاکھ روپے ہے جو کہ کل آمدن کا 78 فیصد ہے۔

ڈی ایچ اے بلاکس اور پل کے آخری بل ڈی ایچ اے ہاؤسنگ ڈائریکٹوریٹ کو جمع کروائیے گئے ہیں۔

مستقبل کا نقطہ نظر

مجموعی سیاسی صورتحال نئی حکومت کے بننے کے بعد واضح طور پر مستحکم ہے۔ تاہم ملک کی اقتصادی حیثیت اچھی نہیں ہے۔ اگرچہ سی پیک منصوبوں کی

مسلل اور کامیاب تکمیل نے عالمی پذیرائی حاصل کی ہے لیکن جہاں گورنمنٹ کے منشور میں سڑکوں اور پلوں کی تعمیرات کی بجائے ہیومن ریسورسز ڈیولپمنٹ پر زیادہ توجہ دی جا رہی ہے جسکی وجہ سے کنسٹرکشن انڈسٹری کو خدشات کا سامنا ہے۔ وہیں دوسری جانب نئی حکومت کے کم لاگت والے 50 لاکھ گھروں کی تعمیر کے منصوبہ سے کنسٹرکشن انڈسٹری کا مستقبل مثبت نظر آتا ہے۔ آئین میں 18 ویں ترمیم کی وجہ سے سیلز ٹیکس کے حقوق صوبوں کو منتقل کیئے جا چکے ہیں اور اب ہر صوبہ اپنے دائرہ کار کو مدنظر رکھے بغیر مکمل آمدن پہ سیلز ٹیکس لگا دیتا ہے اور ساتھ ہی ریکوری کی کارروائی شروع کر دی جاتی ہے۔ ان ناجائز مطالبات کو ختم کرنا بہت دشوار اور وقت کی بربادی کا سبب ہے۔

اگرچہ مالی رکاوٹوں کی وجہ سے آپ کی کمپنی کو مستقبل میں نئے کام حاصل کرنے میں مشکلات کا سامنا ہے لیکن امید کی جاتی ہے کہ مستقبل میں کچھ ڈیپارٹمنٹس کی جانب سے آپ کی کمپنی کو کچھ نئے کام دیئے جائیں گے۔

کارپوریٹ گورننس کے ضابطے کی تعمیل

بورڈ یہ بتاتا ہے کہ کمپنی کا انتظام کارپوریٹ گورننس کی بہترین طرز عمل کے مطابق ہے۔ بورڈ نے کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کے حوالے سے اپنی ذمہ داری قبول کی ہے اور بیان دیا ہے کہ:

- ۱- کمپنی کے حسابات جس میں اکاؤنٹ کی کتابیں، نفع اور نقصان کا اکاؤنٹ، بیلنس شیٹ اور دیگر حسابات مروجہ قوانین کے تحت تیار کیے گئے ہیں۔
- ۲- کمپنی کے حسابات تیار کرنے کیلئے مناسب مالیاتی پالیسیوں کا استعمال کیا ہے۔
- ۳- کمپنی نے حسابات کی کتابیں موثر طریقے سے رکھی ہیں۔
- ۴- بین الاقوامی اکاؤنٹنگ معیار جو کہ پاکستان میں لاگو ہوتے ہیں، ان کو مالیاتی حسابات کی تیاری میں اور اداروں میں اپنایا گیا ہے۔
- ۵- اندرونی کنٹرول کا نظام ڈیزائن درست ہے اور اسے موثر طریقے سے لاگو کیا گیا اور نگرانی کی گئی ہے۔ اندرونی کنٹرول کی نگرانی کے عمل کے کنٹرول کو مضبوط بنانے اور نظام میں بہتری لانے کے مقصد کے ساتھ آگے بڑھتے ہوئے عمل کے طور پر جاری رہے گا۔
- ۶- کمپنی کے حسابات کمپنی کی موجودہ کارکردگی کا عکاس ہیں۔
- ۷- لسٹڈ کمپنیوں (کارپوریٹ گورننس) کا ضابطوں، 2017 (سی سی جی ریگولیشنز) کے بہترین طریقوں کے مطابق ہیں۔
- ۸- 30 جون 2018 پر کمپنی کے ذمہ کسی بھی قسم کا قانونی ٹیکس، لیویز یا چارجز نہیں ہیں ماسوائے ان ادائیگیوں کے جو ان حسابات میں بتائی گئی ہیں۔
- ۹- اس کمپنی کے ڈائریکٹر، چیف ایگزیکٹو، سی ایف او، کمپنی سیکرٹری اور ان کے اہل خانہ اور ان کے چھوٹے بچوں نے کمپنی کے شیئرز میں خرید و فروخت نہیں کی ہے۔

بورڈ کی ساخت

بورڈ کی تشکیل سی سی جی قوانین کے مطابق ہے۔ بورڈ کی حالیہ تشکیل کچھ اس طرح ہے۔

۸

ڈائریکٹرز کی کل تعداد

۸

مرد

خانہ	کوئی نہیں
آزاد ڈائریکٹر	۳
دوسرے غیر ایگزیکٹو ڈائریکٹر	۴
ایگزیکٹو ڈائریکٹر	۱

ان کی کمپنی میں لازمی کردار کے ساتھ ساتھ ہماری کمپنی کے بورڈ کے ارکان کی کارکردگی انفرادی طور پر یا مشترکہ طور پر دیکھی جاتی ہے۔ بورڈ کے اراکین کی اکثریت سی سی جی قوانین کے تحت (2)20 کے مطابق تمام ضروری اہلیت اور تجربہ رکھتی ہے لہذا ان کو تربیتی پروگراموں سے چھوٹ دی گئی ہے۔ تمام ڈائریکٹر کارپوریٹ اداروں کے ڈائریکٹر کے طور پر اپنے فرائض اور ذمہ داریاں بخوبی واقف ہیں۔ بورڈ نے اپنے ڈائریکٹروں کے لئے گزشتہ برسوں میں ان کے کردار اور ذمہ داریوں کے بارے میں بتانے کے لیے تعارف کورسز کا اہتمام کیا تھا۔ اس سال کیلئے بورڈ کی مجموعی کارکردگی تسلی بخش تھی۔ بورڈ کے ارکان نے مؤثر طریقے سے مل کر جن میں آزاد اور غیر ایگزیکٹو ڈائریکٹر شامل ہیں کام کیا اور بورڈ نے کمپنی کے کارپوریٹ اہداف کو تشکیل دینے میں مؤثر کردار بھی ادا کیا ہے۔

بورڈ آڈٹ کمیٹی

بورڈ کی آڈٹ کمیٹی نے نگرانی کی ذمہ داریوں کو پورا کرنے میں بورڈ کی مدد کی ہے، بنیادی طور پر مالی اور غیر مالیاتی معلومات کو مشترکہ حصول، داخلی کنٹرول کے نظام اور خطرے کے انتظام اور آڈٹ کے عمل کے لئے انتظامیہ سے معلومات حاصل کرنے اور بیرونی آڈیٹریا مشیروں کے ساتھ براہ راست مشورہ کرنے کیلئے خود مختار ہے جو مناسب سمجھا جاتا ہے۔ چیف فنانس آفیسر باقاعدگی سے اکاؤنٹس پیش کرنے کیلئے دعوت کے ذریعے بورڈ آڈٹ کمیٹی کے اجلاسوں میں شرکت کرتے ہیں۔ ہر میٹنگ کے بعد کمیٹی کے چیئرمین بورڈ کو رپورٹ کرتے ہیں۔ کمیٹی نے 18-2017 کے دوران 4 بار ملاقات کی ہے۔

کمیٹی کے ارکان کے نام مندرجہ ذیل ہیں:

۱۔ جناب فضل الرحمن برکی	چیئرمین	آزاد ڈائریکٹر
۲۔ جناب خالد قلی خان خٹک	رکن	غیر ایگزیکٹو ڈائریکٹر
۳۔ جناب سکندر قلی خان خٹک	رکن	غیر ایگزیکٹو ڈائریکٹر
۴۔ جناب ناصر علی خان	اندرونی آڈٹ کا سربراہ	کمیٹی سیکرٹری

آڈٹ کمیٹی نے اندرونی آڈٹ منصوبہ کے علاوہ اور آڈٹ کے نتائج اور اندرونی آڈٹ ڈیپارٹمنٹ کی سفارش پر، سہ ماہی، نصف اور سالانہ مالی معاملات کا جائزہ لیا ہے۔

مندرجہ بالا اجلاسوں کے علاوہ، آڈٹ کمیٹی نے بیرونی آڈیٹر کے ساتھ الگ اور بعد میں چیف فنانس آفیسر (سی ایف او) اور اندرونی آڈٹ کے سربراہ (ایچ آئی اے) کے ساتھ بھی ملاقات کی ہے۔

انسانی وسائل اور معاوضے کی کمیٹی

کمپنی نے سینئر ایگزیکٹو کے معاوضہ، تنظیم اور ملازم کی ترقی کی پالیسیوں کے تمام عناصر کا جائزہ لینے اور سفارش کرنے اور انتظامی کمیٹی کے ممبران اور

میٹنگ کمیٹی کے ممبروں کے متعلق تمام معاملات کو منظور کرنے کیلئے ملاقات کی۔ کمپنی کے سی ای او نے کمیٹی کے رکن کے طور پر منعقد ہونے والے انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کی۔ کمیٹی نے 2017-18 کے دوران ایک بار ملاقات کی۔ کمیٹی کے ارکان کے نام مندرجہ ذیل ہیں:

۱۔	جناب خالد قلی خان خٹک	چیئرمین	غیر ایگزیکٹو ڈائریکٹر
۲۔	جناب کمال عبداللہ	رکن	آزاد ڈائریکٹر
۳۔	جناب سکندر قلی خان خٹک	رکن	غیر ایگزیکٹو ڈائریکٹر
۴۔	جناب محمد صلاح الدین	رکن	چیف ایگزیکٹو آفیسر

بورڈ اور اسکی کمیٹیوں کے اجلاس

سال 2017-18 کے دوران، چار بورڈ کی میٹنگ، چار آڈٹ کمیٹی اور ایک انسانی وسائل اور معاوضہ کمیٹی کی میٹنگ منعقد ہوئیں۔ سال کے دوران ہر ڈائریکٹر کی طرف سے شرکت کی میٹنگ کی تعداد یہاں درج کی گئی ہے:

کمیٹی کے ممبران		حاضری				
نمبر شمار	ڈائریکٹر کے نام	آڈٹ کمیٹی	انسانی وسائل اور معاوضہ کی کمیٹی	بورڈ	آڈٹ کمیٹی	انسانی وسائل اور معاوضہ کی کمیٹی
1-	جناب سعد وحید	-	-	3	-	-
2-	جناب خالد قلی خان خٹک	✓	✓	4	4	1
3-	جناب سکندر قلی خان خٹک	✓	✓	3	3	1
4-	جناب محمد قلی خان خٹک	-	-	2	-	-
5-	جناب کمال عبداللہ	✓	✓	4	4	1
6-	جناب محمد صلاح الدین	-	✓	4	-	1
7-	جناب فضل الرحمن برقی	✓	-	4	4	-

ڈائریکٹر کی درخواست جس میں انہوں نے ذاتی مصروفیات کی بنا پر اجلاس میں حاضر ہونے سے معذرت کی جس کو قبول کیا گیا۔

شیئر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار (گزشتہ چھ سال کے) شیئر ہولڈر اور جملہ آپریٹنگ اور مالی اعداد و شمار اس کتاب میں موجود ہیں۔

شیئر ہولڈرز کا پیٹرن

30 جون 2018ء پر شیئر ہولڈنگ کے پیٹرن اور اس سے متعلق اضافی معلومات اس رپورٹ میں شامل کی گئی ہیں۔
حکومت اور سماجی شعبہ کی طرف سے ہماری کمپنی کی شراکت
اس سال آپ کی کمپنی نے حکومت اور سماجی شعبہ کو مندرجہ ذیل ادائیگی کی ہے۔

رقم ملین میں

15.94

1.83

1- حکومتی اداروں کو ادا کیے

انکم ٹیکس کی مد میں

بجلی اور گیس کی مد میں

صحت، حفاظت اور ماحول

ہم اس پر یقین رکھتے ہیں کہ صحت، حفاظت اور ماحول میں اعلیٰ ترین معیار کو برقرار رکھنے کیلئے ہم لوگوں کے ساتھ ساتھ کام کرنے والے لوگوں کی خوشحالی کو یقینی بنانا چاہتے ہیں۔

بعد میں آنے والے واقعات

اس مالی سال کے اختتام اور رپورٹ کی تاریخ کے درمیان کمپنی کی مالی پوزیشن پر اثر انداز ہونے والے کوئی مماثلت یا وعدے نہیں کئے گئے ہیں۔

ڈیویڈنڈ

بورڈ نے گورنمنٹ ڈیپارٹمنٹ کی جانب سے ادائیگی میں تاخیر کے باعث پیدا ہونے والے مالی بحران پر کسی بھی قسم کا حتمی کیش ڈیویڈنڈ نہ دینے کی سفارش کی ہے۔

آڈیٹر کی تقرری

کمپنی کے آڈیٹر جو کہ میسرز بی ڈی او ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، ۲۲ ایسٹ، سعید پلازہ، جناح ایونیو، بلیو ایریا، اسلام آباد جو اس سال ریٹائر ہو گئے ہیں نے دوبارہ تقرری کے لیے خدمات پیش کی ہیں۔ کمپنی کی بورڈ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے ان کی دوبارہ تقرری کے لیے سفارش کی ہے۔

اعتراف

ہم سال کے دوران کمپنی کی انتظامیہ، انجینئرز اور ملازمین کی محنت اور لگن قابل تعریف ہے اور ہم تعاون، حمایت اور اعتماد کیلئے اپنے گاہکوں، سپلائرز اور چھوٹے ٹھیکیداروں کے تہہ دل سے مشکور ہیں۔

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

محمد صلاح الدین

چیف ایگزیکٹو آفیسر

CODE OF CONDUCT

INTRODUCTION.

