BIBOJEE GROUP

66th ANNUAL REPORT 2013

GAMMON PAKISTAN LIMITED

COMPANY INFORMATION

Board of Directors

Syed Wajid Hussain Bukhari	Chairman
Lt. Gen (Retd) Ali Kuli Khan Khattak	Director
Mr. Raza Kuli Khan Khattak	Director
Mr. Ahmed Kuli Khan Khattak	Director
Mr. Amjad Hussain Malik	Director
Mr. A. Karim Khan	Director
Mr. Mushtaq Ahmed Khan-FCA	Director

Chief Executive Officer
Brig (Retd) Mushtaq Ali Khan

Audit Committee

Mr. Ahmed Kuli Khan Khattak	Chairman
Mr. Amjad Hussain Malik	Member
Mr. Mushtaq Ahmed Khan-FCA	Member

HR Committee

Mr. Ahmed Kuli Khan Khattak	Chairman
Brig (Retd) Mushtaq Ali Khan	Member
Mr. Abdul Karim Khan	Member

Company Secretary
Mr. Amin ur Rasheed

Chief Financial Officer
Mr. Rashid Kamal Baig

Internal Auditor
Mr. Nadeem Ahmed

Auditors
M/s BDO Ebrahim & Co.
Chartered Accountants
Islamabad

Legal Advisor
Chanda Law Associates
Rawalpindi — Advocates

Stock Exchanges
The Gammon Pakistan Limited is a listed Company and its
Shares are traded on all three Stock Exchanges in Pakistan

Bankers
Silk Bank Limited
Askari Bank Limited
National Bank of Pakistan
Bank of Punjab
Bank Alfalah Limited
Bank of Khyber
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, 2013

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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 66th Annual General Meeting of Gammon Pakistan Limited (the Company) will be held at Gammon House, 400/2, Peshawar Road, Rawalpindi on Tuesday 29th October, 2013 at 11:00 A.M. to transact the following business.

ORDINARY BUSINESS

1 To confirm minutes of the 65th Annual General Meeting held on 30th October, 2012

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended, 30th June 2013 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 2014 and to fix their remuneration.

BY ORDER OF THE BOARD

AMIN UR RASHEED
COMPANY SECRETARY

Rawalpindi
Dated: 7 October 2013

NOTES:

BOOK CLOSURE:

The share transfer books of the Company will be closed from 15th October, 2013 to 21st October, 2013, 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 20th October, 2013 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.

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.

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to place before the Board, Audited Financial Results for the year ended June 30, 2013.

OPERATING PERFORMANCE

The Company's financial performance during this year is given below.

	June 30, 2013 Rupees	June 30, 2012 Rupees
Contract Income	**59,909,912**	54,553,475
Contract Expenditure	**56,257,474**	51,422,543
Gross Profit	**3,652,438**	3,130,932
Loss before Taxation	**(19,143,763)**	(11,826,669)
Taxation	**785,002**	(110,583)
Loss After Taxation	**(18,358,761)**	(11,937,252)

The revenue from the contracts has increased a little as compared to the same period last year (SPLY) due to progress being made on the CW0108 Project. However, unfortunately, in spite of best efforts, we have not been able to get any new project during the period under review. All out efforts are still being made to complete the unfinished projects like the MES works to Rawalakot and the Bridge on River Jhelum at Dhalkot. We had been informed by NHA that two bridges out of the Zam Tower Project had developed holes and needed to be repaired. To wind-up the project and finalize the accounts, we have recently replaced the slab of one bridge with money provided by NHA. Further efforts are being made to acquire money from National Highway Authority (NHA) to repair the second bridge. We continue to participate in the bidding/ acquisition process where-ever a project is launched or indicated to us. GPL has also been striving hard to acquire projects through joint ventures or in association with Investment Companies with strong financial position and we are hopeful for success in the near future.

It gives me pleasure to report that Maritime Technologies Complex Project at Fateh Jhang near Islamabad, has gained momentum and is progressing gradually as its excavation is completed and work on the adjoining CT building and other infrastructure buildings is also progressing. We have arranged funds to finance/run the Project which has helped the Company to achieve progress on the work. MES Work at Rawalakot and Hajira, are progressing slowly, MES authorities are assisting the Company to complete the remaining buildings and hopefully the left over work is likely to be completed in the near future.

For the recoveries of our claims, from the Capital Development Authority (CDA) and Multan Development Authority (MDA), fresh efforts have been initiated to make a break through.

FUTURE PROSPECTS

The Officer's Mess Project at Istaqlal Camp is progressing satisfactorily and we have almost completed the project as per the original contract amount. The work is held up for want of revised administrative sanction which is being processed by the Department, this will increase the contract value by Rs. 37,000,000/- approximately. Recently we have also been awarded the contract worth Rs. 7.5 million for provision of HV & AC facilities to the Mess. The work on the new Islamabad Airport has been handed over to the Chinese Company M/s Xingjian Beixin Constructions Limited for completion of the project due to financial constraints being faced.

We are making efforts to acquire some new works. Two blocks of officers apartment in DHA Islamabad valued at Rs. 400 million are being awarded to GPL by the Housing Directorate GHQ. Coal based power plant is being installed at Fecto Cement Plant, GPL is in contact with Fecto authorities to acquire Civil works of this project. We could not succeed to acquire additional financial facilities through private investors, however renewed efforts are being made with the banks for the facility in view of the settlement of National Bank default case by an associated Company.

APPROPRIATION FOR DIVIDEND

In view of accumulated losses, the board of directors (board) has decided not to recommend payment of any dividend.

COMMENTS ON THE AUDITOR'S REPORT TO THE MEMBERS

a. The contract receivables which are outstanding for more than three years does not require any provision. The Company's Management considers that the balance of 95 million can be fully realized in the foreseeable future.

b. The value of the Gulf Housing (Pvt) Limited property is stated as investment property on the basis of revaluation held in year 2008, 2009 & 2013. The resulting gain was recognized in the financial statements of those periods in accordance with the applicable international Accounting Standards. Further, since the plots located in the Gulf Housing (Pvt) Limited are the property of GPL, and the Company has taken an undertaking to surrender, from Mr. Habib-ur-Rehman, an ex-director of GPL, who is holding the Power of Attorney for these plots.

CORPORATE AND FINANCE REPORTING FRAME WORK

The board regularly reviews company's strategic direction and performance targets. These targets are regularly checked to find out whether they are being achieved by the management. The board assure the shareholders that the company is abiding with the provisions of Code of Corporate Governance implemented through the listing regulations of the Karachi Stock Exchange (Guarantee) Limited. The board further states that:

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of The Karachi Stock Exchange (Guarantee) Limited.
- 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.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- International accounting standards, as applicable in Pakistan, have been followed in preparation of these financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no statutory payments on account of taxes, duties, levies and charges thereon which are overdue as at 30 June 2013.
- Summary of key operating and financial data of last six years is annexed.
- The Pattern of shareholdings of the company as at 30 June 2013 is annexed.
- The board in compliance with the Code of Corporate Governance has established an audit committee comprising of three members.

BOARD MEETING AND ATTENDANCE BY EACH DIRECTOR

During the year four board meetings were held. The number of meetings attended by each director is given here under:

Name of Director	Number of Meetings Attended
Syed Wajid Hussain Bukhari	3
Lt. Gen (Retd) Ali Kuli Khan Khattak	4
Mr. Raza Kuli Khan Khattak	2
Mr. Ahmed Kuli Khan Khattak	3
Mr. Amjad Hussain Malik	4
Mr. Mushtaq Ahmed Khan-FCA	3
Mr. A. Karim Khan	3

Leaves of absence granted to the directors who were unable to attend the board meetings

APPOINTMENT OF AUDITORS

The Company's auditor M/s BDO Ehbahim & Co. Chartered Accountant, 22 East, Saeed Plaza, Jinnah Avenue, Blue Area, Islamabad, retire and offer themselves for re-appointment. The Board and Board Audit Committee have recommended the retiring auditors, being eligible, be re-appointed.

