

BIBOJEE GROUP



**67th  
ANNUAL  
REPORT  
2014**



**GAMMON PAKISTAN LIMITED**

## **COMPANY INFORMATION**

### **President of Gammon Pakistan Limited**

Lt. Gen (Retd) Ali Kuli Khan Khattak

### **Board of Directors**

Syed Wajid Hussain Bukhari	Chairman
Mr. Mushtaq Ahmed Khan-FCA	Director
Mr. A. Karim Khan	Director
Mr. Khalid Kuli Khan Khattak	Director
Mr. Hussain Kuli Khan Khattak	Director
Muhammad Kuli Khan Khattak	Director
Mr. Sikandar Kuli Khan Khattak	Director

### **Chief Executive Officer**

Brig (Retd) Mushtaq Ali Khan

### **Audit Committee**

Mr. Mushtaq Ahmed Khan-FCA	Chairman
Mr. A. Karim Khan	Member
Mr. Khalid Kuli Khan Khattak	Member

### **HR Committee**

Mr. Khalid Kuli Khan Khattak	Chairman
Brig (Retd) Mushtaq Ali Khan	Member
Mr. A. 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  
Habib Bank Limited  
Allied Bank Limited

### **Registered Office**

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

### **Share Registrar**

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

[www.gammonpakistan.com](http://www.gammonpakistan.com)

# ANNUAL REPORT

## JUNE 30, 2014

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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 67<sup>th</sup> Annual General Meeting of Gammon Pakistan Limited (the Company) will be held at Gammon House, 400/2, Peshawar Road, Rawalpindi on Monday 27<sup>th</sup> October, 2014 at 11:00 A.M. to transact the following business.

**ORDINARY BUSINESS**

- 1 To confirm minutes of the 66<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> October, 2013
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended, 30<sup>th</sup> June 2014 together with the Director's and Auditors' reports thereon.
3. To appoint Auditors of the Company for the year to be ending on 30<sup>th</sup> June 2015 and to fix their remuneration.
4. To consider and to elect the Board of Directors (the "Board") of the Company. The Board has fixed the number of Directors at Seven (7) for the next tenure of three (3) years commencing from 1<sup>st</sup> November 2014. The retiring Directors of the Company, being eligible, offer themselves for reappointment. The names of retiring Directors are given herein below.
  - a. Syed Wajid Hussain Bukhari
  - b. Mr. Mushtaq Ahmed Khan-FCA
  - c. Mr, Abdul Karim Khan
  - d. Mr. Khalid Kuli Khan Khattak
  - e. Mr. Hussain Kuli Khan Khattak
  - f. Muhammad Kuli Khan Khattak
  - g. Mr, Sikandar Kuli Khan Khattak

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

BY ORDER OF THE BOARD

**AMIN UR RASHEED**  
COMPANY SECRETARY

Rawalpindi  
Dated: 6 October 2014

**NOTES:**

**BOOK CLOSURE:**

The share transfer books of the Company will be closed from 13<sup>th</sup> October, 2014 to 19<sup>th</sup> October, 2014, 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 18<sup>th</sup> October, 2014 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.

### **FILLING OF THE CONSENT LETTER:**

In terms of Section 178(3) of the Companies Ordinance, 1984 any person who seeks to offer himself for Election as a Director of the Company shall file with the Company a notice of his intention conducted the Election as a Director of the Company at the registered office of the Company not later than fourteen (14) days before the date of AGM.

### **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**

It is with great pleasure and satisfaction, the Directors of the Company inform that the Company has improved its performance during the last one year. This is reflected in the Company's financial results for the year ended, 30 June 2014. We are grateful to the AI mighty for helping us achieve these results.

The Directors are pleased to place before the Board, the Audited Financial Results of the Company for the year ended 30 June 2014 as under;

### **OPERATING PERFORMANCE**

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

	<b>June 30, 2014 (Rupees)</b>	June 30, 2013 (Rupees) Restated
Contract Income	320,762,027	59,909,912
Contract Expenditure	276,355,202	56,257,474
Operating Profit/ (Loss)	44,406,825	3,652,438
Profit/(Loss) before taxation	5,955,992	(19,337,298)
Taxation	(2,852,536)	785,002
Profit/(Loss) after taxation	3,103,456	(18,552,296)

By the Grace of Allah, the Company has gone into profit after a long period of 5 years. We feel proud to mention that the revenue from contracts has remarkably increased by Rs.260 million as compared to the same period last year. This was made possible due to swift and efficient execution of work on Dhalkot Bridge Project and the GHQ Housing Directorate Project at Defence Housing Authority (DHA) Islamabad. The total worth of DHA Project which consisted of two apartment blocks was Rs.400 million (approx) and it is good news that another 2 blocks worth Rs.400 million (approx) have also been awarded to the Company during the last quarter. This will further increase the revenues of your Company. The revenue booked due to the work progress of GHQ Housing Directorate Project during the period under review is Rs. 166 million.

GPL has completed the work on major components of the Dhalkot Bridge, at a very fast pace, which has added a significant revenue of Rs. 95.64 million during the period under review. It is expected that the Bridge will be opened for traffic by December 2014.

After entering into a fresh agreement with a private investor, execution of works on the project CW0108 Maritimes Technology, near Fateh Jhang, has started progressing. It is hoped that the Company will be able to complete the project successfully in the near future.

The MES Works at Rawalakot and Hajira are near completion, work on one building is remaining, for which GPL is making arrangements to start the work.

The work on the Officers' Mess Project at Istaqlal Camp is nearly complete and GPL is making efforts to wind up the project soon. A revenue of Rs.14.74 million has been booked against the project in the current period under review. The work on the new Islamabad Airport has been taken over by our Joint Venture Partner, the Chinese Company M/s Xingjian Beixin Construction Limited and is being executed by them.

Due to all these achievements on various projects, we are optimistic to be able to earn a revenue of Rs. 700 million (approximately) in the next financial year, which will be a milestone for the Management of the Company.

However, despite increase in revenues the net operating profit has not increased significantly, due to the reason that loss had been booked on account of sale of Investment Property i.e. Gulf Housing Land during the period under review.

### **FUTURE PROSPECTS**

Persistent efforts are being made by the Management to acquire new projects. GPL's bid for the award of contract for Administrative Block Building at Muzzarabad related to the Neelum Jhelum Project is yet to be finalized. The chances of winning the contract valued at Rs. 193.22 million are bright as the sponsors have asked the Company to extend the bid bond validity date upto 14 October, 2014.

Considering the good quality work being executed by GPL, the Army Housing Directorate has promised to award two (2) more Three (3) Bed Apartment Blocks worth Rs. 400 million increasing the total value of the Project to Rs. 1.20 billion.

The Company is trying to get the projects of USAID worth Rs.1.5 billion for which prequalification is under process in collaboration with a Joint Venture Partner. Company is also making efforts to acquire Swat Cable Car Project of Tourism Department of KPK, worth Rs. 2.0 billion in collaboration with a JV Partner.

Our Joint Venture with an Afghan Company for a road construction project in Afghanistan has not materialized so far and is apparently linked with results finalization of the Afghan Presidential Elections.

### **APPROPRIATION FOR DIVIDEND**

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

### **Comments on Auditor's Report to the Member**

- a. The Contract Receivables of Rs.97.56 million are under the process of recovery from clients and the company's Management considers that these are fully realizable in foreseeable future.
- b. The Board ensures that the Gulf Housing (Pvt.) Limited is not a related party and the Land is sold back to Gulf Housing on the forced sale value of Rs.22.5 million due to the embryonic requirement of funds for the new project of Rs.400 million awarded by Housing Directorate at DHA-II, Islamabad



## **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 2014.
- ❖ Summary of key operating and financial data of last six years is annexed.
- ❖ The Pattern of shareholdings of the company as at 30 June 2014 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:

<b><u>Name of Director</u></b>	<b><u>Number of Meetings Attended</u></b>
Syed Wajid Hussain Bukhari	4
Brig (Retd) Mushtaq Ali Khan	4
Mr. A. Karim Khan	4
Mr. Mushtaq Ahmed Khan-FCA	4
Mr. Khalid Kuli Khan Khattak	3
Mr. Hussain Kuli Khan Khattak	2
Muhammad Kuli Khan Khattak	2
Mr. Sikandar Kuli Khan	2

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

**Abstract under section 218(1) of the Companies ordinance 1984**

During the financial year ended 30<sup>th</sup> June 2013 the Board of Directors in their meeting held on 28<sup>th</sup> April 2013 had approved the amendment in terms of Brig (R ) Mushtaq Ali Khan as Chief Executive with effect from May 2013. Information has already been circulated to shareholders under section 218(3) of the Companies Ordinance 1984.