It has been said that the essence of a successful and visionary company is the ability to preserve its core values and to stimulate progress. Corporate ethics is the practice of our shared values. These shared values define who we are and what we can expect from each other. It is a code which applies to all Directors & Employees.

Our integrity and reputation depend on our ability to do the right thing, even when it's not the easy thing. The Code of Conduct is a collection of rules and policy statements intended to assist employees and directors in making decisions about their conduct in relation to the firm's business. The Code is based on our fundamental understanding that no one at Gammon Pakistan Limited should sacrifice integrity.

Each of us is accountable for our actions, and each of us is responsible for knowing and abiding by the policies that apply to us. Directors & Executives have a special responsibility, through example and communication, to ensure that employees under their supervision understand and comply with the Code and other relevant supporting policies and procedures.

All Directors, Executives and Employees are expected to understand the laws and business regulations related to their work and comply fully so that our shareholders, customers, suppliers, stakeholders and the Government have complete faith in the way we operate and that our business decisions are made ethically and in the best interest of the Company.

You can look at the Code of Conduct to guide your decisions in a variety of circumstances. However, no rulebook can anticipate every situation. Ultimately, the personal integrity and honesty of every GPL employee will define the character of our Company. Never underestimate the importance of your own ethical conduct in the business and success of Gammon Pakistan Limited.

This code is in alignment with Company's Vision and Values to achieve the Mission & Objectives and aims at enhancing ethical and transparent process in managing the day to day affairs of the Company.

The Board of Directors, Executives and all its employees will adopt this Code of Conduct and Ethics as a Testimony of commitment to adhere to the standards of loyalty, honesty, integrity and the avoidance of conflict of interest.

This model Code of Conduct shall be reviewed by the Board from time to time. The regulatory orders and any amendments to this Code shall be approved by the Board of Directors.

DEFINITION AND INTERPRETATION.

In this Code, unless repugnant to the meaning or context thereof, the following expressions shall have the meaning given to them below:

- “The Company” means “Gammon Pakistan Limited”
- “Board/Board of Directors” shall mean the Board of Directors of the Company.
- “Directors” means the Directors of the Company appointed or elected from time to time pursuant to Article of Association.
- “The Chairman” means the Chairman of the Board of Directors
- “Board Members” shall mean the Members on the Board of Directors of the Company.

- “Whole-time Directors” or “Executive Director” shall mean the Board Members who are in whole-time employment of the Company.
- “Non-Executive Directors” shall mean the Board Members who are Directors and not in employment of the Company.

“Executives” shall mean employees of the Company who are members of its core management team excluding Board of Directors and would comprise all General Managers / Functional Heads and top Management of the Company.

CORPORATE RESPONSIBILITY.

The key to corporate integrity lies with all of us. Everyone has a responsibility to up hold this dedication to corporate ethics on a daily basis. We all must:

- Know and follow this conduct code.
- Know and comply with the requirements and expectations that apply to our jobs.
- Take responsibility for our own conduct.
- Report violations of this conduct code to appropriate management.

This code defines following broad corporate values that shape our business practices

COMPOSITION OF THE BOARD

The Board of Directors of the Company should always be balance of executive, non-executive and independent directors in accordance with Code of Corporate Governance 2012/ Companies Ordinance 1984.

LEGAL/COMPLIANCE OBLIGATIONS

The Company's activities and operations will be carried out in strict compliance with all applicable laws and the highest ethical standards. Meeting our legal obligations and cooperating with, local, national and international authorities lay a solid foundation for the corporate values. As individuals, employees must strive to be aware of and understand laws applicable to business and area of responsibility.

INTEGRITY & HONESTY

Corporate integrity and honesty is the foundation of our business conduct code. By maintaining the highest level of corporate integrity through open, honest, and fair dealings, we earn trust for ourselves and from everyone with whom we come in contact. Our employees, holding the trust of the Company, are expected to uphold the highest professional standards

CONFIDENTIALITY

Every employee is obligated to protect the Company's confidential information. All information developed or shared as a result of the business process proprietary to the Company must be treated as confidential.

CORPORATE RECORDS

Company documents and records are part of the Company's assets, and employees are charged with maintaining their accuracy and safety. Employees are required to use excellent record-management skills by recording information accurately and honestly, and retaining records as long as necessary to meet business objectives and government regulations. Financial records must accurately reflect all financial

transactions of the Company. No false, artificial, or misleading entries shall be made in the books and records of the Company for any reason.

CONFLICT OF INTEREST

A conflict of interest exists when a personal interest or activity of an employee influences or interferes with employee's performance of duties, responsibilities or loyalties to the Company. All employees must avoid any personal or business influences or relationships that affect, or appear to affect, their ability to act in the best interest of the Company. Where ever, such conflict occurs it must be disclosed to at-least the next senior level of authority.

UNAUTHORIZED USE OF CORPORATE ASSETS

Every employee is obligated to protect the assets of the Company. Company property, such as fixed assets, office supplies, production equipment, products, and buildings, may not be used for personal reasons. Expenses may not be charged to the Company unless they are for Company's purposes

RESPECT FOR PEOPLE & TEAM WORK

We are dedicated to dignity and respect and we owe nothing less to each other. This high level of respect for one another enters into every aspect of our dealings with colleagues and those we come into contact with-in each working day, and reflects greatly on how our corporate culture is perceived. We know it well that none of us acting alone can achieve success.

SAFETY AND HEALTH

We are all responsible for maintaining a safe workplace by following safety and health rules and practices. We are responsible for immediately reporting accidents, injuries, and unsafe equipment, practices or conditions to a supervisor or other designated person. We are committed to keep our workplace free from hazards.

DEDICATION TO QUALITY

Our quality policy is an integral part of our business philosophy and we are committed to provide total customer satisfaction.

CORPORATE IMAGE

Company's reputation and identity are among the Company's most valuable assets. As part of keeping and furthering the corporate image, we believe in conducting business legally, morally and ethically, and in sharing the success that business brings. All employees, particularly those in management, are expected to conduct themselves in a manner that reflects positively on the company's image and identity, both internal and external. No one should act in a way, or make any statement in any media, that adversely affects the reputation or image of the Company with employees, customers or the community at large

STAKEHOLDERS

Stakeholders are valuable equal partners for us with whom a long-term, fair and trustworthy relationship should be built and maintained with appropriate information disclosure through public relations, investor relations and other activities. Shareholders own the Company and on the basis of their entrustment, we will put in our best efforts to protect their investment value and to maximize their return under the prevailing business environment. Moreover, business with suppliers, vendors, contractors and other independent businesses who demonstrate high standards of ethical business behavior will always be priority for all the Directors and Executives of the Company and will not knowingly do business with any persons or businesses that operate in violation of applicable laws and regulations, including employment,

health, safety and environmental laws. Measures will be taken to assure that suppliers, vendors and contractors understand the standards applicable to our Company and we expect the same from them as well.

COMPLIANCE OF LAW.

The Board Members and Executives shall comply with all laws, rules and regulations relating to the business of the Company i.e, Companies Ordinance 1984, Code of Corporate Governance, Listing Regulations and Article of Association etc.

DIRECTORSHIPS

Unless specifically permitted by the Board of Directors and regulatory authorities, the Board Members and Executives shall not serve as Director of more than seven listed companies unless otherwise permitted by law, including this Company (excluding the listed subsidiaries of listed subsidiaries of listed holding companies where applicable)..

All Executives of the Company shall obtain prior approval of the Chief Executive/Managing Director of the Company for accepting Directorship of any other company or partnership of a firm.

PREVENTION OF INSIDER TRADING

The Board Members and Senior Management personnel shall comply with the Code of Internal Procedures and conduct for prevention of insider trading in dealing with securities of the Company and the CEO and executives do not hold any interest in the shares of the Company other than the disclosed in the pattern of shareholding.

CORPORATE DISCLOSURE PRACTICES

The Board Members and all executives shall comply with the Code of Corporate Governance in letter and spirit.

AUDIT FUNCTION

The Board of Directors will ensure the transparency and independence Audit Function of the Company

RELATED PARTY TRANSACTIONS

The details of all related party transactions shall be placed before the Audit Committee of the Company and upon recommendations of the Audit Committee the same shall be placed before the Board for review and approval as indicated in section 35 (x) of Code of Corporate Governance).

PROTECTION OF ASSETS

The Board Members and Senior Management Personnel shall protect the Company's assets including physical assets, information and intellectual rights and shall not use the same for personal gain.

AMENDMENTS TO THE CODE

The provisions of this Code can be amended / modified by the Board of Directors of the Company from time to time and all such amendments / modifications shall take effect from the date stated therein.

PLACEMENTS OF THE CODE ON WEBSITE

This Code and any amendment thereto shall be hosted on the website of the Company.

FINANCIAL REPORTING

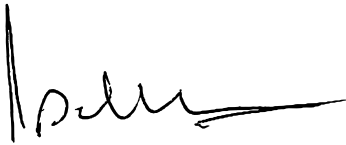
The Company quarterly unaudited / audited financial statements shall be published and circulated alongwith Directors review on the affair of the Company unless otherwise permitted by law / approvals by regulatory authorities

CONSEQUENCES OF NON-COMPLIANCE OF THIS CODE

In the event of non compliance of the code by a Director, CEO or executive as the case may be, the matter shall be presented by the Company Secretary before the Board of Directors & action will be taken in light of the decision given by the Board.

ACKNOWLEDGEMENT OF RECEIPT OF THE CODE

All Board Members and Executives shall acknowledge receipt of this Code or any modification(s) thereto, in the acknowledgement form as attached and forward the same to the Company Secretary indicating that they have received, read, understood and agreed to comply with this Code.