ACKNOWLEDGEMENT

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 Directors

BRIG (RETD) MUSHTAQ ALI KHAN
Chief Executive Officer

THE COMPANIES ORDINANCE 1984 **FORM 34**
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1 CUIN (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 | 3 |

4. No. of Shareholders	Shareholdings	Total Share held
1344	Shareholding from 1 to 100 shares	56,230
501	Shareholding from 101 to 500 shares	127,315
148	Shareholding from 501 to 1000 shares	116,277
180	Shareholding from 1001 to 5000 shares	423,428
36	Shareholding from 5001 to 10000 shares	269,970
16	Shareholding from 10001 to 15000 shares	199,088
19	Shareholding from 15001 to 20000 shares	339,402
7	Shareholding from 20001 to 25000 shares	165,302
10	Shareholding from 25001 to 30000 shares	277,396
3	Shareholding from 30001 to 35000 shares	100,146
3	Shareholding from 35001 to 40000 shares	116,533
3	Shareholding from 40001 to 45000 shares	121,668
6	Shareholding from 45001 to 50000 shares	292,110
1	Shareholding from 50001 to 55000 shares	54,541
1	Shareholding from 55001 to 60000 shares	56,378
2	Shareholding from 60001 to 65000 shares	122,932
1	Shareholding from 70001 to 75000 shares	71,500
1	Shareholding from 75001 to 80000 shares	79,535
2	Shareholding from 80001 to 85000 shares	165,377
1	Shareholding from 85001 to 90000 shares	87,505
1	Shareholding from 90001 to 95000 shares	91,488
1	Shareholding from 95001 to 100000 shares	98,500
1	Shareholding from 110001 to 115000 shares	112,826
1	Shareholding from 275001 to 280000 shares	279,835
1	Shareholding from 320001 to 325000 shares	323,803
1	Shareholding from 380001 to 385000 shares	380,046
1	Shareholding from 3365001 to 3370000 shares	3,368,044
1	Shareholding from 20350001 to 20400000 shares	20,369,056
2293	**TOTAL**	**28,266,231**

5. Categories of Shareholders		Share held	Percentage %
5.1	Directors, CEO, & their spouses/minor children	4,015,111	14.20
5.2	Associated Companies/ Joint Stock Companies undertakings and related parties	20,519,346	72.59
5.3	Investmetn Corporation of Pakistan	11,450	0.04
5.4	Banks, DFIs, NBFIs, Modarabas, etc	16,201	0.06
5.5	Insurance Company	60	0.00
5.6	Share holders holding 10 % & above		
	Bibojee Services (Pvt) Ltd	20,369,056	72.06
	Ahmed Kuli Khan Khattak	3,368,044	11.92
5.7	General Public		
	a. Local	3,496,876	12.37
	b. Foreign	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	1 4 3 0 1 - 4 5 7 5 7 6 4 - 3
10	Date	3 0 / 0 6 / 2 0 1 3

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:	
	SYED WAJID HUSSAIN BUKHARI	62,685
	LT. GEN (RETD) ALI KULI KHAN KHATTAK	81,438
	MR. RAZA KULI KHAN KHATTAK	83,939
	MR. AHMED KULI KHAN KHATTAK	3,368,044
	MR. AMJAD HUSSAIN MALIK	380,046
	MRS. SOFIA AMJAD	5,789
	MR. A. KARIM KHAN	30,670
	MR. MUSHTAQ AHMED KHAN-FCA	2,500
3	EXECUTIVES	NIL
4	JOINT STOCK COMPANIES	150,290
5	N..I.T. & I.C.P	
	M/S INVESTMENT CORPORATION OF PAKISTAN	11,401
	KARACHI INVESTMENT TRUST LIMITED	49
6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	16,201
7	INSURANCE COMPANY	60
8	FOREIGN SHAREHOLDERS	207,187
9	GENERAL PUBLIC AND OTHER SHAREHOLDERS	3,496,876
10	SHAREHOLDERS HOLDING 10% OR MORE:	
	M/S BIBOJEE SERVICES (PVT) LIMTIED	20,369,056
	MR. AHMED KULI KHAN KHATTAK	3,368,044

STATEMENT OF COMPLIANCE WITH THE
CODE OF CORPORATE GOVERNANCE
[See clause (xl)]

Name of Company **GAMMON PAKISTAN LIMITED**
Year Ended: **30-06-2013**

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in listing regulations of Karachi Stock Exchange Limited,Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Independent Directors	i)	Syed Wajid Hussain Bukhari
	ii)	Mr. Amjad Hussain Malik
	iii)	Mr. A. Karim Khan
Executive Directors	iv)	Brig (Retd) Mushtaq Ali Khan
Non - Executive Directors	v)	Mr. Raza Kuli Khan Khattak
	vi)	Lt. Gen (Retd.) Ali Kuli Khan Khattak
	vii)	Mr. Ahmed Kuli Khan Khattak
	viii)	Mr. Mushtaq Ahmed Khan-FCA

The independent directors meets the criteria of independence under clause I (b) of the CCG.

2. The Directors have confirmed that except of 3 Directors on serial # v, vi & vii, none of them is serving as a director in more than seven listed companies, including this Company.

   Since the last election of Directors was held on 27 October, 2011 and the next election is due to be held on October 27, 2014. The Company has already initiated the process for the election of the Directors. The Company therefore, will adhere with this clause of CCG at the time of next elections of the directors due in 2014. Moreover there is no representation of minority shareholders.

3. All the resident directors of the Company are registered as tax payers and non of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI, and none of then is member of Stock Exchange.

4. No casual vacancy in BOD occurred during the year.

5. 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.

6. 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.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO,other executive directors and non executive directors have been taken by the Board/ Shareholders.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. It is certified that all the above mention directors and executives have a minimum 14 years of education and 15 years of experience on the board comply with the requirement of company and are exempted from the directors training program uder rule CCG.
10. There was no new appointments of Company Secretary during the year. Two new appointments i.e. i) CFO. ii) Head of Audit, have been made during the year with the Board approval in the BOD meeting held on April 28, 2013 and May 13, 2013 respectively.
11. The Directors Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee. The Chairman Audit Committee is not an Independent Director and will changed on next election which is dut to be held on October 27, 2014.
16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of whom two are non-Executive Directors including the Chairman of the Committee.
18. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the CCG have been complied with, except for which are not yet applicable during the current financial year.

BRIG (RETD) MUSHTAQ ALI KHAN
(Chief Executive Officer)

BDO

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

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of **GAMMON PAKISTAN LIMITED,** (the Company) to comply with the Listing Regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code of Corporate Governance.

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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal control, the Company's corporate governance procedures and risks. We report that:

- No statutory records of the Company prior to January 01, 2001 are available, i.e. share transfer register and share transfer deeds are not traceable.

Further, the Listing Regulations of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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, except for the aforementioned observation, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

We draw your attention to clause 15 of the Statement, which mentions that the Chairman of the Audit Committee is not an independent director as required under clause (xxiv) of the Code of Corporate Governance.

ISLAMABAD

DATED: 20 SEP 2013

CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

BDO

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gammon Pakistan Limited ("the Company") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. Contract receivables include balances aggregating to Rs. 95.996 million which have been outstanding for the past three years. and also no recovery subsequent to the balance sheet was observed. We have not been provided with sufficient and appropriate audit evidence to support the carrying value of these balances. No provision has been recorded in respect of this amount.

2. The Company has recognized a residential plot as investment property. This plot has not yet been transferred in the name of the Company. The title deed shows an ex-director of the Company as the owner of the property.

Except for the adjustments in respect of matters stated above;

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

(c) except for the adjustments in respect of matters stated above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Without further qualifying our opinion we draw your attention to Note 24.2(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 ending liability of the Company is contingent upon the judgment of these suits;

The financial statements of the Company for the year ended June 30, 2012 were audited by another firm of chartered accountants who had expressed qualified opinion vide their report dated October 6, 2012 on items (1) and (2) noted above, non provisioning against doubtful loans and advances and on loan obtained from Employees' Provident Fund contravening provisions of section 227 of the Companies Ordinance, 1984. Their report also included emphasis of matter paragraphs on the matter emphasized above and on item (1) which is reported as a basis for qualified opinion.

