BIBOJEE GROUP

69th ANNUAL REPORT 2016

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
Fazal-ur-Rehman Barki	Independent 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
Mohammad Salah-ud-din-FCA

Audit Committee

Fazal-ur-Rehman Barki	Chairman
Mr. A. Karim Khan	Member
Mr. Khalid Kuli Khan Khattak	Member
Mr. Sikandar Kuli Khan Khattak	Member

HR Committee

Mr. Khalid Kuli Khan Khatak	Chairman
Mohammad Salah-ud-din-FCA	Member
Mr. A. Karim Khan	Member

Company Secretary
Mr. Amin ur Rasheed

Chief Financial Officer
Mr. Rashid Kamal Baig

Internal Auditor
Mr. Nadeem Ahmed

M/s BDO Ebrahim & Co.
Chartered Accountants
Islamabad

Legal Advisor Advocates
Chanda Law Associates
Rawalpindi

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

ANNUAL REPORT
JUNE 30, 2016

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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 69th Annual General Meeting of Gammon Pakistan Limited (the Company) will be held at Gammon House, 400/2, Peshawar Road, Rawalpindi on Saturday 29th October, 2016 at 11:00 A.M. to transact the following business.

ORDINARY BUSINESS

1 To confirm minutes of the 68th Annual General Meeting held on 27th October, 2015

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended, 30th June 2016 together with the Director's and Auditors' reports thereon.

3. To appoint Auditors of the Company for the year to be ending on 30th June 2017 and to fix their remuneration.

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

BY ORDER OF THE BOARD

AMIN UR RASHEED
COMPANY SECRETARY

Rawalpindi
Dated: 8 October 2016

NOTES:

BOOK CLOSURE:

The share transfer books of the Company will be closed from 15th October, 2016 to 21st October, 2016, both days inclusive. Transfer of shares received at our Share Registration office i.e. Management Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi at the close of business on 16th October, 2016 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.

DIRECTOR'S REPORT

On behalf of the Board of Directors, it is pleasure to welcome you on the 69th Annual General Meeting of the Company and present the Company's Audited Financial Statements for the year ended June 30, 2016.

FINANCIAL RESULTS:

The Company's financial performance during the year is given below;-

	June 30, 2016 (Rupees)	June 30 2015 (Rupees)
Contract Income	**495,088,441**	**344,643,336**
Contract Expenditure	**(461,559,102)**	**(321,420,613)**
Operating Profit	**33,529,339**	**23,222,723**
Profit before taxation	**28,641,967**	**9,512,211**
Taxation	**(7,207,919)**	**(5,403,385)**
Profit after taxation	**21,434,048**	**4,108,826**

The Management of your Company has performed good with an increase of Rs.150 million in revenue and in profit (after tax) of Rs.17 million as compared to the same period last year. The major increase is due to fast track construction work on newly acquired project of Mixing Plant Building at Karachi, which contributed an amount of Rs.341.28 million to contract income during the period under review.

OPERATING PERFORMANCE

It is encouraging to mention that about 95% of the total work has been completed on the project of mixing plant Building. Works under PO-1 has successfully been completed whereas the work of PO-2 is expected to be completed by October 2016.

The project of Housing Directorate at DHA-2, Islamabad has contributed Rs.118 million during the year. Building of block no 4 was completed and handed over to the client whereas finishing works on block no.5 are on fina1 stages and expected that it will also be handed over to client by October 2016. Finishing work on block no.8 building is progressing satisfactorily and we foresee to hand over the same to our client by December 2016

Likewise bridge over Jhelum River at Dhalkot has also been completed successfully. Revenue booked from Dhalkot bridge during the year amounts to Rs.16.94 million. The project will be handed over to the department soon. Formal opening of bridge is expected to be done by Prime Minister of Azad Jammu Kashmir in the 1st week of October 2016.