MOHAMMAD SALAH-UD-DIN
Chief Executive Officer


THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)

FORM 34

PATTERN OF SHAREHOLDING

- 1 CUIIN (Incorporation Number) 0 0 0 0 1 1 7
- 2 Name of Company **GAMMON PAKISTAN LIMITED**
- 3 Pattern of holding of the shares held by the shareholders 3 0 0 6 2 0 1 8

4. No. of Shareholders	Shareholdings	Total Share held
1386	Shareholding from 1 to 100 shares	55,770
523	Shareholding from 101 to 500 shares	140,632
188	Shareholding from 501 to 1000 shares	157,788
201	Shareholding from 1001 to 5000 shares	501,813
45	Shareholding from 5001 to 10000 shares	340,828
25	Shareholding from 10001 to 15000 shares	318,441
11	Shareholding from 15001 to 20000 shares	187,235
6	Shareholding from 20001 to 25000 shares	135,154
8	Shareholding from 25001 to 30000 shares	217,098
4	Shareholding from 30001 to 35000 shares	133,146
2	Shareholding from 35001 to 40000 shares	74,533
3	Shareholding from 40001 to 45000 shares	127,219
1	Shareholding from 45001 to 50000 shares	45,714
1	Shareholding from 55001 to 60000 shares	56,378
2	Shareholding from 60001 to 65000 shares	122,932
1	Shareholding from 75001 to 80000 shares	79,535
2	Shareholding from 80001 to 85000 shares	165,377
2	Shareholding from 85001 to 90000 shares	177,009
1	Shareholding from 90001 to 95000 shares	91,000
1	Shareholding from 95001 to 100000 shares	98,500
1	Shareholding from 100001 to 105000 shares	104,000
1	Shareholding from 115001 to 120000 shares	118,000
1	Shareholding from 135001 to 140000 shares	138,226
1	Shareholding from 320001 to 325000 shares	323,803
1	Shareholding from 615001 to 620000 shares	619,000
1	Shareholding from 3365001 to 3370000 shares	3,368,044
1	Shareholding from 20350001 to 20400000 shares	20,369,056
2420	TOTAL	28,266,231

5. Categories of Shareholders	Share held	Percentage %															
5.1 Directors, CEO, & their spouses/minor children	168,996	0.60															
5.2 Associated Companies/ Joint Stock Companies undertakings and related parties	20,369,496	72.06															
5.3 Investmetn Corporation of Pakistan	11,450	0.04															
5.4 Banks, DFIs, NBFIs, Modarabas, etc	6,200	0.02															
5.5 Insurance Company	60	-															
5.6 Share holders holding 10 % Bibojee Services (Pvt) Ltd Ahmed Kuli Khan Khattak	20,369,056	72.06															
	3,368,044	11.92															
5.7 General Public a. Local b. Foreign	4,134,798	14.63															
	207,187	0.73															
6 Signature of Chief Executive / Company Secretary																	
7 Name of Signatory	AMIN UR RASHEED																
8 Designation	Company Secretary																
9 NIC Number	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td>1</td><td>4</td><td>3</td><td>0</td><td>1</td><td>-</td><td>4</td><td>5</td><td>7</td><td>5</td><td>7</td><td>6</td><td>4</td><td>-</td><td>3</td> </tr> </table>		1	4	3	0	1	-	4	5	7	5	7	6	4	-	3
1	4	3	0	1	-	4	5	7	5	7	6	4	-	3			
10 Date	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td>3</td><td>0</td><td>0</td><td>6</td><td>2</td><td>0</td><td>1</td><td>8</td> </tr> </table>		3	0	0	6	2	0	1	8							
3	0	0	6	2	0	1	8										

Note: In case there are more than one class of shares carrying voting rights, the information regarding each such class shall be given separately

**DETAILS OF PATTERN OF SHAREHOLDING AS PER
REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE**

CATEGORIES OF SHAREHOLDERS	SHARE HELD
1 ASSOCIATED COMPANIES UNDERTAINGS & RELATED PARTIES: M/S BIBOJEE SERVICES (PVT) LIMITED	20,369,056
2 DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:	
SAAD WAHEED	100
MUHAMMAD SALAHUDDIN	138,026
MR. FAZAL UR REHMAN KHAN BURKI	100
MR. A. KARIM KHAN	30,670
MR. KAMAL ABDULLAH	100
*MR. KHALID KULI KHAN KHATTAK	-
*MUHAMMAD KULI KHAN KHATTAK	-
*MR. SIKANDAR KULI KHAN KHATTAK	-
* Directors on behalf of Bibojee Services (Pvt) Limited	
3 EXECUTIVES	NIL
4 JOINT STOCK COMPANIES	20,369,496
5 N..I.T. & I.C.P M/S INVESTMENT CORPORATION OF PAKISTAN KARACHI INVESTMENT TRUST LIMITED	11,450
6 BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	6,200
7 INSURANCE COMPANY	60
8 FOREIGN SHAREHOLDERS	207,187
9 GENERAL PUBLIC AND OTHER SHAREHOLDERS	4,134,798
10 SHAREHOLDERS HOLDING 10% OR MORE: M/S BIBOJEE SERVICES (PVT) LIMIETED MR. AHMED KULI KHAN KHATTAK	20,369,056 3,368,044

**Statement of Compliance with Listed Companies (Code of Corporate Governance)
Regulations, 2017**

Company Name: **Gammon Pakistan Limited (The Company)**
Year end: June 30, 2018

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2017 (Regulations) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Regulations in the following manner:

1. The total number of directors are 8 as per the following:

- a. Male: 8
- b. Female: Nil

2. The composition of the Board is as follows:

Category Names

a. Independent Directors

Mr. Fazal ur Rehman Khan Burki
Mr. Abdul Karim Khan
Mr. Kamal Abdullah

b. Non -Executive Directors

Mr. Saad Waheed
Mr. Khalid Kuli Khan Khattak
Mr. Mohammad Kuli Khan Khattak
Mr. Sikandar Kuli Khan Khattak

c. Executive Director

Mr. Muhammad Salahuddin (Chief Executive Officer)

3. The Directors have ensured that none of them is serving as a director on more than five listed companies, including Gammon Pakistan Limited.
4. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures besides being placed on the Company's website.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 and Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act, 2017 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Companies Act, 2017 and Regulations.
9. The majority of the Board members have the prescribed qualification and experience required for exemption from the training programmes of Directors.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:

Audit Committee HR & R Committee

Mr. Fazal ur Rehman Khan Burki - Independent Director	Chairman of the Board
Mr. Kamal Abdullah Independent Director	Member
Mr. Khalid Kuli Khan Khattak - Non Executive Director	Member
Mr. Sikandar Kuli Khan Khattak - Non Executive Director	Member
Mr. Nasir Ali Khan Head of internal Audit	Secretary of the Committee

HR and Remuneration Committee

Mr. Khalid Kuli Khan Khattak	- Chairman of the Committee
Mr. Kamal Abdullah	- Member
Mr. Sikandar Kuli Khan Khattak	- Member
Mr. Muhammad Salahuddin	- Secretary of the Committee

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:

a) Audit Committee:

Four (4) meetings of the Audit Committee were held during FY- 2017-18

b) HR and Remuneration Committee:

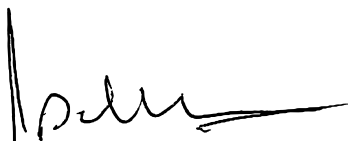
One (1) meetings of the Audit Committee were held during FY- 2017-18

15. The Board has set up an effective internal audit function headed by Mr. Nasir Ali Khan who is qualified, suitable and experience for the purpose and in conversant with the policies and procedures of the company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.



Muhammad Salahuddin
Chief Executive Officer

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Gammon Pakistan Limited** for the year ended June 30, 2018 to comply with the requirements of Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited (formally Karachi Stock Exchange Limited in which Lahore and Islamabad stock exchanges have merged), where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2018.

ISLAMABAD

DATED: 07 Oct, 2018

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF GAMMON PAKISTAN LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **GAMMON PAKISTAN LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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, 2018 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

Emphasis of Matter

Without qualifying our opinion we draw your attention to Note 25.2(a) to the financial statements whereby the National Bank of Pakistan has filed an execution applications for the decrees for amounts mentioned in the aforesaid note. The liability determined of the Company is contingent upon the judgment of these suits.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

S. No	Key audit matters	How the matter was addressed in our audit
1.	Promulgation of Companies Act, 2017	
	Companies Act, 2017 ("the Act") was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the	We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements.



S. No	Key audit matters	How the matter was addressed in our audit
	<p>first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.</p> <p>In view of the significant changes in disclosures, we consider it as a key audit matter.</p> <p>Refer to note 2.1 to the financial statements.</p>	<p>We reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance.</p> <p>We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of the Companies Act, 2017.</p>
2.	<p>Change in accounting policy for treatment of</p>	<p>Revaluation surplus</p>
	<p>The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.</p> <p>The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 are being followed by the Company.</p> <p>The new accounting policy is explained under note 4.1 to the financial statement. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.</p> <p>In view of the significant changes in policy and disclosures, we consider it as a key audit matter.</p> <p>Refer to note 4.28 to the financial statements.</p>	<p>In this area, our audit procedures comprised:</p> <ul style="list-style-type: none"> • Recalculating the amount of surplus and its deferred tax at year end. • Applied the change in policy retrospectively and restating Statement of financial position and statement of changes in equity as per new requirements. • Testing and assessment of the completeness, appropriateness and adequacy of the disclosures in Company's financial statements as per the requirement of the Companies Act, 2017 and IAS 16.



S. No	Key audit matters	How the matter was addressed in our audit
3	Provision for doubtful receivables	
	<p>The company holds a provision of Rs. 110.633 million in respect of doubtful receivables at year end. The determination and valuation of provisions is judgmental by its nature and there is a risk that the estimate is incorrect and the provision is materially misstated.</p> <p>Due to judgmental estimation, we consider it as a key audit matter.</p> <p>Refer to note 10 and 12 to the financial statements.</p>	<p>Our audit procedures in respect of this area included:</p> <ul style="list-style-type: none"> • Enquiring Directors inspecting board minutes for actual and expected doubtful debts arising in the year, and challenging whether provisions are required for these doubtful debts. • We checked the calculation of the provision held on the basis of aging of the parties. • In respect of open matters of litigation, we had discussions with the Group's internal and external legal advisors and reviewed correspondence in respect of these matters. • We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of the Companies Act, 2017.
4	Percentage of completion	
	<p>Revenue recognition is based upon IAS 11 'Construction Contracts' which requires additional judgment in calculating the revenue and profit to be recognised, estimating the total expected costs to complete each contract, the percentage of completion and revising the total cost at the date of statement of financial position. During the year an estimate has been revised with an increase of Rs. 18.461 million in estimated cost to complete contracts, which mainly relates to "M.T.C Fateh Jang". There is a risk that the estimate is incorrect and revenue is materially misstated.</p> <p>In view of the material change in estimate, we consider it as a key audit matter.</p>	<p>Our audit procedures in respect of this area included:</p> <ul style="list-style-type: none"> • All construction contracts have been tested by verifying the costs incurred to date and recalculating the percentage of completion at the balance sheet date. • All contracts have been reviewed with the invoices raised to the customers, approved IPC bills, total sales values agreed to contracts, and the recognition formula verified to support revenue recognised. • Total estimated cost and revision in the estimated cost is reviewed from revised BoQs (Bills of quantity) and approvals from engineering department and matching the same with escalation clause in the contracts.



S. No	Key audit matters	How the matter was addressed in our audit
5	Contingencies	
	<p>During early 80's, the Company obtained two loans of Saudi Riyals 5 million and Saudi Riyals 2.5 million aggregating to Saudi Riyals 7.5 million (equivalent to Pak Rs. 207.750 million at the rate of Rs. 27.7/ SR) through consortium of banks led by National Bank of Pakistan (NBP) during 1986. Recovery proceedings of the loans of SR 7.5 million with the interest thereon of SR 21.650 million (equivalent to Rs. 599.705 million at the rate of Rs. 27.7/ SR) are being contested in the Sindh High Court.</p> <p>Due to nature of the contingency, we considered it to be a key audit matter.</p> <p>Refer to note 25.2(a) to the financial statements.</p>	<p>Our audit procedures in respect of this area included:</p> <ul style="list-style-type: none"> • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and • Obtained legal advise on the above cases with the legal advisors to ensure that the outflow is possible and not probable.

Information Other than the Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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



Auditors Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors report is Abdul Qadeer.