ISLAMABAD

BDO Ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

DATED: 20 SEP 2013

GAMMON PAKISTAN LIMITED
BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees Restated	2011 Rupees Restated
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	5	77,056,192	211,290,520	215,476,492
Investment property	6	261,942,434	91,219,100	91,219,100
Long term investments	7	1,975,564	1,114,235	948,356
Long term security deposits	8	5,777,975	2,484,115	325,165
		346,752,165	306,107,970	307,969,113
CURRENT ASSETS				
Stores, spares and loose tools	9	15,105,729	12,894,568	12,781,304
Contract receivables	10	163,913,045	165,021,778	169,727,968
Cost and estimated earnings in excess of billings	11	609,064	2,020,683	2,197,174
Loans and advances	12	33,273,735	62,361,979	58,023,739
Other receivables	13	997,500	1,673,100	998,100
Short term prepayments		824,512	1,466,266	6,795
Tax refunds due from Government	14	29,438,355	26,337,240	25,210,122
Taxation - net	15	2,584,238	2,363,777	1,127,117
Cash and bank balances	16	13,856,337	27,203,557	33,422,710
		260,602,515	301,342,948	303,495,029
TOTAL ASSETS		607,354,680	607,450,918	611,464,142
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	17	282,662,310	282,662,310	282,662,310
Share premium reserve		15,380,330	15,380,330	15,380,330
Accumulated loss		(106,877,581)	(90,504,962)	(80,308,461)
		191,165,059	207,537,678	217,734,179
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	18	228,018,304	193,862,970	195,603,721
NON-CURRENT LIABILITIES				
Deferred liability	19	9,674,687	8,748,965	7,664,612
Deferred taxation	20	12,371,171	8,019,420	8,956,747
		22,045,858	16,768,385	16,621,359
CURRENT LIABILITIES				
Trade and other payables	21	122,018,942	135,646,432	127,282,148
Billings in excess of cost and estimated earnings	11	5,395,485	16,094,450	16,094,450
Joint venture partner's advances	22	30,059,542	30,059,542	30,059,542
Material received from customers / secured advances	23	8,651,490	7,481,461	7,821,024
Current portion of liabilities against assets subject to finance lease		-	-	247,719
		166,125,459	189,281,885	181,504,883
CONTINGENCIES AND COMMITMENTS	24	-	-	-
TOTAL EQUITY AND LIABILITIES		607,354,680	607,450,918	611,464,142

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees Restated
Contract income	25	59,909,912	54,553,475
Contract expenditure	26	56,257,474	51,422,543
Net contract profit		3,652,438	3,130,932
Operating expenses			
General and administrative expenses	27	39,342,512	20,885,918
Other operating expenses	28	350,000	360,000
		39,692,512	21,245,918
Other income	29	16,788,243	6,312,117
Operating loss		(19,251,831)	(11,802,869)
Finance cost	30	61,831	117,425
Fair value gain on investment property		101,834	-
Allocation of loss to joint venture partners - net		68,065	93,625
Loss before taxation		(19,143,763)	(11,826,669)
Taxation	31	785,002	(110,583)
Loss after taxation		(18,358,761)	(11,937,252)
Loss per share - basic and diluted (Rupees)	32	(0.65)	(0.42)

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees Restated
Loss after taxation	(18,358,761)	(11,937,252)
Other comprehensive income	-	-
Total comprehensive loss for the year	(18,358,761)	(11,937,252)

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before working capital changes	34	(4,784,763)	(6,548,172)
Changes in working capital:			
Decrease /(increase) in current assets			
Stores, spares and loose tools		(2,211,161)	(113,264)
Contract receivables		1,108,733	4,706,190
Cost and estimated earnings in excess of billings		1,411,619	176,491
Loans and advances		12,181,369	(4,338,240)
Other receivables		675,600	(675,000)
Short term prepayments		641,754	(1,459,471)
Long term security deposits		(3,293,860)	(2,158,950)
Increase / (decrease) in current liabilities			
Trade and other payables		(5,288,343)	8,457,909
Billings in excess of cost and estimated earnings		(10,698,965)	-
Material received from customers / secured advances		1,170,029	(339,563)
		(4,303,225)	4,256,102
Cash used in operations		(9,087,988)	(2,292,070)
Financial charges paid		61,831	117,425
Income tax paid		(3,559,738)	(3,411,686)
Gratuity paid		-	(401,500)
		(3,497,907)	(3,695,761)
Net cash used in operating activities		(12,585,895)	(5,987,831)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(261,325)	(26,600)
Sales proceeds		-	43,000
Purchase of Defense Saving Certificate		(500,000)	-
Net cash (used in) / generated from investing activities		(761,325)	16,400
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease finances repaid		-	(247,719)
Net cash used in financing activities		-	(247,719)
Net decrease in cash and cash equivalents		(13,347,220)	(6,219,150)
Cash and cash equivalents at the beginning of the year		27,203,557	33,422,707
Cash and cash equivalents at the end of the year		13,856,337	27,203,557

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Note	Issued, subscribed and paid-up capital	Share premium reserve	Accumulated loss	Total
		------Rupees------			
Balance as at July 01, 2011		282,662,310	15,380,330	(80,308,461)	217,734,179
Total comprehensive loss for the year - restated		-	-	(11,937,252)	(11,937,252)
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax - restated	18	-	-	1,737,645	1,737,645
Upon disposal of revalued operating fixed asset	18	-	-	3,106	3,106
Balance as at June 30, 2012		282,662,310	15,380,330	(90,504,962)	207,537,678
Total comprehensive loss for the year		-	-	(18,358,761)	(18,358,761)
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	18	-	-	1,692,923	1,692,923
Upon disposal of revalued operating fixed asset	18	-	-	293,219	293,219
Balance as at June 30, 2013		282,662,310	15,380,330	(106,877,581)	191,165,059

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

GAMMON PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated under the Companies Act, 1913 (now the Companies Ordiance,1984) on August 12, 1947 as a Public Company Limited by shares. It's shares are quoted on all Stock Exchanges in Pakistan. It is principally engaged in the execution of civil construction works. The registered office of the Company is situated at Gammon House, 400/2 Peshawar Road, Rawalpindi. The Company is a subsidiary of Bibojee Services (Private) Limited.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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.

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.

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

3.1 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IAS 12	Income Taxes	January 01, 2012

3.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2013
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013

		Effective date (annual periods beginning on or after)
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013
IAS 36	Impairment of Assets - Recoverable amount disclosures for non financial assets	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014

3.3 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2013
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013

			Effective date (annual periods beginning on or after)
IFRS 13	Fair Value Measurement		January 01, 2013
IAS 27	Separate Financial Statements		January 01, 2013
IAS 28	Investments in Associates and Joint Ventures		January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine		January 01, 2013
IFRIC 21	Levies		January 01, 2014

IAS 19 'Employee benefits' (amended 2011) (is effective for the periods beginning on or after January 1, 2013). This amendment eliminates the corridor approach and requires all actuarial gain and losses to be recognized in other comprehensive income as they occur immediately, and it replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / assets.

This change would affect the recognized amounts of actuarial gain / loss and net defined benefit liability / assets for the accounting period as prescribed above amounting to Rs. 1.976 million in other comprehensive income in the period of initial application.

Except for the amendments as detailed above, the Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements 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 Operating fixed assets

These 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 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.

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

Operating fixed assets, as detailed in note 5, were revalued during the year. Surplus arisen on revaluation of these assets was credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realization. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets is transferred directly to accumulated loss.

Depreciation is calculated on monthly basis and is charged at different rates according to estimated useful life of the particular assets. Full month depreciation is charged if the asset is purchased within the first fifteen days whereas no depreciation is charged for the month if the asset is disposed-off within the first half of the month.

Normal repairs and replacements are taken to profit and loss account as and when incurred. Major renewals and replacements are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gains / losses on disposal or retirement of operating fixed assets, if any, are taken to profit and loss account.

4.2 Assets subject to finance lease

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of leased assets. The related obligations under the leases less finance cost allocated to future periods are shown as a liability. Depreciation on leased assets is charged applying the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of assets at the end of lease term.

Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

4.3 Investment properties

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.

An investment property is derecognised 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 derecognised.

Any gain or loss arising from a change in fair value is recognised in the income statement.

Rental income from investment property is accounted for as described in note 4.15.

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 recognised 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 recognised immediately in the income statement.

4.4 Held-to-maturity investments

These are carried at amortised 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 recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortization process.

4.5 Stock of materials, stores, spares and loose tools

Stock of materials, stores, spares and loose tools is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any costs necessary 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.

4.6 Receivables

Receivables are measured at original invoice amount less an estimate made for doubtful receivable balance based on review of all outstanding amounts at the year-end. Receivables considered bad are written-off when identified.

4.7 Loans and advances

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

4.8 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.