<b><u>Name</u></b>	<b><u>Designation</u></b>		<b><u>Monthly Salary (Including Utilities)</u></b>
Brig (R ) Mushtaq Ali Khan	C.E.O	Gross	125,000/-
		Income Tax	6,458/-
		Net of Tax	<u>118,542/-</u>

**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.

**ACKNOWLEDGMENT**

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

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

For and on behalf of the Board of Directors



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

## **CODE OF CONDUCT**

### **INTRODUCTION.**

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

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

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

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

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

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

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

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

### **DEFINITION AND INTERPRETATION.**

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

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

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

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

### **CORPORATE RESPONSIBILITY.**

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

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

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

### **COMPOSITION OF THE BOARD**

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

### **LEGAL/COMPLIANCE OBLIGATIONS**

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

### **INTEGRITY & HONESTY**

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

### **CONFIDENTIALITY**

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

### **CORPORATE RECORDS**

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

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

### **CONFLICT OF INTEREST**

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

### **UNAUTHORIZED USE OF CORPORATE ASSETS**

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

### **RESPECT FOR PEOPLE & TEAM WORK**

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

### **SAFETY AND HEALTH**

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

### **DEDICATION TO QUALITY**

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

### **CORPORATE IMAGE**

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

### **STAKEHOLDERS**

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

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

#### **COMPLIANCE OF LAW.**

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

#### **DIRECTORSHIPS**

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

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

#### **PREVENTION OF INSIDER TRADING**

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

#### **CORPORATE DISCLOSURE PRACTICES**

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

#### **AUDIT FUNCTION**

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

#### **RELATED PARTY TRANSACTIONS**

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

#### **PROTECTION OF ASSETS**

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

#### **AMENDMENTS TO THE CODE**

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

**PLACEMENTS OF THE CODE ON WEBSITE**

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

**FINANCIAL REPORTING**

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

**CONSEQUENCES OF NON-COMPLIANCE OF THIS CODE**

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

**ACKNOWLEDGEMENT OF RECEIPT OF THE CODE**

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

**PATTERN OF SHAREHOLDING**


1 CUIIN (Incorporation Number) 0 0 0 0 1 1 7

2 Name of Company **GAMMON PAKISTAN LIMITED**

3 Pattern of holding of the shares held by the shareholders 3 0 0 6 2 0 1 4

<b>4. No. of Shareholders</b>	<b>Shareholdings</b>	<b>Total Share held</b>
1272	Shareholding from 1 to 100 shares	53,164
499	Shareholding from 101 to 500 shares	125,705
153	Shareholding from 501 to 1000 shares	120,917
175	Shareholding from 1001 to 5000 shares	419,531
39	Shareholding from 5001 to 10000 shares	295,403
13	Shareholding from 10001 to 15000 shares	163,304
12	Shareholding from 15001 to 20000 shares	209,736
7	Shareholding from 20001 to 25000 shares	162,734
8	Shareholding from 25001 to 30000 shares	216,698
3	Shareholding from 30001 to 35000 shares	100,146
2	Shareholding from 35001 to 40000 shares	76,533
3	Shareholding from 40001 to 45000 shares	121,668
4	Shareholding from 45001 to 50000 shares	195,533
2	Shareholding from 55001 to 60000 shares	116,378
2	Shareholding from 60001 to 65000 shares	122,932
2	Shareholding from 70001 to 75000 shares	144,000
2	Shareholding from 75001 to 80000 shares	156,535
3	Shareholding from 80001 to 85000 shares	245,877
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 320001 to 325000 shares	323,803
1	Shareholding from 765001 to 770000 shares	768,215
1	Shareholding from 3365001 to 3370000 shares	3,368,044
1	Shareholding from 20350001 to 20400000 shares	20,369,056
<b>2209</b>	<b>TOTAL</b>	<b>28,266,231</b>



<b>5. Categories of Shareholders</b>		<b>Share held</b>	<b>Percentage %</b>
5.1	Directors, CEO, & their spouses/minor children	95,855	0.34
5.2	Associated Companies/ Joint Stock Companies undertakings and related parties	20,374,195	72.08
5.3	Investmetn Corporation of Pakistan	11,450	0.04
5.4	Banks, DFIs, NBFIs, Modarabas, etc	6,201	0.02
5.5	Insurance Company	60	0.00
5.6	Share holders holding 10 % Bibojee Services (Pvt) Ltd Ahmed Kuli Khan Khattak	20,369,056	72.06
		3,368,044	11.92
5.7	General Public a. Local b. Foreign	7,571,283	26.79
		207,187	0.73
6	Signature of Chief Executive / Company Secretary		
7	Name of Signatory	<b>AMIN UR RASHEED</b>	
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 4	

*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 PAR M/S BIBOJEE SERVICES (PVT) LIMITED	20,369,056
2 DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN: SYED WAJID HUSSAIN BUKHARI MR. MUSHTAQ AHMED KHAN-FCA MR. A. KARIM KHAN *MR. KHALID KULI KHAN KHATTAK *MR. HUSSAIN KULI KHAN KHATTAK *MUHAMMAD KULI KHAN KHATTAK *MR. SIKANDAR KULI KHAN KHATTAK	62,685 2,500 30,670 - - - -
<b>* Directors on behalf of Bibojee Services (Pvt) Limited</b>	
3 EXECUTIVES	NIL
4 JOINT STOCK COMPANIES	20,374,195
5 N..I.T. & I.C.P M/S INVESTMENT CORPORATION OF PAKISTAN KARACHI INVESTMENT TRUST LIMITED	11,450
6 BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	6,201
7 INSURANCE COMPANY	60
8 FOREIGN SHAREHOLDERS	207,187
9 GENERAL PUBLIC AND OTHER SHAREHOLDERS	7,571,283
10 SHAREHOLDERS HOLDING 10% OR MORE: M/S BIBOJEE SERVICES (PVT) LIMIETD MR. AHMED KULI KHAN KHATTAK	20,369,056 3,368,044

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

Name of Company **GAMMON PAKISTAN LIMITED**

Year Ended: **30-06-2014**

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. A. Karim Khan
	iii)	Mr. Sikandar Kuli Khan Khattak
Executive Directors	iv)	Brig (Retd) Mushtaq Ali Khan
Non - Executive Directors	v)	Mr. Mushtaq Ahmed Khan-FCA
	vi)	Mr. Khalid Kuli Khan Khattak
	vii)	Mr. Hussain Kuli Khan Khattak
	viii)	Muhammad Kuli Khan Khattak

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

The last elections of Directors was held on 27 October, 2011 and the next elections are 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 them is member of a 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 within 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 is being 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 corporate requirement of the company and are exempted from the directors training program under rule CCG.B23:168
10. 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an audit committee. It comprises three members, of which two are non-executive directors including the chairman of the committee. The Chairman Audit Committee is an Independent Director and will be changed in next elections which are due to be held on October 27, 2014.
15. 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.

16. The Board has formed an HR and Remuneration Committee. It comprises 3 members, of which two are non-Executive Directors including the Chairman of the Committee.
17. 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.
18. 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.
19. 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.
20. 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.
21. Material/price sensitive information is disseminated to all market participants at once through stock exchanges.
22. We confirm that all other material principles contained in the CCG have been complied with.



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



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

We have reviewed the Statement of Compliance with the best practices (“the Statement”) contained in the Code of Corporate Governance for the year ended June 30, 2014 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.
- We have also not been provided sufficient and appropriate explanations or Board of Directors resolution evidencing the basis for selling the Company’s investment property at Gulf Housing (Private) Limited at a price below its fair value detailed in note 35 in the financial statements.
- We have not been provided sufficient and appropriate audit evidence that Gulf Housing (Private) Limited is not a related party and nor did management provide any evidence that the transaction (note 35 in the financial statements) was placed before the audit committee as required below.

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, 2014.

We draw your attention to clause 14 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: **25-09-2014**

  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer  




## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gammon Pakistan Limited ("the Company") as at June 30, 2014 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 approximately Rs. 97.568 million which have been outstanding for the past three years. 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. We have not been furnished sufficient and appropriate evidence to support management's assertion that Gulf Housing (Private) Limited is not a related party. We have also not been provided sufficient and appropriate explanations or Board of Directors resolution evidencing the basis for entering into this transaction at a price below the fair value detailed in note 35 in the financial statements.