ISLAMABAD

DATED: 07 Oct, 2018


CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer


**GAMMON PAKISTAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	5	144,697,293	145,637,520	129,562,607
Investment property	6	340,176,931	298,629,417	240,780,368
Long term investments	7	1,300,413	1,300,413	1,231,263
Long term security deposits	8	961,203	961,203	3,468,994
		<u>487,135,840</u>	<u>446,528,553</u>	<u>375,043,232</u>
CURRENT ASSETS				
Stores, spares and loose tools	9	29,735,381	39,107,170	38,507,903
Contract receivables	10	105,417,844	100,584,871	123,527,023
Cost and estimated earnings in excess of billings	11	66,489,059	59,847,258	52,205,636
Loans and advances	12	15,698,223	16,905,327	11,294,720
Other receivables	13	64,467	1,245,607	902,295
Trade deposits and short term prepayments	14	287,184	3,258,000	80,282
Tax refunds due from Government	15	82,591,116	71,655,635	58,738,297
Taxation - net	16	5,159,912	10,935,481	12,917,338
Cash and bank balances	17	4,150,577	7,138,016	38,358,351
		<u>309,593,763</u>	<u>310,677,365</u>	<u>336,531,845</u>
TOTAL ASSETS		<u><u>796,729,603</u></u>	<u><u>757,205,918</u></u>	<u><u>711,575,077</u></u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	18	282,662,310	282,662,310	282,662,310
Capital reserves				
Revaluation surplus on property, plant and equipment	19	268,108,095	269,547,945	253,288,883
Share premium reserve		15,380,330	15,380,330	15,380,330
		<u>283,488,425</u>	<u>284,928,275</u>	<u>268,669,213</u>
Revenue reserve				
Accumulated profit /(loss)		3,754,346	(50,408,941)	(72,074,684)
		<u>569,905,081</u>	<u>517,181,644</u>	<u>479,256,839</u>
NON-CURRENT LIABILITIES				
Deferred liability	20	8,777,786	8,834,633	8,669,894
Deferred taxation	21	10,293,023	11,417,148	12,416,622
		<u>19,070,809</u>	<u>20,251,781</u>	<u>21,086,516</u>
CURRENT LIABILITIES				
Trade and other payables	22	176,251,941	181,259,204	178,584,496
Unclaimed dividends		1,442,230	1,442,230	1,442,230
Billings in excess of cost and estimated earnings	11	-	-	1,145,454
Joint venture partner's advances	23	30,059,542	30,059,542	30,059,542
Material received from customers / secured advances	24	-	7,011,517	-
		<u>207,753,713</u>	<u>219,772,493</u>	<u>211,231,722</u>
CONTINGENCIES AND COMMITMENTS	25	-	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>796,729,603</u></u>	<u><u>757,205,918</u></u>	<u><u>711,575,077</u></u>

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

**GAMMON PAKISTAN LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Contract income	26	385,173,219	413,300,406
Contract expenditure	27	(363,685,168)	(384,415,532)
Net contract profit		21,488,051	28,884,874
Operating expenses			
General and administrative expenses	28	(33,471,231)	(29,378,565)
Other operating expenses	29	(451,000)	(397,500)
		(33,922,231)	(29,776,065)
Other income	30	31,648,496	18,605,475
Operating profit		19,214,316	17,714,284
Finance cost	31	(77,438)	(93,166)
Provision for doubtful contract receivables		-	(51,864,273)
Fair value gain on investment property	32	41,547,514	57,849,049
Allocation of loss to joint venture partners - net		1,357,164	-
Profit before taxation		62,041,556	23,605,894
Taxation	33	(10,037,630)	(4,016,940)
Profit after taxation		52,003,926	19,588,954
Earning per share:			
Earnings per share - basic and diluted	34	1.84	0.69

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

**GAMMON PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 Rupees	2017 Rupees (Restated)
Profit after taxation	52,003,926	19,588,954
Other comprehensive income		
Item that will not be reclassified to profit and loss:		
Revaluation surplus on property, plant and equipment	-	18,175,192
Related deffered tax impact	-	(275,743)
Effect of change in tax rate	380,572	400,536
	380,572	18,299,985
Gain on remeasurement of defined benefit liability	338,939	35,866
Total other comprehensive income for the year	719,511	18,335,851
Total comprehensive income for the year	52,723,437	37,924,805

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

**GAMMON PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before working capital changes	36	23,041,873	21,435,059
Changes in working capital:			
Decrease / (increase) in current assets			
Stores, spares and loose tools		9,371,789	(599,267)
Contract receivables		(4,832,973)	(28,922,121)
Cost and estimated earnings in excess of billings		(6,641,801)	(7,641,622)
Loans and advances		1,207,104	(5,610,607)
Other receivables		1,181,140	(343,312)
Trade Deposits and short term prepayments		2,970,816	(3,177,718)
Long term security deposits		-	2,507,791
Increase / (decrease) in current liabilities			
Trade and other payables		(3,650,100)	2,674,708
Billings in excess of cost and estimated earnings		-	(1,145,454)
Material received from customers / secured advances		(7,011,517)	7,011,517
		(7,405,542)	(35,246,085)
Cash generated from / (used in) operations		15,636,331	(13,811,026)
Financial charges paid	31	(77,438)	(93,166)
Income tax paid	16	(15,941,094)	(15,827,337)
Gratuity paid	20.4	(476,229)	(556,999)
		(16,494,761)	(16,477,502)
Net cash used in operating activities		(858,430)	(30,288,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	5	(2,289,009)	(1,029,807)
Proceed from sale of fixed assets		160,000	98,000
Net cash used in investing activities		(2,129,009)	(931,807)
Net decrease increase in cash and cash equivalents		(2,987,439)	(31,220,335)
Cash and cash equivalents at the beginning of the year		7,138,016	38,358,351
Cash and cash equivalents at the end of the year		4,150,577	7,138,016

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

GAMMON PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Share capital		Reserves		Total
	Issued, subscribed and paid-up capital	Share premium reserve	Capital	Revenue	
	Rupees				
Balance as at July 01, 2016 - as previously reported	282,662,310	15,380,330	-	(72,074,684)	225,967,956
Impact of changes in accounting policies (net of tax)			253,288,883		253,288,883
Balance as at July 01, 2016 (restated)	282,662,310	15,380,330	253,288,883	(72,074,684)	479,256,839
Total comprehensive income for the year ended June 30, 2017					
Profit for the year	-	-	-	19,588,954	19,588,954
Revaluation of property and equipment during the year - net of deferred tax	-	-	17,899,449	-	17,899,449
Effect of change in tax rate	-	-	400,536	-	400,536
Gain on remeasurement of defined benefit liability	-	-	-	35,866	35,866
Transfer from revaluation surplus on property, plant and equipment:	-	-	18,299,985	19,624,820	37,924,805
- on account of incremental depreciation-net of deferred tax	-	-	(1,978,485)	1,978,485	-
- upon disposal of revalued property, plant and equipment	-	-	(62,438)	62,438	-
Balance as at June 30, 2017 (restated)	282,662,310	15,380,330	269,547,945	(50,408,941)	517,181,644
Total comprehensive income for the year ended June 30, 2018					
Profit for the year	-	-	-	52,003,926	52,003,926
Effect of change in tax rate	-	-	380,572	-	380,572
Gain on remeasurement of defined benefit liability	-	-	-	338,939	338,939
Transfer from revaluation surplus on property, plant and equipment:	-	-	380,572	52,342,865	52,723,437
- on account of incremental depreciation-net of deferred tax	-	-	(1,802,647)	1,802,647	-
- upon disposal of revalued property, plant and equipment	-	-	(17,775)	17,775	-
Balance as at June 30, 2018	282,662,310	15,380,330	268,108,095	3,754,346	569,905,081

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

**GAMMON PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

The Company was incorporated under the repealed Companies Act, 1913 (now the Companies Act, 2017) on August 12, 1947 as a Public Company Limited by shares. Its shares are quoted on Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited).

The principal activity of the Company is execution of civil construction works.

The Company is a subsidiary of Bibojee Services (Private) Limited (the holding company), private company incorporated in Pakistan.

The registered office of the Company is situated at Gammon House, 400/2 Peshawar Road, Rawalpindi.

1.2 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified. (For detailed disclosure of this information please refer to note 47)
- The accounting policy for surplus on revaluation of property, plant and equipment was changed during the year. Consequently, some of the amounts reported in the prior years have been restated. (For detailed information about these adjustments please refer to note 4.28)
- Company has revalued its investment property at year end resulting in revaluation gain amounting to Rs.41,547,514 (Refer to note 6)
- Rental income on investment property has increased during the year as the Company has entered into new lease agreements with Bannu Woolen Mills Limited (Refer to note 30).

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 applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS , the provisions of and directives issued under the Companies Act, 2017 have been followed.

The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount and recognition of certain staff retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

2.4 Key judgments and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 4.1 & 5
- Fair value of investment property - Note 4.2 & 6
- Provision for doubtful trade receivables – Note 4.6 & 10
- Obligation of defined benefit obligation - Note 4.16 & 20
- Estimation of provisions - Note 3.18 & 23
- Estimation of contingent liabilities - Note 4.21
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - Note 4.15, 21 & 33

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Amendments that are effective in current year and are relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

Amendments to IAS 7 ‘Statement of Cash Flow’ became effective for the annual periods beginning of or after January 01, 2017 which is relevant to the Company. Amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 ‘Income Taxes’ became effective for the annual periods beginning on or after January 01, 2017. The amendment clarifying the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

3.2 Amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payments - Amendment to clarify the classification and measurement of share-based payment transactions The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled.	January 01, 2018

		Effective date (annual periods beginning on or after)
IFRS 3	Business Combinations - Amendment requiring an entity to remeasure its previously held interest at fair value when it obtains control of a business that is a joint operation.	January 01, 2019
IFRS 4	Insurance Contract - Amendments regarding applying IFRS 9- Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4 that are overlay approach and deferral approach. Overlay approach: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Deferral approach: an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	January 01, 2018
IFRS 9	Financial Instrument'- Prepayment Features with Negative Compensation and modifications of financial liabilities. The amendment allow debt instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss.	January 01, 2019
IFRS 11	Joint Arrangement - The proposed amendments is to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business.	January 01, 2019

		Effective date (annual periods beginning on or after)
IAS 12	Income tax - Recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.	January 01, 2019
IAS 19	Employee Benefits - The amendments require an entity: To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plant amendment, curtailment and settlement when entity measure its net defined benefit liability, and; To recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling.	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures - Clarification that an entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value. The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IAS 40	Investment Property - Amendment to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property.	January 01, 2018

3.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company financial statement in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

Initial recognition

All items of property, plant and equipment are initially recorded at cost.

Subsequent measurement

Items of property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and any identified impairment loss, if any, except for freehold land, which is stated at revalued amount.

Depreciation

Depreciation is charged to profit and loss account on straight-line basis on the cost or valuation of all fixed assets from / to the date of acquisition / deletion, except for freehold land, to write-off ninety percent of the value over the useful life of the assets. The remaining ten percent is written-off on retirement is considered the residual value.

Revaluation surplus on property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as “Revaluation surplus on property, plant and equipment”, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company’s shareholders. The surplus on revaluation buildings and plant and machinery to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company’s accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IFRS. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly the Company has changed the accounting policy and is now following the IFRS for treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 4.28 below.

Disposal

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised as other income in the statement of profit or loss. In case of the sale or retirement of a revalued items, the attributable revaluation surplus remaining in the surplus on revaluation of such item is transferred directly to the unappropriated profit.

Judgment and estimates

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis.

4.2 Investment properties

Recognition and measurement

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Derecognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

When an item of property, plant and equipment is transferred to investment property following a change in its use and differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognized in surplus on revaluation of property, plant and equipment if it is a gain. Upon disposal of the item related surplus on revaluation of property, plant and equipment is transferred to retained earnings. Any loss arising in this manner is recognized immediately in the income statement.

Rental income

Rental income from investment property that is leased to a third party under an operating lease is recognised in the statement of profit or loss on a straight-line basis over the lease term and is included in 'other income' under note 30.

4.3 Impairment of non-financial assets other than inventories

The assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The impairment loss is recognised in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The Company recognises the reversal immediately in the statement of profit or loss, unless the asset is carried at a revalued amount in accordance with the revaluation model. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

4.4 Held-to-maturity investments

These are carried at amortized cost less impairment loss, if any. Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost using the effective interest method. Gain and losses are recognized in the profit and loss account when the investments are derecognized or impaired, as well as through the amortization process.

4.5 Stock of materials, stores, spares and loose tools

Measurement

Stock of materials, stores, spares and loose tools is valued at the lower of cost and net realizable value.

Cost is calculated using the weighted average method and comprises direct materials, direct labour costs and direct overheads that have been incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of the business less all estimated costs of completion and estimated costs necessary to be incurred in order to make the sale.

Cost of materials is determined using the first-in-first out method.