4.9 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.

4.10 Staff retirement benefits - gratuity

The Company operates an unapproved un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2013 on the basis of the projected unit credit method by an independent actuary.

The contribution is calculated by reference to a method based on assumption that such benefits are payable to employees at any time during the year but after completing initial six months of service. All contributions are charged to profit and loss account for the year. The most recent actuarial valuation is carried out at June 30, 2013 using the projected unit credit method (refer note 19). Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. The gains or losses in excess of amounts determined as per above said criteria are recognised over the expected average remaining working lives of the employees participating in the plan. The Company recognizes expense in accordance with IAS 19 " Employee Benefits"

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

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

4.13 Dividend and appropriation to reserves

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

4.14 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in 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 0.5 percent of turnover, 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.

4.15 Revenue recognition

Where the outcome of the construction contract can be estimated reliably, revenues and costs are recognised 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 recognised to the extent of the contract costs incurred that probably will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

Revenue from rental income is recognised on 'accrual basis'.

Interest income is also recognised on 'accrual basis'.

4.16 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.

4.17 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include investments, security deposits, contract receivables, loans, advances and other receivables, bank balances, lease finances, bank borrowings, trade and other payables, accrued mark-up and joint venture partner's advances. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.18 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 recognised amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities.

4.19 Provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.20 Impairment

Non-financial assets

The carrying amount of the assets are reviewed at each balance sheet date for impairment whether events or changes in circumstances indicate that carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The resulting impairment is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Financial assets

The financial assets are considered to be impaired, if objective evidence indicates that one or more events have a negative effect on the estimated future cash flow of that asset.

Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default.

In case of HTM investment, if there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. The impairment losses are the amount by which carrying amount exceeds present value of the investment.

4.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standard, is presented in note 41 to these financial statements.

4.22 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.

4.23 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.

4.24 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.

4.25 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 19.

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.

5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Freehold land	Buildings on free hold land	Plant and machinery	Furniture and fixtures	Computers and accessories	Motor vehicles, cycles and boats	Construction equipments	Leased vehicles	Total
	Rupees								
Net carrying value basis									
year ended June 30, 2013									
Opening net book value (NBV)	179,090,750	17,248,558	8,378,978	609,943	526,680	4,600,579	835,032	-	211,290,520
Additions (at cost)	-	-	197,625	42,900	20,800	-	-	-	261,325
Revaluations	33,728,565	6,763,704	4,531,388	429,162	439,201	3,774,937	544,084	-	50,211,041
Impairments	(8,694,650)	-	(1,647,795)	(3,345)	-	-	-	-	(10,345,790)
Transfers to investment property	(151,860,000)	(18,761,500)	-	-	-	-	-	-	(170,621,500)
Depreciation charge	-	(647,851)	(1,189,511)	(157,624)	(143,190)	(1,474,658)	(126,570)	-	(3,739,404)
Closing net book value	52,264,665	4,602,911	10,270,685	921,036	843,491	6,900,858	1,252,546	-	77,056,192
Gross carrying value basis									
year ended June 30, 2013								-	
Cost/revalue	52,264,665	10,853,896	35,277,554	2,207,827	1,983,197	20,799,378	6,679,472	-	130,065,989
Revaluation adjustments	-	(6,250,134)	(24,983,154)	(1,286,791)	(1,139,706)	(13,898,520)	(5,426,926)	-	(52,985,231)
	52,264,665	4,603,762	10,294,400	921,036	843,491	6,900,858	1,252,546	-	77,080,758
Accumulated depreciation		(6,250,985)	(25,006,869)	(1,286,791)	(1,139,706)	(13,898,520)	(5,426,926)	-	(53,009,797)
Revaluation adjustments		6,250,134	24,983,154	1,286,791	1,139,706	13,898,520	5,426,926	-	52,985,231
	-	(851)	(23,715)	-	-	-	-	-	(24,566)
Net book value	52,264,665	4,602,911	10,270,685	921,036	843,491	6,900,858	1,252,546	-	77,056,192
Net carrying value basis									
year ended June 30, 2012									
Opening net book value (NBV)	179,090,750	17,864,938	9,835,387	783,349	645,405	5,832,510	1,001,424	422,728	215,476,491
Additions (at cost)	-	-	-	-	26,600	-	-	-	26,600
Disposals (NBV)	-	-	-	(10,776)	-	-	-	-	(10,776)
Transfers	-	-	-	-		383,097	-	(383,097)	-
Depreciation charge	-	(616,380)	(1,456,409)	(162,630)	(145,325)	(1,615,028)	(166,392)	(39,631)	(4,201,795)
Closing net book value	179,090,750	17,248,558	8,378,978	609,943	526,680	4,600,579	835,032	-	211,290,520
Gross carrying value basis									
year ended June 30, 2012									
Cost	179,090,750	22,851,692	43,501,503	1,757,552	1,523,196	17,024,441	6,135,388	-	271,884,522
Accumulated depreciation		(5,603,134)	(35,122,525)	(1,147,609)	(996,516)	(12,423,862)	(5,300,356)	-	(60,594,002)
Net book value	179,090,750	17,248,558	8,378,978	609,943	526,680	4,600,579	835,032	-	211,290,520
Depreciation rate % per annum	-	2.5 to 2.8	6 to 30	9 to 18	12 to 15	9 to 18	6 to 24	15	

5.1 If the operating fixed assets of the Company have been carried at original cost, their written down value would have approximately been Rs.7.075 million as at 30 June, 2013 (2012: Rs.Rs.9.411 million).

5.2 Plant and machinery includes capital spares amounting to Rs. 197,625 (written down value Rs. 173,910) (2012: Rs. Nil (written down value Rs. Nil)).

5.3 Depreciation for the year has been allocated as follows.

	Note	2013 Rupees	2012 Rupees
Contract expenditure	26	1,316,081	1,622,801
General and administrative expenses	27	2,423,323	2,578,994
		3,739,404	4,201,795

5.4 During the year Hyderabad land has been revalued which has resulted an impairment loss amounting to Rs. 8.694 million. Further, during the year launches and trollies and gestener duplication model have been retired due to irreparable amounting to Rs. 1.647 million and Rs. 0.003 million respectively.

	Note	2013 Rupees	2012 Rupees
6 INVESTMENT PROPERTY			
Rural land	6.2	55,446,934	42,988,500
Residential plots	6.3	35,874,000	48,230,600
Gammon House - land and building	6.4	170,621,500	-
		261,942,434	91,219,100

6.1 The movement in this account is as follows:

	2013 Rupees	2012 Rupees
Opening balance	91,219,100	91,219,100
Additions/transferred from owner-occupied	170,621,500	-
	261,840,600	91,219,100
Net fair value gain on revaluation shown in "Profit and loss account"	101,834	-
	261,942,434	91,219,100

6.2 This represents investment in 209.70 Kanals open land located at Mouza Haraka, Rawalpindi. This investment, effective from the financial year ended 30 June, 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.

6.3 Title of these plots, purchased from Gulf Housing (Private) Limited, has not yet been transferred in the Company's name. The title of these plots is being held in the name of the ex-director of the Company.

This investment, effective from the financial year ended 30 June, 2009, is also being held for capital appreciation as the management has changed its intention in this regard. Accordingly, this property is being classified under non-current assets. The management has adopted fair value model for valuation of this investment property.

6.4 This represents Gammon House (Head office of the Company) held to earn rentals and for capital appreciation and shown under the head "Investment property". The carrying value of investment property is the fair value of the property based on the valuation carried by approved independent valuer on June 30, 2013. The effect of fair value has been taken in these financial statements under the surplus on revaluation of property, plant and equipment in accordance with the IAS -16 upto the date of transfer. Fair value was determined having regard to recent market transactions for similar properties in the same location and condition. This investment property is being classified as 'investment property' as the Company decided to hold this property for capital appreciation and to earn rental income which is effective from June 30, 2013. The Company has adopted fair value model for valuation.

6.5 The Company, as at June 20, 2013 and June 30, 2013, has revalued all of its investment property. The revaluation exercise was carried out by Ideal Group of Consultants, Larkana. The difference between the fair value and the carrying value of this property has been recognised in the profit and loss account except for 6.4.