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 except for the changes as stated in note 5.11 with which we concur;





- (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, 2014 and of the profit, its comprehensive income, 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 27.2(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.

ISLAMABAD

DATED: 25-09-2014

  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer  


**GAMMON PAKISTAN LIMITED**  
**BALANCE SHEET AS AT JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees Restated	2012 Rupees Restated
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment				
Operating fixed assets	6	74,962,310	77,056,192	211,290,520
Investment property	7	227,994,334	226,068,434	91,219,100
Long term investments	8	2,231,302	1,975,564	1,114,235
Long term security deposits	9	6,497,900	5,777,975	2,484,115
		<u>311,685,846</u>	<u>310,878,165</u>	<u>306,107,970</u>
<b>CURRENT ASSETS</b>				
Stores, spares and loose tools	10	35,221,620	15,105,729	12,894,568
Contract receivables	11	180,667,801	163,913,045	165,021,778
Cost and estimated earnings in excess of billings	12	37,202,432	609,064	2,020,683
Loans and advances	13	24,363,802	33,273,735	62,361,979
Other receivables	14	622,500	997,500	1,673,100
Short term prepayments	15	4,160,003	824,512	1,466,266
Tax refunds due from Government	16	32,022,593	29,438,355	26,337,240
Taxation - net	17	11,823,193	2,584,238	2,363,777
Cash and bank balances	18	27,171,141	13,856,337	27,203,557
		<u>353,255,085</u>	<u>260,602,515</u>	<u>301,342,948</u>
Non-current assets classified as held for sale	19	-	35,874,000	-
<b>TOTAL ASSETS</b>		<u><u>664,940,931</u></u>	<u><u>607,354,680</u></u>	<u><u>607,450,918</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital	20	282,662,310	282,662,310	282,662,310
Share premium reserve		15,380,330	15,380,330	15,380,330
Accumulated loss		(99,568,366)	(104,901,247)	(88,500,293)
		<u>198,474,274</u>	<u>193,141,393</u>	<u>209,542,347</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>	21	226,954,682	228,018,304	193,862,970
<b>NON-CURRENT LIABILITIES</b>				
Deferred liability	22	7,102,865	7,698,353	6,744,296
Deferred taxation	23	11,304,227	12,371,171	8,019,420
		<u>18,407,092</u>	<u>20,069,524</u>	<u>14,763,716</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	24	167,346,147	122,018,942	135,646,432
Billings in excess of cost and estimated earnings	12	6,522,558	5,395,485	16,094,450
Joint venture partner's advances	25	30,059,542	30,059,542	30,059,542
Material received from customers / secured advances	26	17,176,636	8,651,490	7,481,461
		<u>221,104,883</u>	<u>166,125,459</u>	<u>189,281,885</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	27	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>664,940,931</u></u>	<u><u>607,354,680</u></u>	<u><u>607,450,918</u></u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**GAMMON PAKISTAN LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees Restated
Contract income	28	320,762,027	59,909,912
Contract expenditure	29	<u>276,355,202</u>	<u>56,257,474</u>
Net contract profit		44,406,825	3,652,438
Operating expenses			
General and administrative expenses	30	43,534,671	39,536,047
Other operating expenses	31	<u>647,800</u>	<u>350,000</u>
		44,182,471	39,886,047
Other income	32	<u>11,984,018</u>	<u>16,788,243</u>
Operating profit / (loss)		12,208,372	(19,445,366)
Finance cost	33	64,553	61,831
Fair value gain on investment property	34	-	101,834
Loss on sale of investment property	35	13,374,000	-
Allocation of loss to joint venture partners - net		<u>7,186,173</u>	<u>68,065</u>
Profit / (loss) before taxation		5,955,992	(19,337,298)
Taxation	36	<u>(2,852,536)</u>	<u>785,002</u>
Profit / (loss) after taxation		<u><u>3,103,456</u></u>	<u><u>(18,552,296)</u></u>
Earning / (loss) per share - basic and diluted (Rupees)	37	<u><u>0.11</u></u>	<u><u>(0.65)</u></u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

**GAMMON PAKISTAN LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2014**

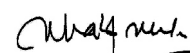
	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b> <b>Restated</b>
Profit / (loss) after taxation	3,103,456	(18,552,296)
Remeasurement of defined benefit liability - net of tax	823,251	165,200
Total comprehensive income / (loss) for the year	<u>3,926,707</u>	<u>(18,387,096)</u>

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 50 form an integral part of these financial statements.



**CHIEF EXECUTIVE**



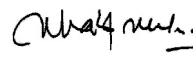
**DIRECTOR**

**GAMMON PAKISTAN LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) before working capital changes	39	37,552,752	(4,784,763)
Changes in working capital:			
Decrease / (increase) in current assets			
Stores, spares and loose tools		(19,746,331)	(2,211,161)
Contract receivables		(35,770,129)	1,108,733
Cost and estimated earnings in excess of billings		(36,593,368)	1,411,619
Loans and advances		4,809,958	12,181,369
Other receivables		627,608	675,600
Short term prepayments		(3,335,491)	641,754
Long term security deposits		(719,925)	(3,293,860)
Increase / (decrease) in current liabilities			
Trade and other payables		53,171,381	(5,288,343)
Billings in excess of cost and estimated earnings		1,127,073	(10,698,965)
Material received from customers / secured advances		8,525,146	1,170,029
		(27,904,078)	(4,303,225)
Cash generated from / (used in) operations		9,648,674	(9,087,988)
Financial charges paid		(64,553)	61,831
Income tax paid		(15,400,121)	(3,559,738)
Gratuity paid		(890,986)	-
		(16,355,660)	(3,497,907)
Net cash used in operating activities		(6,706,986)	(12,585,895)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(672,310)	(261,325)
Installation of bill board		(1,925,900)	-
Sales proceeds of fixed asset		120,000	-
Sales proceeds of investment property		22,500,000	-
Purchase of Defense Saving Certificate		-	(500,000)
Net cash generated from / (used in) investing activities		20,021,790	(761,325)
Net increase / (decrease) in cash and cash equivalents		13,314,804	(13,347,220)
Cash and cash equivalents at the beginning of the year		13,856,337	27,203,557
Cash and cash equivalents at the end of the year		27,171,141	13,856,337

The annexed notes from 1 to 50 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, 2014**

	Issued, subscribed and paid-up capital	Share premium reserve	Accumulated loss	Total
	----- Rupees -----			
Balance as at July 01, 2012 as reported	282,662,310	15,380,330	(90,504,962)	207,537,678
Effect of change in accounting policy (note 5.11)	-	-	2,004,669	2,004,669
Balance as at July 01, 2012 (Restated)	<u>282,662,310</u>	<u>15,380,330</u>	<u>(88,500,293)</u>	<u>209,542,347</u>
Total comprehensive loss for the year (Restated)	-	-	(18,387,096)	(18,387,096)
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	-	-	1,692,923	1,692,923
Upon disposal of revalued operating fixed asset	-	-	293,219	293,219
Balance as at June 30, 2013 (Restated)	<u>282,662,310</u>	<u>15,380,330</u>	<u>(104,901,247)</u>	<u>193,141,393</u>
Total comprehensive income for the year	-	-	3,926,707	3,926,707
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	-	-	1,338,586	1,338,586
Upon disposal of revalued operating fixed asset	-	-	67,588	67,588
Balance as at June 30, 2014	<u>282,662,310</u>	<u>15,380,330</u>	<u>(99,568,366)</u>	<u>198,474,274</u>

Note

The annexed notes from 1 to 50 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, 2014**

**1 STATUS AND NATURE OF BUSINESS**

The Company was incorporated under the Companies Act, 1913 (now the Companies Ordinance, 1984) on August 12, 1947 as a Public Company Limited by shares. Its 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 CHANGE IN ACCOUNTING ESTIMATE**

3.1 During the year Company revised its future estimated cost to complete the MTC contract due to an increase in input prices. The effect of this change has been recognized prospectively in the financial statements. Had there been no change in accounting estimate the revenue, cost and estimated earnings in excess of billings and profit for the year would have been increased by Rs. 1,405,494.