Cost of stores, spares and loose tools is determined using the weighted average method.

Impairment

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the cost of sales in the statement of profit or loss.

Judgments and estimates

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and decline in net realisable value and an allowance is recorded against the inventory balances for any such decline.

4.6 Contract receivables

Measurement

Contract receivables are measured at original invoice amount less an estimate made for doubtful receivable balance at the year-end.

A provision for impairment of contract receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the statement of profit or loss. Bad debts are written-off in the statement of profit or loss on identification.

Judgments and estimates

The allowance for doubtful debts of the Company is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding contract receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer.

4.7 Loans and advances

These are stated at cost less provision for doubtful advances, if any.

A provision for impairment of advances is established when there is objective evidence that the Company will not be able to adjust all advances according to the original terms of the advances. The amount of the provision is recognised in the statement of profit or loss.

Judgments and estimates

The allowance for doubtful advances of the Company is based on the ageing analysis and management's continuous evaluation of the realisability of the advances.

4.8 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statements at cost. For the purposes of cash flow statement, cash and cash equivalents comprise of cash-in-hand and bank balances.

4.10 Borrowings and borrowing costs

All borrowings are recorded at the proceeds received. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to income in the period in which these are incurred.

4.11 Trade and other payables

Creditors relating to trade and other payables are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.12 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the company's shareholders.

4.13 Joint venture partner's advances (including share of accrued profit)

Profit / loss on advances obtained from a joint venture partner is recognized on 'accrual basis' in accordance with the agreed percentage.

4.14 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognized in the period in which these are approved.

4.15 Taxation

Income tax expense comprises current and deferred tax.

Income tax expense is recognised in the statement of profit and loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), in which case the tax amounts are recognized directly in other comprehensive income or equity.

Current

Provision for current taxation is based on taxable income on current rates of taxation after taking into account the rebates and tax credits available, if any, or one percent of turnover and corporate tax as per section 113c, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted.

Judgment and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Off-setting

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority.

4.16 Defined benefit plan (gratuity)

The Company measures defined benefit liabilities (assets) at the present value of its obligation under defined benefit plan at the reporting date minus the fair value at the reporting date of plan assets out of which the obligations are to be settled directly. The obligation under defined benefit plan is determined using the projected unit credit method.

Actuarial gains and losses are recognised in the other comprehensive income in the period in which they occur. Past-service costs are recognised immediately in the statement of profit or loss. The latest actuarial valuation of the plan was carried out as at September 04, 2018.

In determining the liability for long-service payments management must make an estimate of salary increases over the following five years, the discount rate to calculate present value over next five years, and the number of employees expected to leave before they receive the benefits.

4.17 Revenue recognition

Where the outcome of the construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract work performed to date bears to the estimated total contract work. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of the construction contract cannot be estimated reliably, contract revenue is recognized to the extent of the contract costs incurred that probably will be recoverable. Contract costs are recognized as expense in the period in which they are incurred.

-Revenue from rental income is recognized on 'accrual basis'.

-Interest income is also recognized on 'accrual basis'.

4.18 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at the exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account.

4.19 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at balance sheet date are carried as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities later than twelve months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

4.20 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.21 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

4.22 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.23 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

4.24 Joint ventures

The Company's share in transactions and balances related to joint venture operations, in which the Company has a working interest, are combined on a line by line basis with similar items in the Company's financial statements.

4.25 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.26 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

4.27 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

a) Staff retirement benefits - gratuity

The present value of defined benefit obligation depends on a number of factors that are determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of the obligation. The present value of the obligation and the underlying assumptions are disclosed in note 20.

b) Contract revenue and cost

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Any change in these estimates will affect the contract revenue and contract costs accordingly.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and useful lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

d) Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

e) Provision for impairment against contract receivables

The Company assesses the recoverability of its contract receivables if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the customers, probability that the customer will enter bankruptcy and default or delinquency in payments are considered indications that the contract receivable is impaired.

f) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding affect on amounts recognized in profit and loss account as provision / reversal.

g) Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.28 Change in accounting policy

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable to the large-sized companies, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policy relating to the revaluation surplus on property, plant and equipment. Accordingly, the accounting policy of the revaluation surplus on property, plant and equipment have been changed and applied retrospectively in these financial statements to comply with the accounting and reporting standards applicable to the Company. The resulted impact of change in accounting policy is as follows:

Change in accounting policy of revaluation surplus on property, plant and equipment

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 are being followed by the Company. The new accounting policy is explained under note 4.1, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 268,108,095 for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment previously presented below equity in the statement of financial position. Further, there is an increase in the other comprehensive income of Rs. 380,572 for the year ended June 30, 2018 as a result of revaluation surplus during the year accounted for in accordance with new policy.

Statement of financial position

Retrospective Impact of change in accounting policy

Description	As at July 01, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease)	As restated on July 01, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease)	As restated on June, 2017 (Restated)
 Rupees Rupees		
Surplus on revaluation of property plant and equipment (within the equity)	-	253,288,883	253,288,883	-	269,547,945	269,547,945
Net impact on equity	-	253,288,883	253,288,883	-	269,547,945	269,547,945
Surplus on revaluation of property plant and equipment (below equity)	253,288,883	(253,288,883)	-	269,547,945	(269,547,945)	-
	253,288,883	(253,288,883)	-	269,547,945	(269,547,945)	-

Description	As at July 01, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease) Rupees	As restated on July 01, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease) Rupees	As restated on June, 2017 (Restated)
Surplus on revaluation of property plant and equipment (within the equity)	-	253,288,883	253,288,883	-	269,547,945	269,547,945
Net impact on equity	-	253,288,883	253,288,883	-	269,547,945	269,547,945
Surplus on revaluation of property plant and equipment (below equity)	253,288,883	(253,288,883)	-	269,547,945	(269,547,945)	-
	253,288,883	(253,288,883)	-	269,547,945	(269,547,945)	-

Impact of change in accounting policy - June 30, 2018

Rupees

Surplus on revaluation of property plant and equipment (within equity)	268,108,095
Surplus on revaluation of property plant and equipment (below equity)	(268,108,095)
	<u>-</u>

**Statement of comprehensive income
For the year ended June 30, 2017**

	Impact of change in accounting policy		
	As previously reported	Adjustments Increase/ (Decrease)	2017 (Restated)
Other comprehensive income	19,624,820	18,299,985	37,924,805

**Statement of comprehensive income
For the year ended June 30, 2018**

Increase in other comprehensive income - net of tax	<u>380,572</u>
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5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Rupees							Total
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixtures	Computers and accessories	Motor vehicles, cycles and boats	Construction equipments	
Year ended June 30, 2018								
Net carrying value basis								
Opening book value	115,671,029	9,040,555	11,027,900	1,308,799	755,657	6,898,580	935,000	145,637,520
Additions	-	1,284,909	732,700	208,100	63,300	-	-	2,289,009
Deletions - NBV	-	-	(42,000)	-	-	-	-	(42,000)
Depreciation charge	-	(246,616)	(1,426,235)	(158,563)	(113,792)	(1,077,030)	(165,000)	(3,187,236)
Closing net book value	115,671,029	10,078,848	10,292,365	1,358,336	705,165	5,821,550	770,000	144,697,293
Gross carrying value basis								
Cost/revalued amount	115,671,029	10,533,702	13,084,202	1,628,507	906,376	7,960,200	1,100,000	150,884,016
Accumulated depreciation	-	(454,854)	(2,791,837)	(270,171)	(201,211)	(2,138,650)	(330,000)	(6,186,723)
Net book value	115,671,029	10,078,848	10,292,365	1,358,336	705,165	5,821,550	770,000	144,697,293
Year ended June 30, 2017								
Net carrying value basis								
Opening book value	98,414,980	8,329,650	12,401,501	954,000	602,476	7,760,000	1,100,000	129,562,607
Revaluation Surplus	17,256,049	1,079,768	-	-	-	-	-	18,335,817
Revaluation Surplus-Reversed	-	(160,625)	-	-	-	-	-	(160,625)
Additions	-	-	-	566,407	263,200	200,200	-	1,029,807
Deletions - NBV	-	-	-	(94,000)	(20,265)	-	-	(114,265)
Depreciation charge	-	(208,238)	(1,373,601)	(117,608)	(89,754)	(1,061,620)	(165,000)	(3,015,821)
Closing net book value	115,671,029	9,040,555	11,027,900	1,308,799	755,657	6,898,580	935,000	145,637,520
Gross carrying value basis								
Cost/revalued amount	115,671,029	9,248,793	12,401,501	1,420,407	843,076	7,960,200	1,100,000	148,645,006
Accumulated depreciation	-	(208,238)	(1,373,601)	(111,608)	(87,419)	(1,061,620)	(165,000)	(3,007,486)
Net book value	115,671,029	9,040,555	11,027,900	1,308,799	755,657	6,898,580	935,000	145,637,520
Depreciation rate % per Annum	0%	2.5 to 2.8	6 to 30	9 to 18	12 to 15	9 to 18	6 to 24	

Free hold land of the Company is located at Chakbeli road near Rawat and Pehawar road District Rawalpindi, Punjab, Pakistan with an area of 50.9 and 4.2 kanal respectively. Details of workshop and residential buildings of the company constructed on this land are as follows:

Location	Particulars	Covered Area (In sq.ft)
Mouza Harka, Main Chakbeli road Tehsil and District Rawalpindi	Stores and godowns for stores and spares.	7,056
Mouza Chuhr Harpal, Near Chuhr Chowk, main Peshawar Road, Rawalpindi Cantt.	Gammon house Head office	4,004

	2018	2017
	Rupees	Rupees
5.2 Depreciation has been allocated as follows:		
Contract expenditure	1,591,235	1,538,601
General and administrative expenses	1,596,001	1,477,220
	3,187,236	3,015,821

5.3 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

5.4 This represents surplus over book values resulted from revaluations of operating fixed assets based on fair value / market value estimated by independent valuers adjusted only by surplus realized on disposal of revalued assets and incremental depreciation arising out of revaluation and treated as per the policy explained under note 6.1. Details of revaluation are as follows:

Independent valuers	Revaluation dates
M/s Impulse (Private) Limited	June 30, 2017
M/s Impulse (Private) Limited	June 30, 2016
M/s Ideal Group of Consultant, Larkana	June 20, 2013 and June 30, 2013
M/s Engineering Pakistan International (Pvt.) Ltd.	June 30, 2009
M/s Hamid Mukhtar & Co.	March 30, 2008
Independent valuer	June 30, 2006
Independent valuer	July 01, 1992
Independent valuer	March 31, 1977

5.5 The forced sale value of the revalued freehold land and buildings at date of statement of financial position has been assessed at Rs. 64,525,323

5.6 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	Note	2018 Rupees	
Freehold land		120,988	
Buildings on freehold land		2,175,423	
Plant and machinery		2,051,113	
Furniture and fixture		820,606	
Computers and accessories		478,375	
Motor vehicles, cycles and boats		879,401	
Construction equipments		152,011	
	Note	2018 Rupees	2017 Rupees
6 INVESTMENT PROPERTY - AT FAIR VALUE			
Carrying amount as at July 1			
Rural land	6.1	92,268,000	83,880,000
Gammon House - land and building	6.2	247,909,098	214,749,417
		340,177,098	298,629,417
The movment in this account is as follows:			
Opening balance		298,629,417	240,780,368
Net fair value gain on revalion shown in profit and loss account	6.3	41,547,514	57,849,049
Carrying amount as at June 30		340,176,931	298,629,417

6.1 This represents investment in 209.70 kanals open land located at Mouza Haraka, Rawalpindi. This investment, effective from the financial year ended June 30, 2007, is being classified as 'investment property' as the Company decided to hold this property for capital appreciation. The Company has adopted fair value model for valuation.

6.2 This represents Gammon House (Head office of the Company) which is held to earn rentals and for capital appreciation and shown under the head "Investment property". The Company has adopted fair value model for valuation.

In 2013 management purchased and installed two billboards at Gammon House which have been treated as additions to investment properties.

6.3 The Company, as at June 30, 2018, revalued all of its investment property. The revaluation exercise was carried out by Impulse (Private) Limited and the revaluation resulted in Rs. 41.547 million (2017: Rs. 57.849 million) net adjustment to fair value.