	Note	2013 Rupees	2012 Rupees

7 LONG TERM INVESTMENTS

	Note	2013 Rupees	2012 Rupees
Held to maturity			
Defence savings certificates	7.1	1,000,000	500,000
Accrued interest		975,564	614,235
		1,975,564	1,114,235

7.1 This represents two certificates having face value of Rs. 500,000 each, with a maturity period of more than 10 years, and carry markup (effective rate) @ 18.08 % (2010 : 18.08%) per annum. The Company has deposited these certificates as a security, one is pledged in favour of Director of Works and Chief Engineer, Navy, Islamabad for provisional enlistment against construction of sailors' barracks at PNS Qasim, Manora, Karachi and other is given as a security to Askari CNG Project, Fateh Jang for one month credit limit for fuel.

8 LONG TERM SECURITY DEPOSITS

	2013 Rupees	2012 Rupees
Deposits with:		
EFU General Insurance Limited	5,447,810	2,153,950
WAPDA	5,000	5,000
Others	325,165	325,165
	5,777,975	2,484,115

9 STORES, SPARES AND LOOSE TOOLS

	Note	2013 Rupees	2012 Rupees
Consumable materials		3,027,971	121,808
Stores	9.1	10,282,797	10,992,258
Spares		651,623	658,470
Loose tools		23,101	23,340
Other stocks		1,120,237	1,098,692
		15,105,729	12,894,568

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.

	Note	2013 Rupees	2012 Rupees

10 CONTRACT RECEIVABLES

	Note	2013 Rupees	2012 Rupees
Owned			
Unsecured - considered good			
Against billings			
- work-in-progress		7,502,670	5,568,961
- completed contracts		55,428,612	55,504,127
		62,931,282	61,073,088
Less: provision for doubtful receivables		(2,023,613)	(2,023,613)
		60,907,669	59,049,475
Against retention money			
- work-in-progress		17,773,432	18,895,148
- completed contracts		53,015,152	54,671,363
		70,788,584	73,566,511
Joint venture			
- work-in-progress		17,054,553	17,243,553
- completed contracts		15,162,239	15,162,239
		32,216,792	32,405,792
		163,913,045	165,021,778

11 COST AND ESTIMATED EARNINGS ON UNCOMPLETED PROJECTS

	Note	2013 Rupees	2012 Rupees
Included in accompanying balance sheets under the following captions:			
Cost and estimated earnings in excess of billings on uncompleted projects		609,064	2,020,683
Billings in excess of cost and estimated earnings on uncompleted projects		(5,395,485)	(16,094,450)
	11.1	(4,786,421)	(14,073,767)

11.1 This comprises of amounts as follows:

	2013 Rupees	2012 Rupees
Cost incurred on uncompleted projects	182,177,606	177,254,277
Estimated earnings	8,609,304	7,133,048
	190,786,910	184,387,325
Less: billings to date	(195,573,331)	(198,461,092)
	(4,786,421)	(14,073,767)

	Note	2013 Rupees	2012 Rupees

12 LOANS AND ADVANCES

	Note	2013 Rupees	2012 Rupees
Unsecured - considered good			
To employees / project managers		567,366	7,791,201
To suppliers and contractors		13,001,319	24,255,852
To sub-contractors		19,705,050	30,314,926
		33,273,735	62,361,979
Doubtful advances		10,046,477	-
		43,320,212	62,361,979
Less: provision for doubtful advances	12.1	(10,046,477)	-
		33,273,735	62,361,979
Due from joint venture partners		932,586	932,586
Less: provision against doubtful advance	12.1	(932,586)	(932,586)
		-	-
		33,273,735	62,361,979

12.1 Movement in provision for doubtful advances is as follows:

	Note	2013 Rupees	2012 Rupees
Opening balance as on July 1		932,586	932,586
Charge for the year	12.1	10,046,477	-
Closing balance		10,979,063	932,586

12.1 The management, during the year, carried out an exercise to identify long outstanding receivable balances comprising of progress billings, retention monies and advances to staff and suppliers, which are not likely to be received due to various reasons. Accordingly, balances aggregating Rs. 6.860 million have been written off and further, provision amounting to Rs. 10.046 million has also been recorded. The Company's Board of Directors, in their meeting approved to write-off these balances. However, the Board of Directors have directed that memorandum records of these receivable balances be maintained and efforts should continue for their recovery.

13 OTHER RECEIVABLES

	Note	2013 Rupees	2012 Rupees
Unsecured			
Considered good			
Due from associated undertakings	13.1	947,500	1,623,100
Other receivables		50,000	50,000
		997,500	1,673,100

13.1 This comprises of amounts receivable from:

	Note	2013 Rupees	2012 Rupees
Ghandhara Nissan Limited		622,500	1,372,500
Ghandhara Industries Limited		250,000	250,000
Universal Company Insurance Limited		75,000	-
Janana De Malucho Textile Mills Limited		-	600
		947,500	1,623,100

13.2 These balances have arisen in the normal course of business (rent receivables against investment property).

13.3 The aging of related party balances at the balance sheet date is as follows:

	Note	2013 Rupees	2012 Rupees
Not past due		-	-
Past due by 1 - 30 days		75,000	-
Past due by 30 - 90 days		250,000	250,000
Above 90 days		622,500	1,373,100
		947,500	1,623,100

13.4 The maximum amount due from related parties at the end of any month during the year was Rs. 2.572 million (2012: Rs. 1.725 million).

14 TAX REFUNDS DUE FROM GOVERNMENT

	Note	2013 Rupees	2012 Rupees
Considered good			
Income tax		29,438,355	26,337,240

15 TAXATION - NET

	Note	2013 Rupees	2012 Rupees
Advance income tax		3,559,738	3,411,687
Less: Provision for taxation	31	975,500	1,047,910
		2,584,238	2,363,777

16 CASH AND BANK BALANCES

	Note	2013 Rupees	2012 Rupees
Cash in hand		589,804	2,816,196
Cash at bank:			
- current accounts		4,843,336	3,982,620
- PLS accounts		4,353,435	16,334,979
- deposit accounts	16.1	4,069,762	4,069,762
		13,266,533	24,387,361
		13,856,337	27,203,557

16.1 The entire balance as at June 30, 2013 was under a bank's lien (2012: balance amounting Rs.4.069 million was under a bank's lien).

16.2 PLS and deposit accounts, during the current financial year, carried profit at the rates ranging from 5% to 8.35% (2012: 5% to 8.35%) per annum.

Number of ordinary shares of Rs.10/- each 2013	2012		Note	2013 Rupees	2012 Rupees

17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2013	2012		Note	2013 Rupees	2012 Rupees
22,627,320	22,627,320	Ordinary shares of Rs.10 each fully paid in cash		226,273,200	226,273,200
2,562,845	2,562,845	Ordinary shares of Rs.10 each issued as fully paid bonus		25,628,450	25,628,450
3,076,066	3,076,066	Ordinary shares of Rs.10 each issued against conversion of loans		30,760,660	30,760,660
28,266,231	28,266,231		17.1	282,662,310	282,662,310

17.1 This includes shares held by related parties as follows:

	Note	2013 Rupees	2012 Rupees
Bibojee Services (Private) Limited - Parent Company 20,369,059 (2012: 20,369,059) ordinary shares of Rs 10 each	17.2	203,690,590	203,690,590
Directors and their spouses / minor children 4,015,111 (2012: 4,015,111) ordinary shares of Rs 10 each		40,151,110	40,151,110
Joint stock companies 150,290 (2012: 150,290) ordinary shares of Rs 10 each		1,502,900	1,502,900
		245,344,600	245,344,600

17.2 The parent company Bibojee Services (Private) Limited held 72.06% shares (2012: 72.06% shares) in Gammon Pakistan Limited as at June 30, 2013.

17.3 Authorized share capital:

This represents 30,000,000 (2012: 30,000,000) ordinary shares of Rs. 10 each amounting to Rs. 300,000,000 (2012: Rs. 300,000,000).