3.2 During the year Company revised its future estimated cost to complete the Dhalkot contract which was previously sub-contracted; The Company has terminated the sub-contractor's agreement and will now complete the work on its own. The effect of this change has been recognized prospectively in the financial statements. Had there been no change in accounting estimate, the revenue and profit for the year would have been decrease by Rs. 647,700 while the billing in excess of cost and estimated earnings would have been higher by the same amount.

#### **4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**

##### **4.1 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:

		<b>Effective date (annual periods beginning on or after)</b>
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
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 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013
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
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013



		<b>Effective date (annual periods beginning on or after)</b>
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
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

#### **4.2 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:

IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014

		<b>Effective date (annual periods beginning on or after)</b>
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management	July 01, 2014
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 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	January 01, 2018
IAS 41	Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

#### **4.3 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:

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9 Financial Instruments	January 01, 2018
IFRS 14 Consolidated Financial Statements	January 01, 2016
IFRS 15 Joint Arrangements	January 01, 2017
IFRIC 21 Disclosure of Interests in Other Entities	January 01, 2014

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.

## **5 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.

### **5.1 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 6, were revalued in previous 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 was 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 capitalized 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.

## **5.2 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.

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

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

Rental income from investment property is accounted for as described in note 5.16.

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

## **5.4 Held-to-maturity investments**

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

## **5.5 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.

#### **5.6 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.

#### **5.7 Loans and advances**

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

#### **5.8 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.

#### **5.9 Non current assets – held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amounts are expected to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount immediately prior to their classification as held for sale and fair value less cost to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any gain or loss arising from the sale of these assets are reported in other operating income.

#### **5.10 Borrowings and borrowing costs**

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

#### **5.11 Change in accounting policy**

##### **Staff retirement benefits - gratuity**

In accordance with IAS 19 (revised) - "Employee Benefits" (effective for annual period beginning on or after January 1, 2013), the Company has changed its accounting policy for recognition of the actuarial / remeasurement gains and losses on employees' retirement benefit plans. The remeasurement gains / losses as per actuarial valuation done at financial year end will now be recognized immediately in other comprehensive income. Previously, these gains / losses in excess of the corridor limit were recognized in profit and loss account over the remaining service life of the employees.

The change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated. The effect on comparative figures of all prior period presented is as follows:

	Cumulative effect up to June 30, 2013	Effect for the year ended June 30, 2013	Cumulative effect up to July 01, 2012
----- ( Rupees ) -----			
<b>Balance sheet</b>			
Increase in net profit	2,004,669	-	2,004,669
Decrease in net profit	193,555	193,555	
Decrease in deferred liabilities	-	-	-
Decrease in staff retirement benefits - gratuity	3,980,983	1,976,314	2,004,669
<b>Profit and loss account</b>			
Increase in profit after taxation	2,004,669	-	2,004,669
Decrease in profit after taxation	193,555	193,555	-
De-recognition of actuarial gains / (losses) on retirement benefit plans net of tax	2,198,224	193,555	2,004,669
<b>Statement of comprehensive income</b>			
Increase due to recognition of actuarial gains / (losses) on retirement benefit plans net of tax	2,169,869	165,200	2,004,669

#### **5.12 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.

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

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

#### **5.14 Dividend and appropriation to reserves**

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

#### **5.15 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 one percent of turnover and corporate tax as per section 113c, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

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

## **Deferred**

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

### **5.16 Revenue recognition**

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

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

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

Interest income is also recognized on 'accrual basis'.

### **5.17 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.



## **5.18 Financial instruments**

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized 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.

## **5.19 Off-setting of financial assets and liabilities**

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

## **5.20 Provision**

Provisions are recognized 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.

## **5.21 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.

#### **5.22 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 46 to these financial statements.

#### **5.23 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.

#### **5.24 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.

#### **5.25 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.

#### **5.26 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 22.

**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.

## 6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Rupees							Total
	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixtures	Computers and accessories	Motor vehicles, cycles and boats	Construction equipments	
Net carrying value basis								
year ended June 30, 2014								
Opening net book value (NBV)	52,264,665	4,602,911	10,270,685	921,036	843,491	6,900,858	1,252,546	77,056,192
Additions (at cost)	-	-	596,210	-	31,000	45,100	-	672,310
Disposal at NBV	-	-	-	-	-	(175,952)	-	(175,952)
Depreciation charge	-	(115,094)	(1,187,614)	(103,947)	(104,120)	(891,583)	(187,882)	(2,590,240)
<b>Closing net book value</b>	<b>52,264,665</b>	<b>4,487,817</b>	<b>9,679,281</b>	<b>817,089</b>	<b>770,371</b>	<b>5,878,423</b>	<b>1,064,664</b>	<b>74,962,310</b>
Gross carrying value basis								
year ended June 30, 2014								
Cost/revalue	52,264,665	4,603,762	10,890,610	921,036	874,491	6,770,006	1,252,546	77,577,116
Accumulated depreciation	-	(115,945)	(1,211,329)	(103,947)	(104,120)	(891,583)	(187,882)	(2,614,806)
<b>Net book value</b>	<b>52,264,665</b>	<b>4,487,817</b>	<b>9,679,281</b>	<b>817,089</b>	<b>770,371</b>	<b>5,878,423</b>	<b>1,064,664</b>	<b>74,962,310</b>
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)
<b>Closing net book value</b>	<b>52,264,665</b>	<b>4,602,911</b>	<b>10,270,685</b>	<b>921,036</b>	<b>843,491</b>	<b>6,900,858</b>	<b>1,252,546</b>	<b>77,056,192</b>
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)
Accumulated depreciation	-	4,603,762	10,294,400	921,036	843,491	6,900,858	1,252,546	77,080,758
Revaluation adjustments	-	(6,250,985)	(25,006,869)	(1,286,791)	(1,139,706)	(13,898,520)	(5,426,926)	(53,009,797)
<b>Net book value</b>	<b>52,264,665</b>	<b>4,602,911</b>	<b>10,270,685</b>	<b>921,036</b>	<b>843,491</b>	<b>6,900,858</b>	<b>1,252,546</b>	<b>77,056,192</b>
		(851)	(23,715)	-	-	-	-	(24,566)
<b>Depreciation rate % per annum</b>	-	2.5 to 2.8	6 to 30	9 to 18	12 to 15	9 to 18	6 to 24	

6.1 Had the operating fixed assets of the Company have been carried at original cost, their written down value would have approximately been Rs.7,784 million as at 30 June, 2014 (2013: Rs. 7,075 million).

6.2 Plant and machinery includes capital spares amounting to Nil (2013: Rs. 197,625 (written down value Rs. 173,910)).

6.3 Depreciation for the year has been allocated as follows.

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
Contract expenditure	29	1,375,496	1,316,081
General and administrative expenses	30	1,214,744	2,423,323
		<u>2,590,240</u>	<u>3,739,404</u>

6.4 In previous year, Hyderabad land had been revalued which had resulted in impairment loss amounting to Rs. 8,694 million. Further, in the previous year, launches and trollies and gestener duplication model were retired due to being irreparable and amounted to Rs. 1.647 million and Rs. 0.003 million respectively.

	Note	2014 Rupees	2013 Rupees Restated
<b>7 INVESTMENT PROPERTY</b>			
Rural land	7.2	55,446,934	55,446,934
Residential plots		-	-
Gammon House - land and building	7.3	172,547,400	170,621,500
		<u>227,994,334</u>	<u>226,068,434</u>

7.1 The movement in this account is as follows:

Opening balance		226,068,434	91,219,100
Additions / transferred from owner-occupied		1,925,900	170,621,500
Transferred to non current assets classified as held for sale	19.1	-	(35,874,000)
		<u>227,994,334</u>	<u>225,966,600</u>
Net fair value gain on revaluation shown in "Profit and loss account"		-	101,834
		<u>227,994,334</u>	<u>226,068,434</u>

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

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

During the current year management purchased and installed two billboard atop Gammon House which have been treated as additions to investment properties.

7.4 The Company, as at June 30, 2014, revalued all of its investment property. The revaluation exercise was carried out by Ideal Group of Consultants, Larkana and the revaluation resulted in no adjustment to fair value.

	Note	2014 Rupees	2013 Rupees
<b>8 LONG TERM INVESTMENTS</b>			
<b>Held to maturity</b>			
Defense savings certificates	8.1	1,000,000	1,000,000
Accrued interest		1,231,302	975,564
		<u>2,231,302</u>	<u>1,975,564</u>

- 8.1 This represents two certificates having face value of Rs. 500,000 each, having a maturity period of 10 years i.e. February 2017 and March 2023 respectively, carrying markup (effective rate) at 18.08 % (2013: 18.08%) per annum. The Company has deposited these certificates as a security, one is pledged in favor of Director of Works and Chief Engineer, Pakistan 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.