Forced sale value of the investment property at date of statement of financial position is assessed at Rs. 289,150,677

The non-cancellable fixed rate operating leases over the Company's investment property, land and buildings were entered into at market rates with independent third parties.

	2019	2020-2023	After 2023
The minimum lease payments receivable under non-cancellable operating leases	28,375,572	187,904,974	-

	Note	2018 Rupees	2017 Rupees
7 LONG TERM INVESTMENTS			
Held to maturity			
Defense Savings Certificates	7.1	500,000	500,000
Accrued interest	7.2	800,413	800,413
		1,300,413	1,300,413

7.1 This represents one certificate (2017: one) having face value of Rs. 500,000, having a maturity period of 10 years i.e. February 2017 carrying markup (effective rate) at 10.03 % (2017: 10.03%) per annum. The Company has deposited the certificate as a security, and is pledged in favour of Director of Works and Chief Engineer, Pakistan Navy, Islamabad for provisional enlistment against construction of sailors' barracks at PNS Qasim, Manora, Karachi. The Defense Saving Certificate was matured during the 2017 however, will be reinvested on release of the pledged certificate subsequently.

	Note	2018 Rupees	2017 Rupees
7.2 Accrued interest			
Opening		800,413	731,263
Add:			
Accrued during the year		-	69,150
		800,413	800,413

8 LONG TERM SECURITY DEPOSITS

Tender money deposit		353,928	353,928
Others	8.1	607,275	607,275
		961,203	961,203

8.1 Other deposits comprises of amounts as follows:

WAPDA		25,600	25,600
Main power division		100,000	100,000
Sui Northern Gas Limited		52,675	52,675
Sindh High Court		120,000	120,000
Al Emran International		300,000	300,000
Masha Allah Estate		4,000	4,000
Student Inn Boys Hostel		5,000	5,000
		607,275	607,275

9 STORES, SPARES AND LOOSE TOOLS	Note	2018 Rupees	2017 Rupees
Consumable materials		989,146	10,676,066
Stores	9.1	27,896,529	27,504,339
Spares		580,888	582,136
Loose tools		20,575	21,525
Other stocks		248,243	323,104
		29,735,381	39,107,170

9.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

10 CONTRACT RECEIVABLES	Note	2018 Rupees	2017 Rupees
Owned			
Unsecured - considered good			
Against billings			
- work-in-progress		40,169,825	49,484,352
- completed contracts		55,236,179	55,236,179
		95,406,004	104,720,531
Provision for doubtful receivables	10.1	(55,062,152)	(55,062,152)
		40,343,852	49,658,379
Against retention money			
- work-in-progress		57,201,262	43,053,762
- completed contracts		33,482,887	33,482,887
		90,684,149	76,536,649
Provision for doubtful receivables	10.1	(25,610,157)	(25,610,157)
		65,073,992	50,926,492
Joint venture			
- against billings		17,054,553	17,054,553
- against retention money		12,936,380	12,936,380
		29,990,933	29,990,933
Provision for doubtful receivables	10.1	(29,990,933)	(29,990,933)
		-	-
		105,417,844	100,584,871

10.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of progress billings and retention monies which are not likely to be received due to various reasons. Similarly during the year, management carried out the same exercise and no further provision was charged (2017: 51.864 million).

	Note	2018 Rupees	2017 Rupees
11 COST AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS			
Under the following captions:			
Cost and estimated earnings in excess of billings on incomplete projects		66,489,059	59,847,258
Billings in excess of cost and estimated earnings on incomplete projects		-	-
Net cost and estimated earnings in excess of billings	11.1	66,489,059	59,847,258
11.1 This comprises of amounts as follows:			
Cost incurred on incomplete projects		2,016,467,539	1,653,689,011
Estimated earnings		176,586,969	153,901,484
		2,193,054,508	1,807,590,495
Billings to date		(2,126,565,449)	(1,747,743,237)
		66,489,059	59,847,258
12 LOANS AND ADVANCES			
Unsecured - considered good			
To employees / project managers		3,835,197	2,299,819
To suppliers		6,155,727	9,651,581
To sub-contractors		5,707,299	4,953,927
		15,698,223	16,905,327
Doubtful advances		15,015,727	15,015,727
		30,713,950	31,921,054
Provision for doubtful advances	12.1	(15,015,727)	(15,015,727)
		15,698,223	16,905,327
Due from joint venture partners		932,586	932,586
Provision against due from joint venture partners	12.1	(932,586)	(932,586)
		-	-
		15,698,223	16,905,327
12.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of advances to staff and suppliers, which are not likely to be received due to various reasons. Similarly during the year, management carried out the same exercise and no further provision was charged.			
13 OTHER RECEIVABLES			
Unsecured:			
- Considered good			
Other receivables	13.1	64,467	1,245,607

13.1 This includes receivables in respect of rental income.

			Note	2018 Rupees	2017 Rupees		
14	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS						
	Deposit with SCO			-	3,258,000		
	Prepaid insurance			287,184	-		
				287,184	3,258,000		
15	TAX REFUNDS DUE FROM GOVERNMENT						
	Considered good						
	Balance as at July 01,			71,655,635	58,738,297		
	Refundable assessed during the year			10,935,481	12,917,338		
				82,591,116	71,655,635		
16	TAXATION - NET						
	Balance as at July 01,			10,935,481	12,917,338		
	Transfer to tax refund due from government			(10,935,481)	(12,917,338)		
	Prior year adjustment			(234,117)	-		
	Provision for taxation			(10,547,065)	(4,016,940)		
	Advance income tax			15,941,094	14,952,421		
				5,159,912	10,935,481		
17	CASH AND BANK BALANCES						
	Cash in hand			15,019	99,388		
	Cash at bank: local currency						
	- Current accounts			55,926	194,581		
	- Savings accounts	17.1		9,689	2,774,104		
	- Deposit accounts	17.2		4,069,943	4,069,943		
				4,135,558	7,038,628		
				4,150,577	7,138,016		

17.1 PLS accounts, during the current financial year, carried profit at the rates ranging from 3% to 8.5% (2017: 3% to 8.5%) per annum.

17.2 The entire balance as at June 30, 2018 June 30, 2017 is under a bank's lien.

18 SHARE CAPITAL	Note	2018 Rupees	2017 Rupees	
Issued, subscribed and paid up capital				
Number of ordinary shares of Rs.10/- each				
		<u>2018</u>	<u>2017</u>	
22,627,320	22,627,320	Fully paid in cash	226,273,200	226,273,200
2,562,845	2,562,845	Issued as fully paid bonus shares	25,628,450	25,628,450
3,076,066	3,076,066	Issued against conversion of loans	30,760,660	30,760,660
28,266,231	28,266,231	18.1	282,662,310	282,662,310

18.1 This includes shares held by related parties as follows:

Bibojee Services (Private) Limited - Parent Company 20,369,056 (2017: 20,369,056) ordinary shares of Rs 10 each	18.2	203,690,560	203,690,560
Directors and their spouses / minor children 95,855 (2017: 95,855) ordinary shares of Rs 10 each		958,550	958,550
		<u>204,649,110</u>	<u>204,649,110</u>

18.2 The parent company Bibojee Services (Private) Limited held 72.06% shares (2017: 72.06% shares) in Gammon Pakistan Limited as at June 30, 2018.

18.3 Authorized share capital:

This represents 30,000,000 (2017: 30,000,000) ordinary shares of Rs. 10/- each amounting to Rs. 300,000,000 (2017: Rs. 300,000,000).

19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

The revaluation surplus on property, plant and equipment is restated and now presented as a separate capital reserve in the financial statements (note 4.28).

	Note	2018 Rupees	2017 Rupees
Balance brought forward		280,965,093	265,705,505
Add: Revaluations during the year		-	18,175,192
Less: Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax		1,802,647	1,978,485
Realized on disposal of revalued assets - net of deferred tax		17,775	62,438
Related deferred tax liability during the year transferred to profit and loss account		743,552	874,681
		2,563,974	2,915,604
		278,401,119	280,965,093
Less: Related deferred tax effect :			
Opening balance - as previously reported		11,417,148	12,416,622
Effect of change in rate		(380,572)	(400,536)
Revaluation during the year		-	275,743
Adjustment on account of disposal		(7,260)	(26,759)
Incremental depreciation charged during the year transferred to profit and loss		(736,292)	(847,922)
		10,293,024	11,417,148
		268,108,095	269,547,945

20 DEFERRED LIABILITY

20.1 General description

The scheme provides for terminal benefits for all its permanent employees whose period of service exceeds six months. Employees are entitled to gratuity on the basis of one gross salary for each completed one year of service after the minimum qualifying period. Annual charge is based on actuarial valuation carried out as at June 30, 2018 using Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk: The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

20.2 The amounts recognised in the statement of financial position are determined as follows:

	2018	2017
Note	Rupees	Rupees
Present value of the defined benefit obligation	5,459,690	5,511,508
Benefits due but not paid during the year	3,318,096	3,323,125
	8,777,786	8,834,633

20.3 The amounts recognised in the statement of profit or loss:

Current service costs	376,000	412,381
Interest cost	382,321	345,223
	758,321	757,604

20.4 Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation	8,834,633	8,669,894
Service cost	376,000	412,381
Interest cost	382,321	345,223
Actuarial losses (gains)	(338,939)	(35,866)
Benefits paid	(476,229)	(556,999)
	8,777,786	8,834,633

20.6 Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages) are as follows:

Discount rate as at June 30, 2018	8%
Future salary increases	7%
Proportion of employees opting for early retirement	0.335% to 14.344%
Inflation rate	7%

20.7 Comparison of five years

Comparison of present value of defined benefit obligation and experience adjustment on obligation for the current and preceding four years is as follows:

	2018	2017	2016	2015	2014 Restated
	Rupees				
Present value of defined benefit obligation	5,459,690	5,511,508	5,040,201	4,743,493	5,591,467

20.8 There are no plan assets, therefore, disclosure in respect to plan assets required as per IAS 19 "Employee Benefits" has not been made in these financial statements.

20.9 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	2018	
	1% increase in assumption	1% decrease in assumption
	----- Rupees -----	
Discount rate	(311,947)	670,796
Salary increase	358,849	(676,282)

21 DEFERRED TAXATION

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement.

	Note	2018 Rupees	2017 Rupees
Deferred tax liability		10,293,023	11,417,148
Deferred tax asset	21.2	-	-
		10,293,023	11,417,148

21.1 Analysis of change in deferred tax

The gross movement in the deferred tax liability during the year is disclosed in note 19.

21.2 Net deferred tax asset of Rs. 0.478 million (2017: Rs. 0.991 million) due to brought forward losses and provision for doubtful loans and advances and accelerated depreciation has not been recognized in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. This comprises as follows:

	Note	2018 Rupees	2017 Rupees
Net deferred tax Liability / (Asset)			
Deferred tax liabilities			
Accelerated tax depreciation allowance		57,507,794	58,415,705
Deferred tax assets			
Provision for doubtful receivables		(32,092,340)	(33,198,973)
Tax losses carried forward		(11,079,333)	(12,569,971)
Provision for doubtful loans and advances		(4,625,011)	(3,101,312)
Provision for overseas loans		(10,185,525)	(10,536,750)
		(474,415)	(991,301)

21.3 A change in the corporation income tax rate from 30 % to 29% was enacted on July 01, 2018, effective from the same date. Deferred tax liabilities on revaluation surplus is measured at 29%.

	Note	2018 Rupees	2017 Rupees
22 TRADE AND OTHER PAYABLES			
Sundry creditors		70,411,110	66,316,072
Advance rent		4,704,676	4,251,742
Due to sub-contractors		27,992,949	48,841,316
Accrued expenses		26,662,269	13,913,761
Due to employees and others	22.1	8,985,108	9,499,099
Taxes payable		752,614	336,835
Joint venture partners' share of profit		1,620,715	2,977,879
Other provisions	22.2	35,122,500	35,122,500
		<u>176,251,941</u>	<u>181,259,204</u>

22.1 This balance includes amounts aggregating Rs. 1.563 million (2017: Rs. 1.563 million) payable in respect of the loans obtained from the Company's Employees' Providen Fund (the Fund) during the period from 1995 to 1999. The SECP, during May 2008, had issued show-cause notices to some of the existing directors as well as ex-directors under various sections of the repealed Companies Ordinance, 1984 (the Ordinance). The SECP, vide its three orders dated 25 June, 2009, had imposed penalties aggregating Rs. 1.005 million under various sections of the Ordinance on some of the existing directors and ex-directors in their personal capacity.