		Note	2013 Rupees	2012 Rupees Restated

18 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

		Note	2013 Rupees	2012 Rupees Restated
Balance brought forward			201,882,390	204,560,468
Add:	Revaluations during the year		50,211,041	-
	Effect of impairment loss on land		(8,694,650)	-
			41,516,391	-
Less:	Transferred to equity in respect of :			
	Incremental depreciation charged during the year - net of deferred tax		1,692,923	1,737,645
	Realized on disposal of revalued assets - net of deferred tax		293,219	3,106
	Related deferred tax liability during the year transferred to profit and loss account		1,023,164	937,327
			3,009,306	2,678,078
		18.1	240,389,475	201,882,390
Less:	Related deferred tax effect :			
	Opening balance - as previously reported		8,019,420	-
	Effect of restatement		-	8,956,747
	Effect of change in rate		(393,952)	-
	Revaluation during the year		5,768,867	-
	Incremental depreciation charged during the year transferred to profit and loss account		(1,023,164)	(937,327)
			12,371,171	8,019,420
			228,018,304	193,862,970

18.1 This represents surplus over book values resulted from revaluations of fixed assets, as detailed below, by independent Valuers adjusted only by surplus realized on disposal of revalued assets and incremental depreciation arising out of revaluation. The year-end balance has been arrived at as follows:

	Note	2013 Rupees	2012 Rupees
March 31, 1977	18.2	1,208,708	1,208,708
July 01, 1992	18.3	15,126,034	15,200,450
June 30, 2006	18.4	91,468,875	91,784,481
March 30, 2008	18.5	5,637,026	8,135,859
June 30, 2009	18.6	85,432,942	85,552,892
June 20, 2013 and June 30, 2013	18.7	41,515,890	-
		240,389,475	201,882,390

18.2 Plant and machinery, construction equipment, furniture and fixtures and vehicles were revalued by an independent Valuer using the general price escalation indices on the applicable items.

Freehold land and buildings on freehold land were valued by an independent valuer at fair market

18.3 Revaluation surplus attributable to all the operating fixed assets was accounted for during the year 1992 except for the immovable properties and certain specialized machinery, which was accounted for during the year 1993.

18.4 Freehold land and buildings on freehold land were revalued by an independent valuer at the fair market value.

18.5 Plant and machinery, motor vehicles, cycles and boats, furniture & fixtures and construction equipment were revalued to replace the carrying amounts of these assets with their depreciated market values. The revaluation exercise was carried-out by M/s Hamid Mukhtar & Co. (Private) Limited (Valuation Consultants, Consulting Engineers, Surveyors & Loss Adjusters), Gulberg, Lahore.

18.6 The Company again revalued its freehold land and buildings on freehold land to replace the carrying amounts of these assets with their market / depreciated market values. The revaluation exercise was carried-out in 2009 by M/s Engineering Pakistan International (Private) Limited., Gulshan-e-Iqbal, Karachi. The net appraisal surplus arisen on the latest revaluation aggregating Rs. 85.913 million was credited to this account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

18.7 The Company has revalued its freehold land, buildings, plant and machinery furniture and fixture, computer and accessories, motor vehicles and construction equipments on June 20, 2013 and June 30, 2013 by independent valuer M/s Ideal Group of Consultant, Larkana on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 41.516 million net of impairment. The revaluation was based on prevailing market price for free hold land and replacement value for building and other assets.

18.8 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.

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

	2013	**2012**
	Rupees	**Rupees**
Freehold land	120,988	120,988
Buildings on freehold land	2,367,376	2,504,754
Plant and machinery	2,420,163	3,560,533
Furniture and fixture	269,844	316,021
Computers and accessories	177,067	225,882
Motor vehicles, cycles and boats	1,533,618	2,150,789
Construction equipments	399,160	529,162

	Note	2013 Rupees	2012 Rupees

19 DEFERRED LIABILITY

Provision for gratuity	19.3	9,674,687	8,748,965

19.1 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.

The annual charge is based on actuarial valuation carried out as at June 30, 2013 using Projected Unit Credit Method.

19.2 Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

	2013	2012
Discount rate (%)	10.50%	13.00%
Expected rate of increase in salary (%)	9.50%	12.00%
Average expected remaining working life time of employees (years)	9 years	8 years

19.3 Reconciliation of amount recognized in the balance sheet

	2013	2012
Present value of obligation	5,591,467	4,563,910
Unrecognized actuarial gain	1,976,334	2,004,669
Benefits due but not paid	2,106,886	2,180,386
Liability recognised in balance sheet	9,674,687	8,748,965

19.4 Movement in net liability recognized

	2013	2012
Opening net liability	4,563,910	5,264,964
Current service cost for the year	614,020	564,354
Interest cost for the year	593,308	631,796
Benefit payments made by the Company during the period	(14,571)	(285,000)
Benefits due but not paid during the year	-	(1,016,800)
Actuarial loss / (gain) on PVDBO	(165,200)	(595,404)
Liability at the end of the year	5,591,467	4,563,910

	2013 Rupees	2012 Rupees
19.5 Charge for the year		
Current service cost	614,020	564,354
Interest cost	593,308	631,796
Amortisation of transitional liability	-	415,813
Actuarial gains during the year	(193,535)	(126,110)
	1,013,793	1,485,853

19.6 Movement in liability recognized in the balance sheet

Opening liability	8,748,965	7,664,612
Expenses for the year	1,013,793	1,485,853
Benefit payments made by the Company during the period	(88,071)	(401,500)
Closing liability	9,674,687	8,748,965

19.6 Amortisation of transitional liability

The Company adopted IAS 19 for the first time in 2008 so as per the provisions of IAS 19 (Employee Benefits), the additional liability resulting from the gratuity benefits amounting Rs.2,079,061 is being amortised over a period of five years upto 2012.

19.7 Comparison of present value of defined benefit obligation and experience adjustment on obligation for the current and preceding four years is as follows: (the Company has adopted IAS 19 for the first time during the financial year ended 30 June, 2008).

	2013	2012	2011	2010	2009
	Rupees				
Present value of defined benefit obligation	5,591,467	4,563,910	5,264,964	4,040,061	8,285,480
Experience adjustment on obligation	-	-	-	(4,586,520)	-

The Company's policy with regard to actuarial gain / loss is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

19.7 There has 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.

19.8 The charge in respect of defined benefit plan for the year ending June 30, 2014 is estimated to be Rs. 1.254 million and charge in respect of net actuarial gain to be recognized in other comprehensive income amounting to Rs. 1.976 million.

20 DEFERRED TAXATION

Deferred tax liabilities/(assets) arising due to taxable temporary differences are as follows:

	Note	2013 Rupees	Restated 2012 Rupees
Deferred taxation			
Surplus on revaluation of fixed assets	18	12,371,171	8,019,420
Tax rate used		34%	35%

20.1 Net deferred tax asset of Rs. 12.886 million debit (2012 : Rs. 12.658 million debit) due to brought forward losses and provision for doubtful loans and advances and accelerated depreciation has not been recognised 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	2013 Rupees	2012 Rupees
Net deferred tax asset			
Deferred tax liabilities			
Accelerated tax depreciation allowance		43,210,338	39,846,599
Deferred tax assets			
Provision for doubtful receivables		(688,028)	(708,265)
Tax losses carried forward		(38,127,909)	(37,524,768)
Provision for doubtful loans and advances		(3,732,881)	(326,405)
Provision for overseas loans		(11,941,650)	(12,292,875)
Other provisions		(1,605,905)	(1,653,138)
		(12,886,035)	(12,658,852)

21 TRADE AND OTHER PAYABLES

	Note	2013 Rupees	2012 Rupees
Sundry creditors	21.1	12,603,469	14,035,439
Advance rent	21.2	3,279,000	3,015,000
Due to sub-contractors		32,765,883	44,969,796
Accrued expenses	21.3	10,752,284	9,908,522
Due to customers		732,249	1,310,570
Due to employees and others	21.4	14,216,271	14,664,693
Taxes payable		116,112	120,673
Unclaimed dividends		1,442,230	1,442,230
Joint venture partners' share of profit		10,988,944	11,057,009
Other provisions	21.5	35,122,500	35,122,500
		122,018,942	135,646,432

21.1 This includes an amount of Rs. Nil (2012: Rs.14,333) due to The General Tyre and Rubber Company of Pakistan Limited (an Associated Company).

21.2 This includes amounts due to Associated Companies aggregating Rs. 375,000 (2012: Rs. 375,000)

21.3 This includes an amount of Rs. 23,553 (2012: Rs. 23,553) due to The Universal Insurance Company Limited. (an Associated Company).

21.4 This balance includes amounts aggregating Rs. 5.303 million (2012: Rs. 5.303 million) payable in respect of the loans obtained from the Company's Employees' Provident 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 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 Ordinance. Subsequent to the balance sheet date, the Company has opened a separate bank account and transferred all the money due, to this account. Furthermore, subsequently amount aggregating to Rs. 0.491 million has been paid to members of the Fund.