	Note	2014 Rupees	2013 Rupees
<b>9 LONG TERM SECURITY DEPOSITS</b>			
<b>Deposits with:</b>			
EFU General Insurance Limited	9.1	5,447,810	5,447,810
WAPDA		5,000	5,000
Tender money deposit		752,900	-
Others	9.2	292,190	325,165
		<u>6,497,900</u>	<u>5,777,975</u>
9.1 This comprises of amounts as follows:			
Maritime Technologies Complex		2,153,950	2,153,950
Dhalkot Bridge		618,269	618,269
Call deposit receipt		2,675,591	2,675,591
		<u>5,447,810</u>	<u>5,447,810</u>
9.2 This comprises of amounts as follows:			
WAPDA		25,600	35,600
Main power division		100,000	100,000
Sui Northern Gas Limited		45,690	45,690
Sindh High Court		120,000	120,000
Telephone revenue department		900	2,185
Mobilink Motorola Lahore		-	5,000
Pakistan Telecommunication Limited		-	11,690
Paktel		-	5,000
		<u>292,190</u>	<u>325,165</u>
<b>10 STORES, SPARES AND LOOSE TOOLS</b>			
Consumable materials		14,804,456	3,027,971
Stores	10.1	19,016,257	10,282,797
Spares		621,024	651,623
Loose tools		21,141	23,101
Other stocks		758,742	1,120,237
		<u>35,221,620</u>	<u>15,105,729</u>

- 10.1 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.

<b>11 CONTRACT RECEIVABLES</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Owned			
Unsecured - considered good			
Against billings			
- work-in-progress		43,909,331	7,502,670
- completed contracts		55,428,612	55,428,612
		<u>99,337,943</u>	<u>62,931,282</u>
Less: provision for doubtful receivables	11.1	<u>(21,038,986)</u>	<u>(2,023,613)</u>
		78,298,957	60,907,669
Against retention money			
- work-in-progress		30,264,811	17,773,432
- completed contracts		39,887,241	53,015,152
		<u>70,152,052</u>	<u>70,788,584</u>
Joint venture			
- work-in-progress		17,054,553	17,054,553
- completed contracts		15,162,239	15,162,239
		<u>32,216,792</u>	<u>32,216,792</u>
		<u>180,667,801</u>	<u>163,913,045</u>

11.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of progress billings and retention monies which are not likely to be received due to various reasons. Similarly during the year, management carried out the same exercise and provision amounting to Rs. 19.015 million (2013: Rs. 2.023 million) was set up against receivables whose recovery has been deemed doubtful.

<b>12 COST AND ESTIMATED EARNINGS ON INCOMPLETED PROJECTS</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Included in accompanying balance sheets under the following captions:			
Cost and estimated earnings in excess of billings on incomPLETED projects		37,202,432	609,064
Billings in excess of cost and estimated earnings on incomPLETED projects		(6,522,558)	(5,395,485)
	12.1	<u>30,679,874</u>	<u>(4,786,421)</u>
12.1 This comprises of amounts as follows:			
Cost incurred on incomPLETED projects		488,255,216	182,177,606
Estimated earnings		69,174,796	8,609,304
		<u>557,430,012</u>	<u>190,786,910</u>
Less: billings to date		<u>(526,750,138)</u>	<u>(195,573,331)</u>
		<u>30,679,874</u>	<u>(4,786,421)</u>



<b>13 LOANS AND ADVANCES</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Unsecured - considered good			
To employees / project managers		1,392,361	567,366
To suppliers and contractors		17,134,837	13,001,319
To sub-contractors		5,836,604	19,705,050
		<u>24,363,802</u>	<u>33,273,735</u>
Doubtful advances		10,046,477	10,046,477
		<u>34,410,279</u>	<u>43,320,212</u>
Less: provision for doubtful advances	13.1	(10,046,477)	(10,046,477)
		<u>24,363,802</u>	<u>33,273,735</u>
Due from joint venture partners		932,586	932,586
Less: provision against doubtful advance	13.1	(932,586)	(932,586)
		<u>-</u>	<u>-</u>
		<u>24,363,802</u>	<u>33,273,735</u>

**13.1 Movement in provision for doubtful advances is as follows:**

Opening balance		10,979,063	932,586
Charge for the year	13.2	-	10,046,477
Closing balance		<u>10,979,063</u>	<u>10,979,063</u>

13.2 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of advances to staff and suppliers, which are not likely to be received due to various reasons. Accordingly, during the year, balances aggregating Rs. 4.099 million (2013: Rs. 6.860 million) have been written off and further, provision amounting to Nil (2013: Rs. 10.046 million) has also been recorded. The Company's Board of Directors, in their meeting approved to write-off these balances.

<b>14 OTHER RECEIVABLES</b>	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Unsecured			
Considered good			
Due from associated undertakings	14.1	622,500	947,500
Other receivables		-	50,000
		<u>622,500</u>	<u>997,500</u>
14.1 This comprises of amounts receivable from:			
Gandhara Nissan Limited		372,500	622,500
Gandhara Industries Limited		250,000	250,000
Universal Company Insurance Limited		-	75,000
	14.2	<u>622,500</u>	<u>947,500</u>

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

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

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Not past due	-	-
Past due by 1 - 30 days	-	75,000
Past due by 30 - 90 days	622,500	250,000
Above 90 days	-	622,500
	<u>622,500</u>	<u>947,500</u>

14.4 The maximum amount due from related parties at the end of any month during the year was Rs. 0.620 million (2013: Rs. 2.572 million).

	<b>2014</b>	<b>2013</b>
<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>15 SHORT TERM PREPAYMENTS</b>		
Prepaid insurance	274,301	824,512
Letter of credit	15.1 <u>3,885,702</u>	<u>-</u>
	<u>4,160,003</u>	<u>824,512</u>

15.1 The Company has obtained a letter of credit on June 20, 2014 to import chemicals from Wuhan Ujoin Building Material Technology Co. Limited in China.

	<b>2014</b>	<b>2013</b>
<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>16 TAX REFUNDS DUE FROM GOVERNMENT</b>		
Considered good		
Income tax	<u>32,022,593</u>	<u>29,438,355</u>

**17 TAXATION - NET**

Advance income tax	15,400,121	3,559,738
Less: Provision for taxation	36 <u>3,576,928</u>	<u>975,500</u>
	<u>11,823,193</u>	<u>2,584,238</u>

**18 CASH AND BANK BALANCES**

Cash in hand	888,162	589,804
Cash at bank:		
- current accounts	12,347,254	4,843,336
- PLS accounts	9,865,963	4,353,435
- deposit accounts	18.1 <u>4,069,762</u>	<u>4,069,762</u>
	<u>26,282,979</u>	<u>13,266,533</u>
	<u>27,171,141</u>	<u>13,856,337</u>

18.1 The entire balance as at June 30, 2014 was under a bank's lien (2013: balance amounting Rs. 4.069 million was under a bank's lien).

18.2 PLS and deposit accounts, during the current financial year, carried profit at the rates ranging from 5% to 8.35% (2013: 5% to 8.35%) per annum.

	<b>2014 Rupees</b>	<b>2013 Rupees Restated</b>
<b>19 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Opening balance	35,874,000	-
Transferred from investment property	-	35,874,000
Carrying value of residential plots sold during the year	(35,874,000)	-
	<u>-</u>	<u>35,874,000</u>

19.1 As at June 30, 2013 management classified investment property at Gulf Housing (Private) Ltd. as held for sale because the sale was highly probable and the asset was immediately available for sale. During the current year, the said property was sold for Rs. 22.5 million resulting in a loss of Rs. 13.374 million as fully explained in note 35.

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
<b>20 SHARE CAPITAL</b>			
<b>Issued, subscribed and paid up capital</b>			
<b>Number of ordinary shares of Rs.10/- each</b>			
<b>2014</b>			<b>2013</b>
22,627,320			22,627,320
2,562,845			2,562,845
3,076,066			3,076,066
<u>28,266,231</u>	20.1	<u>30,760,660</u>	<u>30,760,660</u>
		<u>282,662,310</u>	<u>282,662,310</u>

	Note	2014 Rupees	2013 Rupees
<b>20.1 This includes shares held by related parties as follows:</b>			
Bibojee Services (Private) Limited - Parent Company 20,369,056 (2013: 20,369,056) ordinary shares of Rs 10 each	20.2	203,690,560	203,690,560
Directors and their spouses / minor children 95,855 (2013: 4,015,111) ordinary shares of Rs 10 each		958,550	40,151,110
Joint stock companies 5,139 (2013: 150,290) ordinary shares of Rs 10 each		51,390	1,502,900
		<u>204,700,500</u>	<u>245,344,570</u>

20.2 The parent company Bibojee Services (Private) Limited held 72.06% shares (2013: 72.06% shares) in Gammon Pakistan Limited as at June 30, 2014.