The SECP has also directed the Company's Chief Executive to distribute the amount of Rs. 9.153 million to members of the provident fund trust including the employees / directors / ex-directors of the Company at the time of closure of provident fund trust in the year 1987 as per their entitlement and to submit an Auditors' certificate confirming that all outstanding money of the fund has been paid to the members in accordance with the provisions of section 227 of the repealed Ordinance. The Company opened a separate bank account and transferred the entire amount into it. Subsequently no further amount (2017: Rs. 0.426 million) has been paid to members of the Fund.

22.2 These represent provisions made for the potential liability, in respect of borrowings of Saudi Riyals 2.500 million and Saudi Riyals 5.000 million during the year 1986 for the Saudi Operations of the Company, that the Company may have to incur as a result of settlement of overseas dues of National Bank of Pakistan in accordance with the Incentive Scheme under the State Bank of Pakistan's Circular No.19 of 05 June, 1997 (For further detail please refer note 25.2(a) of these financial statements).

22.3 Trade and other payables due to the related parties

Advance rent	<u>27,750</u>	<u>-</u>
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23 JOINT VENTURE PARTNER'S ADVANCES

These advance have been obtained under various Joint Venture agreements to finance the ongoing projects. The joint venture partner is entitled to share 50% of the projects' profit financed out of these advances.

	Note	2018 Rupees	2017 Rupees
24 MATERIALS RECEIVED FROM CUSTOMERS / SECURED ADVANCES			
Secured - against			
M.T.C project		-	7,011,517

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingent assets

The Company had lodged a claim with National Highway Authority amounting Rs. 201.177 million (2017: Rs. 201.177 million) against M/s Bayinder for recovery of losses suffered by the Company attributable to the cessation of work at Islamabad - Peshawar Motorway Project.

25.2 Contingent liabilities

- (a) During early 80's, GPL requested USD 2.2 million which was not honored by SBP which created a chaotic situation. At this stage GoP intervened and arranged two loans of Saudi Riyals 5 million and Saudi Riyals 2.5 million aggregating to Saudi Riyals 7.5 million (equivalent to Pak Rs. 207.750 million at the rate of Rs. 27.7/ SR) through consortium of banks led by National Bank of Pakistan (NBP) during 1986. Recovery proceedings of the loans of SR 7.5 million with the interest thereon of SR 21.650 million (equivalent to Rs. 599.705 million at the rate of Rs. 27.7/ SR) are being contested in the Sindh High Court.

During 1988, NBP filed Suit no. 1102 of 1998 before Banking Judge of the High Court of Sindh (HCS) for recovery of loan against GPL. During 1990, SHC passed the judgment and decree in favour of NBP. Appeal of GPL was dismissed by Divisional Bench (DB) of SHC and thereafter by Supreme Court. During 1998, NBP filed the execution application in the SHC. On November 02, 1999, office of the SHC raised the objection that the execution application was time barred by limitation, having not been filed within three years. On May 01, 2000, SHC dismissed the execution application as being barred by time. NBP filed the review application to DB of SHC against the order and DB restored the execution application.

Further SBP issued a circular no. 19 dated June 05, 1997 for giving guidelines for making the repayment of stuck off loans and announced an "Incentive Scheme" under the said circular. GPL applied for the scheme and offered to pay Pak Rupees 35.122 Million (at the exchange rate of disbursement of loan) however controversy started regarding the application of rate of exchange applicable in case of foreign currency loans.

The Honourable Sindh High Court, vide its order dated September 17, 2003, had decided for SR 5.000 million that "proceedings will remain suspended till disposal of the matter by the Ministry of Finance (MoF), Govt. of Pakistan" and directed both NBP and the MoF to follow BPRD Circular No. 19 dated 05 June, 1997 issued by the State Bank of Pakistan announcing an Incentive Scheme in this respect. NBP had filed an application during the year 2000 for execution of the decrees issued in its favor in both the above cases; however, the Company is contesting both the cases on legal grounds.

On December 15, 2008, the Banking Judge of the Sindh High Court, Karachi held that execution application was within time. Arguments on the execution application have been submitted on 28 January, 2011 and which is pending.

The Company's Board of Directors are of the opinion that it falls within the ambit of SBP "Incentive Scheme" for the Recovery of Loan Defaults vide BPRD Circular no. 19 and, as such, liable to pay only Rs. 35.122 million in full and final settlement of its outstanding liability.

- (b) Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions.

- (c) In the ordinary course of business various parties have filed legal cases against the Company, which have not been admitted as liabilities; accordingly, no provision has been considered necessary against these claims till their final outcome. The legal advisor of the Company is of the opinion that these cases are expected to be decided in favor of the Company and therefore no provision has been made in these financial statements for any liability that may arise consequent upon the result of above law suits.

25.3 Commitments

The Company's commitments as at balance sheet date are as follows:

- (a) Guarantees issued by a commercial bank and insurance companies in respect of financial and operational obligations of the Company to various institutions and corporate bodies, aggregate Rs. 63.777 million (2017: Rs. 72.427 million).
- (b) There were no commitment for capital expenditures as at the balance sheet date (2017: nil).

	Note	2018 Rupees	2017 Rupees
26 CONTRACT INCOME			
- own projects	26.1	<u>385,173,219</u>	<u>413,300,406</u>
26.1		Revenue includes an amount of Rs. nil (2017: Rs.6.0 million) in respect of Projects in Azad Jammu Kashmir.	
27 CONTRACT EXPENDITURE			
Materials		273,825,662	272,306,407
Salaries and wages		62,382,585	75,471,473
Sub-contracts and joint ventures		4,787,216	3,333,783
Maintenance and hiring of plants		7,170,333	14,357,255
Project insurance		166,592	11,881
Cartage, traveling and conveyance		1,266,864	2,943,690
Site auxiliary works and temporary hutting		474,180	1,074,500
Electricity		708,378	898,657
Depreciation	5.1	1,591,235	1,538,601
Petrol, oil and lubricants		9,021,451	7,065,637
Sundry expenses		2,290,672	5,413,648
		<u>363,685,168</u>	<u>384,415,532</u>
28 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and benefits		21,741,578	17,329,033
Staff retirement benefits - gratuity		758,321	757,604
Repair and maintenance		1,566,675	2,503,803
Rent, rates and taxes		1,079,428	636,230
Telephone and fax		417,880	377,510
Advertisement and publicity		115,694	-
Legal and professional charges		689,725	825,560
Power and electricity		1,127,981	725,242
Traveling and conveyance		1,480,563	1,559,368
Works in view		208,544	325,008
Loss on disposal of operating fixed assets		-	16,500
Fee and subscription		347,543	55,000
Insurance		-	80,282
Depreciation	5.1	1,596,001	1,477,220
Other sundry expenses		2,341,298	2,710,205
		<u>33,471,231</u>	<u>29,378,565</u>

	Note	2018 Rupees	2017 Rupees
29 OTHER OPERATING EXPENSES			
Auditor remuneration			
Statutory audit		287,500	287,500
Half yearly review		121,000	110,000
Fee for other certification		42,500	-
		451,000	397,500
30 OTHER INCOME			
Income from financial assets:			
Profit on deposit and PLS accounts		22,550	417,337
Accrued interest on Defense Savings Certificates		-	69,150
Income from non-financial assets:			
Rental income on investment property		31,475,205	17,240,851
Gain on disposal of operating fixed assets		118,000	-
Scrap sales		12,741	709,837
Miscellaneous income		20,000	168,300
		31,648,496	18,605,475
31 FINANCE COST			
Bank charges		77,438	87,332
Commission		-	5,834
		77,438	93,166
32 FAIR VALUE GAIN ON INVESTMENT PROPERTY			
<p>The Company, as at June 30, 2018, revalued all of its investment property. The revaluation exercise was carried out by Impulse (Private) Limited and the revaluation resulted in fair value gain amounting to Rs. 41.547 million (2017: Rs. 57.849 million).</p>			
33 TAXATION			
Current year	16	10,547,065	4,864,862
Prior year		234,117	-
Deferred tax	21	(743,552)	(847,922)
		10,037,630	4,016,940

33.1 Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared for the current year as the Company is subject to alternate corporate tax in the current year.

33.2 Others represents deductions allowed against rental income under the provisions of Income Tax Ordinance 2001.

33.3 Comparison of tax provision against tax assessments

	Assessment as per financial statements	Assessment as per tax return
2016-17	4,864,862	5,098,979
2015-16	6,878,495	6,878,495
2014-15	3,446,433	3,446,433

33.4 The applicable income tax rate for subsequent years beyond Tax Year 2018 was reduced to 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018. Therefore, deferred tax is computed at the rate of 29% applicable to the period when temporary differences are expected to be reversed / utilised.

33.5 The applicable income tax rate was reduced from 31% to 30% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2017.

34 EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earning per share of the Company, which is based on:

	2018	2017
Profit after tax (Rupee)	52,003,926	19,588,954
Weighted average number of ordinary shares at the end of the year (Numbers)	28,266,231	28,266,231
Basic and diluted earnings per share (Rupee)	1.84	0.69

34.1 Earnings per share comprises as follows:

Distributable profit		0.37	(1.36)
Undistributable - unrealised fair value gains	34.2	1.47	2.05
		1.84	0.69

34.2 Under the provisions of Companies Act, 2017 unrealized gain on fair value of investment property is not distributable as dividend.

35 RELATED PARTY TRANSACTIONS

Related parties comprise of the Holding Company, Associated Companies, directors and executives. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Remuneration of directors and executives are disclosed in note 37 whereas other significant transactions with related parties are disclosed here.

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2018 Rupees	2017 Rupees
Ghandhara Nissan Limited	Common directorship	Rental income	3,000,000	3,000,000
Ghandhara Industries Limited	Common directorship	Rentals received during the year	(3,000,000)	(3,000,000)
Janana De Malucho Textile Mills Limited	Common directorship	Rental income	150,000	-
Baberi Cotton Mills	Common directorship	Rentals received during the year	(150,000)	-
Rehman Cotton Mills	Common directorship	Rental income	150,000	-
Bannu Woollen Mills Limited	Common directorship	Rentals received during the year	(150,000)	-
General Tyre & Rubber Company Limited	Common directorship	Rental income	16,245,000	1,540,000
		Rentals received during the year	(17,085,000)	(750,000)
		Contract income	-	22,210,247
		Purchase of Tyres	-	51,580

35.1 The status of outstanding balances of related parties as at June 30, 2018 are included in and "trade and other payables" (note 22.3).

		2018 Rupees	2017 Rupees
36 PROFIT BEFORE WORKING CAPITAL CHANGES			
Profit before taxation		62,041,556	23,605,894
Adjustment for:			
Depreciation	5.2	3,187,236	3,015,821
(Gain)/ loss on disposal of fixed assets		(118,000)	16,500
Staff retirement benefits - gratuity	20.3	758,321	757,604
Provision for doubtful contract receivable		-	51,864,273
Allocation of loss to joint venture - net		(1,357,164)	-
Profit on defense saving certificates		-	(69,150)
Fair value gain on investment property	6	(41,547,514)	(57,849,049)
Finance cost	31	77,438	93,166
		(38,999,683)	(2,170,835)
Profit before working capital changes		23,041,873	21,435,059

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

- a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2018				2017			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	1,200,000	-	1,945,000	3,145,000	1,520,000	-	935,624	2,455,624
House rent	360,000	-	508,000	868,000	342,000	-	300,400	642,400
Medical	240,000	-	393,000	633,000	180,000	-	200,200	380,200
Utilities	240,000	-	464,500	704,500	114,000	-	220,200	334,200
Others	360,000	-	579,500	939,500	144,000	-	280,200	424,200
Total	2,400,000	-	3,890,000	6,290,000	2,300,000	-	1,936,624	4,236,624
Number of persons	1	7	5	13	1	7	3	11

- b) No remuneration / benefits were paid to the Directors during the current year and preceding financial years.

- c) The Chief Executive and certain executives are also provided with cars for business and personal use in accordance with the Company car scheme.