21.5 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 24.2 of these financial statements).

22 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.

	2013 Rupees	2012 Rupees
23 MATERIALS RECEIVED FROM CUSTOMERS / SECURED ADVANCES		
Secured - against		
Dhalkot bridge	287,437	287,437
Thalair bridge	6,531,122	6,531,122
Maritimes project	1,832,931	-
Kadala bridge	-	118,902
Pump station	-	400,000
Sappan-de-harh	-	144,000
	8,651,490	7,481,461

24 CONTINGENCIES AND COMMITMENTS

24.1 Contingent assets

The Company had lodged a claim with National Highway Authority amounting Rs. 201.177 million against (2012: Rs. 201.177 million) M/s Bayinder for recovery of losses suffered by the Company attributable to the cessation of work at Islamabad - Peshawar Motorway Project.

24.2 Contingent liabilities

(a) Recovery proceedings of two overseas borrowings from National Bank of Pakistan (NBP) led Consortium amounting Saudi Riyals (SR) 5.000 million and SR 2.500 million totaling SR 7.500 million equivalent to Pak Rs. 202.125 million with the interest thereon of SR 21.650 million are being contested in the Sindh High Court. 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 favour 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 the Sindh High Court has reserved its judgment.

The Company's Board of Directors, elected on October 31, 2005, are of the considered opinion that subsequent to March 17, 2004, repayment of loan to NBP had become time barred. The management is also of the view that the second loan amounting SR 2.500 million will legally meet the same fate.

(b) 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.

(c) 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. 91.207 million (2012: Rs.27.113 million).

24.3 Commitments

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

Capital commitments against construction work in progress amounting to Rs. 78.510 million (2012: Rs. 94.900 million).

	Note	2013 Rupees	2012 Rupees
25 CONTRACT INCOME			
Opening work-in-progress		(2,431,705,667)	(2,377,152,192)
Closing work-in-progress		2,491,615,579	2,431,705,667
		59,909,912	54,553,475
Contract income stated above may be classified as follows:			
- own projects		59,909,912	52,549,077
- joint ventures		-	2,004,398
		59,909,912	54,553,475

25.1 Revenue includes an amount of Rs. 15.317 million (2012: Rs. 40.326 million) in respect of Projects in Azad Jammu Kashmir.

26 CONTRACT EXPENDITURE

	Note	2013 Rupees	2012 Rupees
Materials		10,810,265	4,725,322
Salaries and wages		14,853,668	5,756,688
Sub-contracts and joint ventures		18,680,979	34,884,652
Maintenance and hiring of plants		1,724,870	1,490,256
Project insurance		634,240	126,848
Cartage, traveling and conveyance		438,412	638,887
Site auxiliary works and temporary hutting		443,000	107,000
Electricity		133,823	196,116
Depreciation	5.3	1,316,081	1,622,801
Petrol, oil and lubricants		5,978,772	745,896
Sundry expenses		1,243,364	1,128,077
		56,257,474	51,422,543

26.1 Contract expenditure includes an amount of Rs. 16.083 million (2012: Rs. 33.475 million) in respect of Projects in Azad Jammu Kashmir.

27 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2013 Rupees	2012 Rupees
Salaries and benefits		10,499,133	10,925,720
Staff retirement benefits - gratuity		1,013,793	1,485,853
Repair and maintenance		1,011,918	457,343

	Note	2013 Rupees	2012 Rupees
Rent, rates and taxes		866,599	283,221
Telephone and fax		290,377	270,646
Advertisement and publicity		46,160	95,620
Legal charges		932,770	1,134,658
Power and electricity		399,927	446,481
Traveling and conveyance		1,118,258	961,515
Insurance		7,515	62,366
Works in view		80,914	470,951
Provision for doubtful loans and advances	27.1	10,046,477	-
Loans and advances written-off	27.1	6,860,398	-
Loss on disposal of operating fixed assets	5.4	1,651,140	-
Depreciation	5.3	2,423,323	2,578,994
Other sundry expenses		2,093,810	1,712,550
		39,342,512	20,885,918

27.1 The management, during the year, carried out an exercise to identify long outstanding receivable balances comprising of progress billings, retention monies and advances to staff and suppliers, which are not likely to be received due to various reasons. Accordingly, balances aggregating Rs. 6.860 million have been written off and further, provision amounting to Rs. 10.046 million have also been recorded. The Company's Board of Directors, in their meeting approved to write-off these balances. However, the Board of Directors have directed that memorandum records of these receivable balances be maintained and efforts should continue for their recovery.

28 OTHER OPERATING EXPENSES

		2013 Rupees	2012 Rupees
Auditors' remuneration:			
Statutory audit		250,000	250,000
Half yearly review		100,000	100,000
Out-of-pocket expenses		-	10,000
		350,000	360,000

29 OTHER INCOME

	Note	2013 Rupees	2012 Rupees
Income from financial assets			
Profit on deposit and PLS accounts		958,254	740,266
Accrued interest on Defence Savings Certificates		361,329	165,879
Income from non-financial assets			
Rental income on investment property		7,109,507	5,373,750
Gain on sale of operating fixed assets		-	32,222
Forfeited gratuity		42,000	-
Trade and other payables written back	29.1	8,317,153	-
		16,788,243	6,312,117

29.1 The management, during the year, carried out an exercise to identify long outstanding payables balances comprising of sub contractors, suppliers accrued expenses and others which are not likely to be payable due to various reasons. Accordingly, balances aggregating Rs. 8.317 million have been written off. The Company's Board of Directors, in their meeting approved to write-off these balances.

	2013 Rupees	2012 Rupees Restated
30 FINANCE COST		
Lease finance cost	-	40,543
Bank charges	61,831	76,882
	61,831	117,425
31 TAXATION		
Current	975,500	1,047,910
Prior year	(737,338)	-
	238,162	1,047,910
Deferred tax	(1,023,164)	(937,327)
	(785,002)	110,583

31.1 Income tax assessments of the Company have been completed upto the Tax Year 2012; the return for the said year has not been taken-up for audit till 30 June, 2013.

31.2 No numeric tax rate reconciliation has been presented in these financial statements as provisions for the current and preceding years represent tax on rental income under section 15 and minimum tax due under section 113 of the Income Tax Ordinance, 2001.

32 LOSS PER SHARE - BASIC AND DILUTED

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

	2013 Rupees	2012 Rupees Restated
Loss after taxation	(18,358,761)	(11,937,252)
	Number of shares	
Weighted average number of ordinary shares at the end of the year	28,266,231	28,266,231
	Rupees	
Loss per share	(0.65)	(0.42)

33 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 35 whereas other significant transactions with related parties are disclosed here.

	2013 Rupees	2012 Rupees
Ghandhara Nissan Limited		
Rental income	1,500,000	1,500,000
Receipts during the year	(2,250,000)	(127,500)
Ghandhara Industries Limited		
Rental income	1,500,000	1,500,000
Receipts during the year	(1,500,000)	(1,250,000)
The Universal Insurance Company Limited		
Insurance expense	7,515	62,366
Rental income	75,000	-

The status of outstanding balances of related parties as at June 30, 2013 are included in "Other receivables" (note 13) and "trade and other payables" (note 21).

34 LOSS BEFORE WORKING CAPITAL CHANGES

	2013 Rupees	2012 Rupees Restated
Loss before taxation	(19,143,763)	(11,826,669)
Adjustment for:		
Depreciation	3,739,404	4,201,795
Loss / (gain) on disposal of fixed assets	1,651,140	(32,222)
Staff retirement benefits - gratuity	1,013,793	1,485,853
Provision for doubtful loans and advances	10,046,477	-
Loans and advance written-off	6,860,398	-
Allocation of loss to joint ventures	(68,065)	(93,625)
Profit on defence saving certificates	(361,329)	(165,879)
Fair value gain on investment property	(101,834)	-
Forfeited gratuity	(42,000)	-
Trade and other payable written off	(8,317,153)	-
Finance cost	(61,831)	(117,425)
	14,359,000	5,278,497
Loss before working capital changes	(4,784,763)	(6,548,172)

35 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:

	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	140,000	-	1,960,000	2,100,000	-	-	2,100,000	2,100,000
House rent	63,000	-	882,000	945,000	-	-	945,000	945,000
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	20,833	-	104,167	125,000	-	-	125,000	125,000
Medical	14,000	-	196,000	210,000	-	-	210,000	210,000
Utilities	14,000	-	196,000	210,000	-	-	210,000	210,000
Others	19,000	-	236,000	255,000	-	-	255,000	255,000
Total	270,833	-	3,574,167	3,845,000	-	-	3,845,000	3,845,000
Number of persons	1	7	2	10	1	6	3	10

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.