**20.3 Authorized share capital:**

This represents 30,000,000 (2013: 30,000,000) ordinary shares of Rs. 10 each amounting to Rs. 300,000,000 (2013: Rs. 300,000,000).

	Note	2014 Rupees	2013 Rupees
<b>21 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
Balance brought forward		240,389,475	201,882,390
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		1,338,586	1,692,923
Realized on disposal of revalued assets - net of deferred tax		67,588	293,219
Related deferred tax liability during the year transferred to profit and loss account		724,392	1,023,164
		<u>2,130,566</u>	<u>3,009,306</u>
	21.1	238,258,909	240,389,475

		<b>2014</b>	<b>2013</b>
		<b>Rupees</b>	<b>Rupees</b>
Add:	Related deferred tax effect :		
	Opening balance - as previously reported	12,371,171	8,019,420
	Effect of change in rate	(342,552)	(393,952)
	Revaluation during the year	-	5,768,867
Less:	Incremental depreciation charged during the year transferred to profit and loss account	(724,392)	(1,023,164)
		<u>11,304,227</u>	<u>12,371,171</u>
		<u>226,954,682</u>	<u>228,018,304</u>

21.1 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:

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>Rupees</b>	<b>Rupees</b>
March 31, 1977	21.2	1,208,708	1,208,708
July 01, 1992	21.3	15,126,034	15,126,034
June 30, 2006	21.4	90,659,260	91,468,875
March 30, 2008	21.5	5,637,026	5,637,026
June 30, 2009	21.6	84,665,938	85,432,942
June 20, 2013 and June 30, 2013	21.7	40,961,943	41,515,890
		<u>238,258,909</u>	<u>240,389,475</u>

21.2 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 value.

21.3 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.

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

21.5 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.

21.6 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 latest 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.

- 21.7 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 other assets.
- 21.8 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.
- 21.9 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b>
Freehold land	120,988	120,988
Buildings on freehold land	2,367,376	2,367,376
Plant and machinery	3,016,373	2,420,163
Furniture and fixture	269,844	269,844
Computers and accessories	208,067	177,067
Motor vehicles, cycles and boats	1,402,766	1,533,618
Construction equipments	399,160	399,160

	<b>Note</b>	<b>2014</b> <b>Rupees</b>	<b>2013</b> <b>Rupees</b> <b>Restated</b>
<b>22 DEFERRED LIABILITY</b>			
Provision for gratuity	22.3	7,102,865	7,698,353

### 22.1 General description

The scheme provides for terminal benefits for all its permanent employees whose period of service exceeds six months. Employees are entitled to gratuity on the basis of one gross salary for each completed one year of service after the minimum qualifying period. Annual charge is based on actuarial valuation carried out as at June 30, 2014 using Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

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

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

## 22.2 Principal actuarial assumptions

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

Discount rate per annum(%)	13.25%	10.50%
Expected rate of increase in salary per annum (%)	12.25%	9.50%
Average expected remaining working life time of employees (years)	7 years	9 years

<b>2014</b>	<b>2013</b>
<b>Rupees</b>	<b>Rupees</b>
	<b>Restated</b>

## 22.3 Reconciliation of amount recognized in the balance sheet

Present value of obligation	5,561,965	5,591,467
Benefits due but not paid	1,540,900	2,106,886
Liability recognized in balance sheet	<u>7,102,865</u>	<u>7,698,353</u>

## 22.4 Movement in net liability recognized

Opening net liability	5,591,467	4,563,910
Opening benefits due but not paid	2,106,886	2,180,386
Current service cost for the year	578,422	614,020
Interest cost for the year	540,327	593,308
Benefit payments made by the Company during the period	(890,986)	(88,071)
Benefits due but not paid during the year	(1,540,900)	(2,106,886)
Actuarial loss / (gain) on PVDBO	(823,251)	(165,200)
Liability at the end of the year	<u>5,561,965</u>	<u>5,591,467</u>

## 22.5 Charge for the year

Current service cost	578,422	614,020
Interest cost	540,327	593,308
	<u>1,118,749</u>	<u>1,207,328</u>

## 22.6 Movement in liability recognized in the balance sheet

Opening liability	7,698,353	6,744,296
Expenses for the year	1,118,749	1,207,328
Remeasurement gain	(823,251)	(165,200)
Benefit payments made by the Company during the period	(890,986)	(88,071)
Closing liability	<u>7,102,865</u>	<u>7,698,353</u>

## 22.7 Comparison of five years

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

	2014	2013	2012	2011	2010
		Restated	Restated	Restated	Restated
	----- Rupees -----				
Present value of defined benefit obligation	<u>5,561,965</u>	<u>5,591,467</u>	<u>4,563,910</u>	<u>5,264,964</u>	<u>4,040,061</u>
Experience adjustment on obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,586,520)</u>

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

## 22.9 Sensitivity analysis

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

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	5,336,456	5,823,629
Salary increase	5,823,629	5,332,694

22.10 The charge in respect of defined benefit plan for the year ending June 30, 2015 is estimated to be Rs. 1,400,539. Further the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

## 23 DEFERRED TAXATION

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

	Note	2014 Rupees	2013 Rupees
Deferred taxation			
Surplus on revaluation of fixed assets	21	<u>11,304,227</u>	<u>12,371,171</u>
Tax rate used		<u>33%</u>	<u>34%</u>

23.1 Net deferred tax asset of Rs. 15.689 million debit (2013: Rs. 17.843 million debit) due to brought forward losses and provision for doubtful loans and advances and accelerated depreciation has not been recognized in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. This comprises as follows:



	Note	2014 Rupees	2013 Rupees Restated
<b>Net deferred tax asset</b>			
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation allowance		30,138,474	43,210,338
<b>Deferred tax assets</b>			
Provision for doubtful receivables		(6,942,865)	(688,028)
Tax losses carried forward		(21,743,734)	(42,675,069)
Provision for doubtful loans and advances		(3,623,091)	(3,732,881)
Provision for overseas loans		(11,590,425)	(11,941,650)
Provision for gratuity		(369,187)	(410,492)
Other provisions		(1,558,673)	(1,605,905)
		<u>(15,689,501)</u>	<u>(17,843,687)</u>
<b>24 TRADE AND OTHER PAYABLES</b>			
Sundry creditors	24.1	40,288,000	12,603,469
Advance rent	24.2	3,362,081	3,279,000
Due to sub-contractors		46,332,107	32,765,883
Accrued expenses	24.3	24,042,359	10,752,284
Due to customers		294,327	732,249
Due to employees and others	24.4	11,951,288	14,216,271
Taxes payable		410,684	116,112
Unclaimed dividends		1,442,230	1,442,230
Workers' profit participation fund		297,800	-
Joint venture partners' share of profit		3,802,771	10,988,944
Other provisions	24.5	35,122,500	35,122,500
		<u>167,346,147</u>	<u>122,018,942</u>

24.1 This includes an amount of Rs. 18,992 (2013: Nil) due to The General Tyre and Rubber Company of Pakistan Limited (an Associated Company).

24.2 This includes amounts due to Associated Companies aggregating Rs. 25,000 (2013: Rs.375,000).

24.3 This includes an amount of Rs. 23,553 (2013: Rs. 23,553) due to The Universal Insurance Company Limited. (an Associated Company).

24.4 This balance includes amounts aggregating Rs. 3.396 million (2013: 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. During the year, the Company opened a separate bank account and transferred the entire amount into it.

Furthermore, subsequently amount aggregating to Rs. 0.835 million has been paid to members of the Fund.

- 24.5 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 27.2 of these financial statements).

## 25 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.

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>26 MATERIALS RECEIVED FROM CUSTOMERS / SECURED ADVANCES</b>		
Secured - against		
Dhalkot bridge	8,038,369	287,437
Thalair bridge	6,531,122	6,531,122
M.T.C project	2,607,145	1,832,931
	<u>17,176,636</u>	<u>8,651,490</u>

## 27 CONTINGENCIES AND COMMITMENTS

### 27.1 Contingent assets

The Company had lodged a claim with National Highway Authority amounting Rs. 201.177 million against (2013: 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.