	2018			2017		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
Managerial remuneration	2,400,000	-	2,400,000	2,300,000	-	2,300,000
Number of persons	1	7	8	1	7	8

- d) No remuneration / benefits were paid to the one Executive director during the current year and preceding financial year.

38 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

	2018			
	Total	Interest/mark up bearing		Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	
	Rupees			
Financial assets				
Loans and receivables at amortized cost				
Long term investments	1,300,413	-	1,300,413	-
Long term security deposits	961,203	-	-	961,203
Contract receivables	105,417,844	-	-	105,417,844
Other receivables	64,467	-	-	64,467
Cost and estimated earnings in excess of billings	66,489,059	-	-	66,489,059
Cash and bank balances	4,150,577	4,069,943	-	4,069,943
	178,383,563	4,069,943	1,300,413	5,370,356
				173,013,207
Financial liabilities				
Financial liabilities carried at amortized cost				
Trade and other payables	176,251,941	-	-	176,251,941
Unclaimed dividends	1,442,230	-	-	1,442,230
Deferred liability	8,777,786	-	-	8,777,786
Joint venture partner's advances	30,059,542	-	-	30,059,542
	(216,531,499)	-	-	(216,531,499)
On balance sheet gap	(38,147,936)	4,069,943	1,300,413	5,370,356
Off Balance sheet Items				
Financial contingencies:	-	-	-	-
Total Gap	(38,147,936)	4,069,943	1,300,413	5,370,356
				(43,518,292)

	2017			Rupees	
	Total	Interest/mark up bearing Maturity upto one year	Maturity after one year		Sub-total
Financial assets					
Loans and receivables at amortized cost					
Long term investments	1,300,413	-	1,300,413	1,300,413	-
Long term security deposits	961,203	-	-	-	961,203
Contract receivables	100,584,871	-	-	-	100,584,871
Other receivables	1,245,607	-	-	-	1,245,607
Cost and estimated earnings in excess of billings	59,847,258	-	-	-	59,847,258
Cash and bank balances	9,912,120	2,774,104	-	2,774,104	7,138,016
	173,851,472	2,774,104	1,300,413	4,074,517	169,776,955
Financial liabilities					
Financial liabilities carried at amortized cost					
Trade and other payables	181,259,204	-	-	-	181,259,204
Unclaimed dividends	1,442,230	-	-	-	1,442,230
Deferred liability	8,834,633	-	-	-	8,834,633
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Cost and estimated earnings in excess of billings	-	-	-	-	-
Material received from customers / secured	7,011,517	-	-	-	7,011,517
	(228,607,126)	-	-	-	(228,607,126)
On balance sheet gap	(54,755,654)	2,774,104	1,300,413	4,074,517	(58,830,171)
Off Balance sheet Items					
Financial contingencies:	-	-	-	-	-
Total Gap	(54,755,654)	2,774,104	1,300,413	4,074,517	(58,830,171)

38.1 Effective interest rates are mentioned in the respective notes to the financial statements.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Risk management policies

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

39.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets, the financial assets which are subject to credit risk amounted to Rs. 303.429 million (2017: Rs 297.246 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2018	2017
	Rupees	Rupees
Long term security deposits	961,203	961,203
Contract receivables	105,417,844	100,584,871
Other receivables	64,467	1,245,607
Cost and estimated earnings in excess of billings	66,489,059	59,847,258
Bank balances	4,135,558	7,038,628
	<u>177,068,131</u>	<u>169,677,567</u>

The aging of contract receivables at the reporting date is:

Not past due	-	-
Past due 1-30 days	-	-
Past due 30-90 days	-	-
Past due 90 days	105,417,844	100,584,871
	<u>105,417,844</u>	<u>100,584,871</u>

All the trade contract receivables at balance sheet date represent domestic parties.

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with major bank and monitoring exposure limits on continuous basis.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to any major concentration of credit risk.

39.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments if any and excluding the impact of netting agreements, if any:

Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
Rupees						

2018

Trade and other payables	176,251,941	176,251,941	176,251,941	-	-	-
Unclaimed dividends	1,442,230	1,442,230	-	1,442,230	-	-
Deferred liability	8,777,786	-	-	-	-	8,777,786
Joint venture partner's advances	30,059,542	30,059,542	30,059,542	-	-	-
	216,531,499	207,753,713	206,311,483	1,442,230	-	8,777,786

Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
Rupees						

2017

Trade and other payables	181,259,204	181,259,204	181,259,204	-	-	-
Unclaimed dividends	1,442,230	1,442,230	-	1,442,230	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-
Deferred liability	8,834,633	-	-	-	-	8,834,633
Material received from customers / secured advances	7,011,517	7,011,517	-	7,011,517	-	-
	228,607,126	219,772,493	181,259,204	38,513,289	-	8,834,633

39.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

a) 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 arise in financial instruments that are denominated in foreign currencies i.e. in a currency other then the functional currency in which they are measured.

Presently the Company is not exposed to foreign currency risk except contingencies as disclosed in note 25.2 to these financial statements.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short borrowings. The Company believes that it is not exposed to any significant interest rate risk.

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2018 can be evaluated from the schedule given in note 39 to these financial statements.

The Company is not exposed to any material interest rate risk, except fixed rate financial instrument (long term investment) which has a fixed rate of interest, therefore, no sensitivity

c) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

40 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transactions.

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

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The carrying amount of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments, if relevant.

Assets carried at amortized cost	June 30, 2018		June 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rupees			
Contract receivables	105,417,844	105,417,844	100,584,871	100,584,871
Cost and estimated earnings in excess of billings	66,489,059	66,489,059	59,847,258	59,847,258
Loans and advances	15,698,223	15,698,223	16,905,327	16,905,327
Other receivables	64,467	64,467	1,245,607	1,245,607
Cash and bank balances	4,150,577	4,150,577	7,138,016	7,138,016
	<u>191,820,170</u>	<u>191,820,170</u>	<u>185,721,079</u>	<u>185,721,079</u>

Liabilities carried at amortized cost

Trade and other payables	176,251,941	176,251,941	181,259,204	181,259,204
Unclaimed dividends	1,442,230	1,442,230	1,442,230	1,442,230
Joint venture partner's advances	30,059,542	30,059,542	30,059,542	30,059,542
Material received from customers / secured advances	-	-	7,011,517.00	7,011,517
	<u>207,753,713</u>	<u>207,753,713</u>	<u>219,772,493</u>	<u>219,772,493</u>

As at June 30, 2018 the Company did not hold any financial instruments carried at fair value. Moreover, investment property and operating fixed assets are measured at fair value.

The investment property was valued on June 30, 2018 carried out by external independent valuer M/s Impulse (Private) Limited.

As at June 30, 2018			
Level 1	Level 2	Level 3	Total
Rupees			

Assets

Investment property carried at fair value	-	-	340,176,931	340,176,931
---	---	---	-------------	-------------

As at June 30, 2017			
Level 1	Level 2	Level 3	Total
Rupees			

Assets

Investment property carried at fair value	-	-	298,629,417	298,629,417
---	---	---	-------------	-------------

The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2018 by independent valuer M/s Impulse (Private) Limited on the basis of market values of similar properties. The fair value of free hold land, buildings and plant and machinery is a level 3 recurring fair value measurement.

Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	June 30, 2018 Rupees	June 30, 2017 Rupees
Freehold land	120,988	120,988
Buildings on freehold land	3,460,332	2,252,334
Plant and machinery	2,051,113	2,371,161
Furniture and fixture	820,606	1,138,143
Computers and accessories	478,375	648,857
Motor vehicles, cycles and boats	879,401	1,328,313
Construction equipments	152,011	271,020

Interest rate used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" 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 table below analyses financial instruments carried at fair value by valuation method. The different values have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change the occurred.

40.1 Determination of fair values

A number of the Company's accounting polices and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined of measurement and / or disclosure purposes based on the following methods.

Investment in fair value through

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted current PKRV rates applicable to similar instruments having similar maturities.

Investment in associates and

The fair value of investment in listed associates and subsidiaries is determined by reference to their quoted closing repurchase price at the reporting date.

Non-derivate financial asset

The fair value of non-derivate financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivate financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

41 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

With reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index", the Company does not have investment, bank balance or other operations having Islamic mode therefore, individual items required by circular no. 14 of 2016 have not been disclosed.

42 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

43 JOINT VENTURES

43.1 The Joint Venture for execution of Bong Canal Bridge, Mangla with Sarwar Construction (Private) Limited. is in the ratio of 60:40 and the Company has recognized its own share i.e. 60% of income and expenses in the preceding years' financial statements. Further, the Company has successfully completed its share of work whereas the work of Joint Venture Partner is in progress.

43.2 Gammon Pakistan Limited (GPL) project of Blue Area Underpass, Islamabad was secured through a joint venture with Matracon Pakistan (Private) Limited. (MPL) named as Gammon Matracon Joint Venture. The estimated value of the project is Rs. 359 million. GPL, during the financial year ended 30 June, 2007, had an agreement with MPL of sharing 2% of fixed percentage of the project billing to the Joint Venture Partner and the total project would be controlled by GPL itself. The consideration agreed between AIV and GPL was 25% share in profits earned by the said project after deducting share of MPL. Separate books of account are being maintained and results have been merged in the financial statements of GPL as per policy stated in note 4.22.

43.3 As approved by the Board of Directors, the management had entered into Joint Venture arrangements for the execution of the following Projects:

	Project value	Profit sharing ratio
	Rs. in million	Investor
Khalifa Gul Nawaz Medical Complex, Bannu	402.36	50%
Durrani Public School, Bannu - Phase II	295	50%
Hawad / Nurar Bridges, Bannu	176.42	50%

The above projects were awarded to Gammon Pakistan Limited with full operational responsibilities and control. Accordingly, the income and expenses relating to these projects have been classified as 'own contracts' in the books of account. The profit and loss has been distributed in accordance with the agreed profit sharing percentages.

The actual amount invested by the Joint Venture Partner has been shown under Joint Venture Partner's advances in these financial statements (note 23).

The Company, during the financial year ended June 30, 2007, had entered into a Joint Venture agreement with M/s Surrani Construction for various construction works at Bannu University of Science and Technology. As per terms of the agreement, M/s Surrani Construction will complete the construction work and the Company is entitled to receive 3% of the contract value.

44 INFORMATION ABOUT BUSINESS SEGMENTS

For management purposes, the activities of the Company have been divided into own projects and joint ventures. The Company operates in these business segments based on risk and return, organizational and management structure and internal financial reporting systems. Operating results of joint ventures have not been separately disclosed in these financial statements as these do not meet the minimum thresholds prescribed by IFRS 8 (Operating Segments).

The Company's operations are confined to Pakistan in terms of customers; accordingly, the figures reported in these financial statements relate to the Company's business segments relating to Pakistan.

The Company has two (2017: two) customers having contract income of 10% or more during the year.

45 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

With reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index", the Company does not have investment, bank balance or other operations having Islamic mode therefore, individual items required by circular no. 14 of 2016 have not been disclosed.

46 NUMBER OF EMPLOYEES

	2018	2017
	Numbers	Numbers
Total number of employees		
At June 30,	42	43
Average during the year	<u>41</u>	<u>40</u>

47 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	Amount Rs.
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial	1,442,230

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 07 October, 2018 by the Board of Directors of the Company.

49 GENERAL

Figures have been rounded off to the nearest of rupee.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

SUMMARY OF KEY OPERATING AND FINANCIAL -DATA

PROFIT AND LOSS ACCOUNT

		2013	2014	2015	2016	2017	2018
:~::~:PAK RUPEES::~:~::~:							
Contract Income	Rupees in Million	59.91	320.762	344.643	495.088	413.30	385.17
Net Contract Profit /loss	Rupees in Million	3.652	44.406	23.222	33.529	19.59	52.00

BALANCE SHEET

Shareholders equity (Including surplus on revaluation of fixed assets)	Rupees in Million	421.159	425.353	429.881	479.256	517.181	569.905
Operating Fixed Assets	Rupees in Million	104.585	102.415	99.654	129.563	145.64	144.70
Current Assets	Rupees in Million	260.603	353.255	332.196	336.532	310.68	309.59
Current Liabilities	Rupees in Million	166.125	221.104	212.380	211.232	219.77249	207.7537
Cash and Cash Equivalents at year end	Rupees in Million	13.856	27.171	17.516	38.358	7.14	4.15








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