36 FINANCIAL ASSETS AND LIABILITIES

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

2013

	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
	Rupees				
Financial assets					
Loans and receivables at amortized cost					
Long term investments	1,975,564	-	1,975,564	1,975,564	-
Long term security deposits	5,777,975	-	-	-	5,777,975
Contract receivables	163,913,045	-	-	-	163,913,045
Loans and advances	33,273,735	-	-	-	33,273,735
Other receivables	997,500	-	-	-	997,500
Cost and estimated earnings in excess of billings	609,064	-	-	-	609,064
Cash and bank balances	13,856,337	4,353,435	-	4,353,435	9,502,902
	220,403,220	4,353,435	1,975,564	6,328,999	214,074,221
Financial liabilities					
Financial liabilities carried at amortized cost					
Trade and other payables	122,018,942	-	-	-	122,018,942
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Billings in excess of cost and estimated earnings	5,395,485	-	-	-	5,395,485
Material received from customers / secured advances	8,651,490	-	-	-	8,651,490
	(166,125,459)	-	-	-	(166,125,459)
On balance sheet gap	54,277,761	4,353,435	1,975,564	6,328,999	47,948,762
Off Balance sheet Items					
Financial contingencies:	-	-	-	-	-
	-	-	-	-	-
Total Gap	54,277,761	4,353,435	1,975,564	6,328,999	47,948,762

	2012				
	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
	Rupees				
Financial assets					
Loans and receivables at amortized cost					
Long investments	1,114,235	-	1,114,235	1,114,235	-
Long term security deposits	2,484,115	-	-	-	2,484,115
Contract receivables	165,021,778	-	-	-	165,021,778
Loans and advances	62,361,979	-	-	-	62,361,979
Other receivables	1,673,100	-	-	-	1,673,100
Cost and estimated earnings in excess of billings	2,020,683	-	-	-	2,020,683
Cash and bank balances	27,203,557	16,334,979	-	16,334,979	10,868,578
	261,879,447	16,334,979	1,114,235	17,449,214	244,430,233
Financial liabilities					
Financial liabilities carried at amortized cost					
Trade and other payables	135,646,432	-	-	-	135,646,432
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Billings in excess of cost and estimated earnings	16,094,450	-	-	-	16,094,450
Material received from customers / secured advances	7,481,461	-	-	-	7,481,461
	(189,281,885)	-	-	-	(189,281,885)
On balance sheet gap	72,597,562	16,334,979	1,114,235	17,449,214	55,148,348
Off Balance sheet Items					
Financial contingencies:	-	-	-	-	-
	-	-	-	-	-
Total Gap	72,597,562	16,334,979	1,114,235	17,449,214	55,148,348

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

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 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.

37.2 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. 230.840 million (2012: Rs 260.905 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2013 Rupees	2012 Rupees
Long term security deposits	5,777,975	2,484,115
Contract receivables	165,936,658	167,045,391
Loans and advances	44,252,798	63,294,565
Other receivables	997,500	1,673,100
Cost and estimated earnings in excess of billings	609,064	2,020,683
Bank balances	13,266,533	24,387,361
	230,840,528	260,905,215

The aging of contract receivables at the reporting date is:

Not past due	9,359,415	5,309,573
Past due 1-30 days	2,102,038	6,440,678
Past due 30-90 days	5,885,804	5,067,751
Past due 90 days	148,589,401	150,227,389
	165,936,658	167,045,391

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.

Impaired assets

During the year loans and advances amounting to Rs. 6.860 million have been written off and provision has been created against loans and advances amounting to Rs. 10.046 million.

37.3 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						
2013							
Trade and other payables	122,018,942	122,018,942	122,018,942	-	-	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings	5,395,485	5,395,485	-	5,395,485	-	-	-
customers / secured advances	8,651,490	8,651,490	8,651,490	-	-	-	-
	166,125,459	166,125,459	130,670,432	35,455,027		-	-

	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						
2012							
Trade and other payables	135,646,432	135,646,432	135,646,432	-	-	-	-
Joint venture partner's advanc	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings	16,094,450	16,094,450	-	16,094,450	-	-	-
Material received from customers / secured	7,481,461	7,481,461	7,481,461	-	-	-	-
	189,281,885	189,281,885	143,127,893	46,153,992		-	-

37.4 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 24.2 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, 2013 can be evaluated from the schedule given in note 36 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 analysis has been presented.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

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

39 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.

40 JOINT VENTURES

40.1 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 recognised 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.

40.2 Gammon Pakistan Limited (GPL) project of Blue Area Underpass, Islamabad was secured through a joint venture with Metracon Pakistan (Private) Limited. (MPL) named as Gammon Metracon 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.

40.3 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	Gammon Pakistan	Investor
Khalifa Gul Nawaz Medical Complex, Bannu	402.36	50%	50%
Durrani Public School, Bannu - Phase II	295	50%	50%
Hawad / Nurar Bridges, Bannu	176.42	50%	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 22).

40.4 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.

41 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, organisational 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 three (2012: three) customers having contract income of 10% or more during the year.

42 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, following reclassifications have been made during the year.

Reclassification from	Reclassification to	2012 Rupees	2011 Rupees
Balance sheet			
Furniture and fixtures	Computers and accessories	1,523,196	-
Taxation - net	Tax refunds due from Government	26,337,240	25,210,122
Contract receivables	Cost and estimated earnings in excess of billings	2,020,683	2,197,174
Trade and other	Billings in excess of cost and estimated earnings	16,094,450	16,094,450
Loans and advances	Other receivables	1,673,100	998,100
Profit and loss account			
Depreciation	Contract expenditure	1,622,801	-
	General and administrative expenses	2,578,994	-
General and administrative expenses	Other operating expenses	360,000	-

43 CORRECTION OF ERROR

During the last and prior periods the Company had not charged deferred tax liability on the surplus on revaluation of property, plant and equipment, moreover incremental depreciation was charged to equity without netting of deferred tax impact. The error has been corrected retrospectively and comparative information has been restated. This error has been corrected retrospectively as per the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect on prior periods is tabulated below:

	Amount Rupees
Effect on year ended June 30, 2012:	
Balance sheet:	
Decrease in accumulated loss	937,327
Decrease in surplus on revaluation of fixed assets	8,019,420
Increase in deferred tax liability	8,019,420
Effect on year ended June 30, 2012:	
Profit and loss	
Decrease in deferred tax expense	937,327
Decrease in deficit for the year	937,327
Effect on periods prior to June 30, 2012:	
Decrease in accumulated loss	-
Decrease in surplus on revaluation of fixed assets	8,956,747
Increase in deferred tax liability	8,956,747

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on **September 20, 2013** by the Board of Directors of the Company.

45 NUMBER OF EMPLOYEES

The Company has following number of employees as at June 30, 2013 and average during the year.

	No of employees			
	June 30, 2013	**June 30, 2012**	**Average 2013**	**Average 2012**
No of employees	40	42	41	39

46 GENERAL

Figures have been rounded off to the nearest of rupee.

CHIEF EXECUTIVE

DIRECTOR

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

	2007	2008	2009	2010	2011	2012	2013
	Rupees in Million						
PROFIT AND LOSS ACCOUNT					Restated		
Contract Income	532.245	795.361	255.363	46.446	46.877	54.553	59.910
Net Profit	40.838	45.534	24.811	(24.204)	3.156	3.131	3.652
BALANCE SHEET							
Shareholder equity (excluding surplus on revaluation of fixed assets)	23.389	10.126	252.066	222.229	217.734	207.538	191.165
Operating fixed assets	147.018	134.938	226.046	220.544	215.476	211.291	77.056
Current Assets	300.022	385.046	391.268	348.561	303.495	301.343	260.603
Current Liabilities	288.336	387.964	240.676	225.416	181.5049	189.282	166.125
Cash and Cash equivalents at year end	58.933	48.527	72.551	37.54	33.422	27.203	13.856