### 27.2 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 favor in both the above cases; however, the Company is contesting both the cases on legal grounds.

On December 15, 2008, the Banking Judge of the Sindh High Court, Karachi held that execution application was within time. Arguments on the execution application have been submitted on 28 January, 2011 and 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) Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

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

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would amount to Rs. 264,958.

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

### **27.3 Commitments**

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

- (a) Guarantees issued by a commercial bank and insurance companies in respect of financial and operational obligations of the Company to various institutions and corporate bodies, aggregate Rs. 91.207 million (2013: Rs. 91.207 million).
- (b) Capital commitments against construction work in progress amounting to Rs. 70.384 million (2013: Rs. 78.510 million).

	Note	2014 Rupees	2013 Rupees
<b>28 CONTRACT INCOME</b>			
Opening work-in-progress		(2,491,615,579)	(2,431,705,667)
Closing work-in-progress		2,812,377,606	2,491,615,579
	28.1	<u>320,762,027</u>	<u>59,909,912</u>

Contract income stated above may be classified as follows:

- own projects		<u>320,762,027</u>	<u>59,909,912</u>
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28.1 Revenue includes an amount of Rs. 6.552 million (2013: Rs. 15.317 million) in respect of Projects in Azad Jammu Kashmir.

	Note	2014 Rupees	2013 Rupees
<b>29 CONTRACT EXPENDITURE</b>			
Materials		162,305,319	10,810,265
Salaries and wages		64,898,094	14,853,668
Sub-contracts and joint ventures		17,205,662	18,680,979
Maintenance and hiring of plants		4,263,176	1,724,870
Project insurance		733,546	634,240
Cartage, traveling and conveyance		890,620	438,412
Site auxiliary works and temporary hutting		272,275	443,000
Electricity		457,066	133,823
Depreciation	6.3	1,375,496	1,316,081
Petrol, oil and lubricants		20,928,771	5,978,772
Sundry expenses		3,025,177	1,243,364
		<u>276,355,202</u>	<u>56,257,474</u>

29.1 Contract expenditure includes an amount of Rs. 16.565 million (2013: Rs. 16.083 million) in respect of Projects in Azad Jammu Kashmir.

	Note	2014 Rupees	2013 Rupees Restated
<b>30 GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits		11,076,090	10,499,133
Staff retirement benefits - gratuity		1,118,749	1,207,328
Repair and maintenance		571,804	1,011,918
Rent, rates and taxes		1,230,376	866,599
Telephone and fax		310,270	290,377
Advertisement and publicity		30,976	46,160
Legal charges		458,530	932,770
Power and electricity		596,722	399,927
Traveling and conveyance		1,225,469	1,118,258
Insurance		-	7,515
Works in view		183,047	80,914
Stores and spares written off		369,560	-
Provision for doubtful contract receivables	30.1	19,015,373	-
Provision for doubtful loans and advances	30.1	-	10,046,477
Loans and advances written-off	30.1	4,099,975	6,860,398
Loss on disposal of operating fixed assets		55,952	1,651,140
Depreciation	6.3	1,214,744	2,423,323
Other sundry expenses		1,977,034	2,093,810
		43,534,671	39,536,047

30.1 The management, in previous 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, during the year, balances aggregating Rs. 4.099 million (2013: Rs. 6.860 million) have been written off and further, provision amounting to Rs. 19.015 million (2013: Rs. 10.046 million) has also been recorded.

	Note	2014 Rupees	2013 Rupees
<b>31 OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund		297,800	-
Auditors' remuneration	31.1	350,000	350,000
		647,800	350,000

31.1 This comprises of amounts as follows:

Statutory audit		250,000	250,000
Half yearly review		100,000	100,000
		350,000	350,000

	Note	2014 Rupees	2013 Rupees
<b>32 OTHER INCOME</b>			
Income from financial assets			
Profit on deposit and PLS accounts		648,658	958,254
Accrued interest on Defense Savings Certificates		356,480	361,329
Income from non-financial assets			
Rental income on investment property		9,426,591	7,109,507
Scrap sales		3,300	-
Forfeited gratuity		515,986	42,000
Trade and other payables written back	32.1	1,033,003	8,317,153
		<u>11,984,018</u>	<u>16,788,243</u>

32.1 Management, in the previous 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, during the year, balances aggregating Rs. 1.033 million (2013: Rs. 8.317) million have been written off. The Company's Board of Directors, in their meeting approved to write-off these balances.

	2014 Rupees	2013 Rupees
<b>33 FINANCE COST</b>		
Bank charges	<u>64,553</u>	<u>61,831</u>

#### **34 FAIR VALUE GAIN ON INVESTMENT PROPERTY**

The Company, as at June 30, 2014, revalued all of its investment property. The revaluation exercise was carried out by Ideal Group of Consultants, Larkana and the revaluation resulted in no adjustment to fair value.

#### **35 LOSS ON SALE OF INVESTMENT PROPERTY**

During the year, a property classified as held for disposal was sold to Gulf Housing (Private) Limited at an amount of Rs. 22.5 million. The property was classified as investment property and in accordance with the requirements of IAS 40 "Investment Property" and as per the stated accounting policy of the Company, the asset was recorded at fair value amounting to Rs. 35.874 million based on report of the valuer, Ideal Group of Consultants, dated June 30, 2013. However, the Company, vide sale agreement dated July 3, 2014, agreed to dispose off the property for an amount of Rs. 22.5 million, which represents a transaction price below fair value as determined on June 30, 2013. The property is disposed at a price below fair value because of liquidity constraints of the Company. Accordingly, loss amounting to Rs. 13.374 million has been recorded during the year as loss on disposal of the investment property.

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>36 TAXATION</b>		
Current	3,576,928	975,500
Prior year	-	(737,338)
	<u>3,576,928</u>	<u>238,162</u>
Deferred tax	(724,392)	(1,023,164)
	<u><u>2,852,536</u></u>	<u><u>(785,002)</u></u>

36.1 Income tax assessments of the Company have been completed upto the Tax Year 2013; the return for the said year has not been taken-up for audit till 30 June, 2014.

36.2 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.

### **37 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED**

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

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Profit / (loss) after taxation	<u>3,103,456</u>	<u>(18,358,761)</u>
	<b>Number of shares</b>	
Weighted average number of ordinary shares at the end of the year	<u>28,266,231</u>	<u>28,266,231</u>
	<b>Rupees</b>	
Earning / (loss) per share	<u>0.11</u>	<u>(0.65)</u>

### **38 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 40 whereas other significant transactions with related parties are disclosed here.

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Gandhara Nissan Limited</b>		
Rental income	1,500,000	1,500,000
Rentals received during the year	(1,500,000)	(2,250,000)
<b>Gandhara Industries Limited</b>		
Rental income	1,500,000	1,500,000
Rentals received during the year	(1,750,000)	(1,500,000)

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>The Universal Insurance Company Limited</b>		
Rental income	900,000	75,000
Rentals received during the year	(975,000)	-
Insurance expense	-	7,515
<b>Bannu Woollen Mills Limited</b>		
Rental income	810,000	-
Rentals received during the year	(810,000)	-

The status of outstanding balances of related parties as at June 30, 2014 are included in "Other receivables" (note 14) and "trade and other payables" (note 24).

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
		<b>Restated</b>
<b>39 PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES</b>		
Profit / (loss) before taxation	5,955,992	(19,337,298)
Adjustment for:		
Depreciation	2,590,240	3,739,404
Loss on disposal of fixed assets	55,952	1,651,140
Staff retirement benefits - gratuity	1,118,749	1,207,328
Provision for doubtful loans and advances	-	10,046,477
Provision for doubtful contract receivable	19,015,373	-
Loans and advance written-off	4,099,975	6,860,398
Stores and spares written off	369,560	-
Loss on the sale of investment property	13,374,000	-
Allocation of loss to joint venture - net	(7,186,173)	(68,065)
Profit on defense saving certificates	(356,480)	(361,329)
Fair value gain on investment property	-	(101,834)
Forfeited gratuity	(515,986)	(42,000)
Trade and other payable written off	(1,033,003)	(8,317,153)
Finance cost	64,553	(61,831)
	<u>31,596,760</u>	<u>14,552,535</u>
Profit / (loss) before working capital changes	<u>37,552,752</u>	<u>(4,784,763)</u>



**40 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:

	2014			2013				
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	840,000	-	1,404,000	2,244,000	140,000	-	1,960,000	2,100,000
House rent	378,000	-	441,000	819,000	63,000	-	882,000	945,000
Staff retirement benefits	125,000	-	-	125,000	20,833	-	104,167	125,000
Medical	84,000	-	140,400	224,400	14,000	-	196,000	210,000
Utilities	84,000	-	174,000	258,000	14,000	-	196,000	210,000
Others	114,000	-	300,600	414,600	19,000	-	236,000	255,000
<b>Total</b>	<b>1,625,000</b>	<b>-</b>	<b>2,460,000</b>	<b>4,085,000</b>	<b>270,833</b>	<b>-</b>	<b>3,574,167</b>	<b>3,845,000</b>
<b>Number of persons</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>10</b>

- 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.

#### 41 FINANCIAL ASSETS AND LIABILITIES

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

	2014				Not interest / mark up bearing
	Interest/mark up bearing		Sub-total		
	Maturity upto one year	Maturity after one year			
Total					
<b>Financial assets</b>					
<b>Loans and receivables at amortized cost</b>					
Long term investments	2,231,302	-	2,231,302	2,231,302	-
Long term security deposits	6,497,900	-	-	-	6,497,900
Contract receivables	180,667,801	-	-	-	180,667,801
Loans and advances	24,363,802	-	-	-	24,363,802
Other receivables	622,500	-	-	-	622,500
Cost and estimated earnings in excess of billings	37,202,432	-	-	-	37,202,432
Cash and bank balances	27,171,141	9,865,963	-	9,865,963	17,305,178
	278,756,878	9,865,963	2,231,302	12,097,265	266,659,613
<b>Financial liabilities</b>					
<b>Financial liabilities carried at amortized cost</b>					
Trade and other payables	167,346,147	-	-	-	167,346,147
Deferred liability	7,102,865	-	-	-	7,102,865
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Billings in excess of cost and estimated earnings	6,522,558	-	-	-	6,522,558
Material received from customers / secured advances	17,176,636	-	-	-	17,176,636
	(228,207,748)	-	-	-	(228,207,748)
<b>On balance sheet gap</b>	50,549,130	9,865,963	2,231,302	12,097,265	38,451,865
<b>Off Balance sheet Items</b>					
Financial contingencies:	-	-	-	-	-
	-	-	-	-	-
<b>Total Gap</b>	50,549,130	9,865,963	2,231,302	12,097,265	38,451,865

2013

	Interest/mark up bearing			Not interest / mark up bearing
	Maturity upto one year	Maturity after one year	Sub-total	
<b>Total</b>				
<b>Financial assets</b>				
<b>Loans and receivables at amortized cost</b>				
Long 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	1,975,564	6,328,999	214,074,221
<b>Financial liabilities</b>				
<b>Financial liabilities carried at amortized cost</b>				
Trade and other payables	122,018,942	-	-	122,018,942
Deferred liability	7,102,865	-	-	7,102,865
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
	(173,228,324)	-	-	(173,228,324)
<b>On balance sheet gap</b>	47,174,896	4,353,435	1,975,564	40,845,897
<b>Off Balance sheet Items</b>				
Financial contingencies:	-	-	-	-
	-	-	-	-
<b>Total Gap</b>	47,174,896	4,353,435	1,975,564	40,845,897

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

## 42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 42.1 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.

### 42.2 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. 307.655 million (2013: Rs 230.840 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	<b>2014</b>	<b>2013</b>
	<b>Rupees</b>	<b>Rupees</b>
Long term security deposits	6,497,900	5,777,975
Contract receivables	201,706,787	165,936,658
Loans and advances	35,342,865	44,252,798
Other receivables	622,500	997,500
Cost and estimated earnings in excess of billings	37,202,432	609,064
Bank balances	26,282,979	13,266,533
	<u>307,655,463</u>	<u>230,840,528</u>

#### The aging of contract receivables at the reporting date is:

Not past due	38,780,219	9,359,415
Past due 1-30 days	791,100	2,102,038
Past due 30-90 days	13,546,067	5,885,804
Past due 90 days	148,589,401	148,589,401
	<u>201,706,787</u>	<u>165,936,658</u>

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

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

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

### 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 receivables amounting to Rs. 4.099 million (2013: Rs. 6.860 million) have been written off and provision has been created against receivables amounting to Rs. 19.015 million (2013: Rs. 10.046 million).

## 42.3 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							
<b>2014</b>							
Trade and other payables	167,346,147	167,346,147	167,346,147	-	-	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings customers / secured advances	6,522,558	6,522,558	-	6,522,558	-	-	-
	17,176,636	17,176,636	17,176,636	-	-	-	-
	221,104,883	221,104,883	184,522,783	36,582,100	-	-	-

	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						
<b>2013</b>							
Trade and other payables	122,018,942	122,018,942	122,018,942	-	-	-	-
Joint venture partner's advance	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	-	-	-

#### 42.4 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 27.2 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, 2014 can be evaluated from the schedule given in note 41 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.

#### 43 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.

#### 44 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.

#### 45 JOINT VENTURES

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

45.2 Gammon Pakistan Limited (GPL) project of Blue Area Underpass, Islamabad was secured through a joint venture with Matracon Pakistan (Private) Limited. (MPL) named as Gammon Matracon Joint Venture. The estimated value of the project is Rs. 359 million. GPL, during the financial year ended 30 June, 2007, had an agreement with MPL of sharing 2% of fixed percentage of the project billing to the Joint Venture Partner and the total project would be controlled by GPL itself. The consideration agreed between AIV and GPL was 25% share in profits earned by the said project after deducting share of MPL. Separate books of account are being maintained and results have been merged in the financial statements of GPL as per policy stated in note 5.23.

45.3 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 25).

45.4 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.

#### 46 INFORMATION ABOUT BUSINESS SEGMENTS

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

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

The Company has three (2013: three) customers having contract income of 10% or more during the year.

#### 47 NUMBER OF EMPLOYEES

The Company has following number of employees as at June 30, 2014 and average during the year.

	No of employees			
	June 30, 2014	June 30, 2013	Average 2014	Average 2013
No. of employees	37	40	39	41

#### 48 CORRECTION OF ERROR

In the previous year, management disclosed the investment in residential plots as investment property under IAS 40 (Investment Property). However, it should have been disclosed as a non current asset held for sale as it met the recognition criterion of IFRS 5 (Non Current Assets Held For Sale and Discontinued Operations) because the sale was highly probable and the asset was available for sale. 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 year is tabulated below:

	Amount Rupees
<i>Effect on year ended June 30, 2013:</i>	
<i>Balance Sheet:</i>	
Decrease in investment property	35,874,000
Increase in non-current assets classified as held for sale	35,874,000

There is no impact to profit and loss account as the property was measured at fair value as at June 30, 2013 which meets the requirements of IAS 40.



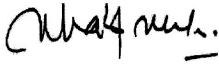
**49 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on **25-09-2014** by the Board of Directors of the Company.

**50 GENERAL**

Figures have been rounded off to the nearest of rupee.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

## SUMMARY OF KEY OPERATING AND FINANCIAL DATA

### PROFIT AND LOSS ACCOUNT

		2009	2010	2011	2012	2013	2014
					Restated		
Contract Income	Rupees in million	255.363	46.466	46.877	54.553	59.910	<b>320.762</b>
Net Contract Profit/ loss	Rupees in million	24.811	(24.204)	3.156	3.131	3.652	<b>44.406</b>

### BALANCE SHEET

Shareholders equity (excluding  
Surplus on revaluation of  
fixed assets)

Operating fixed assets

Current assets

Current liabilities

Cash and Cash equivalents  
at year end

Shareholders equity (excluding Surplus on revaluation of fixed assets)	Rupees in million	252.066	222.229	217.734	209.542	193.141	<b>198.474</b>
Operating fixed assets	Rupees in million	226.046	220.544	215.476	211.291	77.056	<b>74.962</b>
Current assets	Rupees in million	391.268	348.561	304.427	301.343	260.603	<b>353.255</b>
Current liabilities	Rupees in million	240.676	225.416	182.437	189.282	166.125	<b>221.104</b>
Cash and Cash equivalents at year end	Rupees in million	72.551	37.540	33.422	27.203	13.856	<b>27.171</b>