A new project for the construction of small bridge worth Rs.24 million at Askari 14 Rawalpindi, was awarded to your Company and the work is progressing in full swing. Piling works and girder casting has been completed and we hope to complete the project in next three months. Revenue booked from this project is Rs.7.2 million during the period under review.
The work at the MTC CW0108 project at Fateh Jhang was stopped due to some technical disputes with client but now work has been re-started. The process of security clearance of our officials, laborers and contractors has almost been completed and work has resumed with full force. The Project has contributed Rs.11.82 million during the year which is expected to increase to 200 million in next period.
The work at MES building Rawalakot project is progressing satisfactorily and we are expecting to complete the remaining one building of cook house before December 31, 2016.

FUTURE PROSPECTS

The Management of your Company has formed a Joint Venture with Khyber Grace Company and Shaukat Khan Company, to negotiate the structural work from Frontier Works Organization(FWO). If we succeeded to get this project the Company will generate good revenues and profits for next two year.

Your Company is being under consideration for award of a multi story high rise building at Karachi by one of our associated Company.

Project of package 4A Airport Master system Integration (AMSI) at New Islamabad Airport was cancelled and rebidding by CAA is not announced yet.

Afte the completion of Dhalkot Bridge Project, the Company is likely to get new business opportunities in Azad Kashmir.

Efforts are still going on to acquire pipe line laying project as a subcontractor of Chinese Company.

The Management is focusing to meet the contractual obligations of defect liability period of the completed projects to get released the retention monies and bank guarantees from departments.

APPROPRIATION FOR DIVIDEND

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

COMMENTS ON AUDIT’S REPORT TO THE MEMBER

a. The Contract Receivables of Rs.60.82 million are under the process of recovery from clients and the Company’s Management considers that these are fully realizable in foreseeable future.

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 Pakistan Stock Exchange 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 Pakistan Stock Exchange 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 2016.
- Summary of key operating and financial data of last six years is annexed.
- The Pattern of shareholdings of the company as at 30 June 2016 is annexed.
- The board in compliance with the Code of Corporate Governance has established an audit committee comprising of three members.

BOARD MEETING AND ATTENDANCE BY EACH DIRECTOR

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

Name of Director	**Number of Meetings Attended**
Syed Wajid Hussain Bukhari	3
Mr. A. Karim Khan	4
Mr. Fazal ur Rehman Burki	4
Mr. Khalid Kuli Khan Khattak	4
Mr. Hussain Kuli Khan Khattak	3
Muhammad Kuli Khan Khattak	4
Mr. Sikandar Kuli Khan	4

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

APPOINTMENT OF AUDITORS

The Company's auditor M/s BDO Ebrahim & 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 Board of Director's

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

STAKEHOLDERS

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

COMPLIANCE OF LAW.

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

DIRECTORSHIPS

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

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

PREVENTION OF INSIDER TRADING

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

CORPORATE DISCLOSURE PRACTICES

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

AUDIT FUNCTION

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

RELATED PARTY TRANSATIONS

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

PROTECTION OF ASSETS

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

AMENDMENTS TO THE CODE

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

PLACEMENTS OF THE CODE ON WEBSITE

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

FINANCIAL REPORTING

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

CONSEQUENCES OF NON-COMPLIANCE OF THIS CODE

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

ACKNOWLEDGEMENT OF RECEIPT OF THE CODE

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

MOHAMMAD SALAH-UD-DIN-FCA
Chief Executive Officer

THE COMPANIES ORDINANCE 1984 **FORM 34**

(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1 CUIN (Incorporation Number) 0 0 0 0 1 1 7

2 Name of Company GAMMON PAKISTAN LIMITED

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

4. No. of Shareholders	Shareholdings	Total Share held
1387	Shareholding from 1 to 100 shares	56,574
517	Shareholding from 101 to 500 shares	137,000
161	Shareholding from 501 to 1000 shares	129,622
196	Shareholding from 1001 to 5000 shares	486,675
41	Shareholding from 5001 to 10000 shares	314,419
19	Shareholding from 10001 to 15000 shares	235,465
13	Shareholding from 15001 to 20000 shares	229,680
7	Shareholding from 20001 to 25000 shares	162,692
7	Shareholding from 25001 to 30000 shares	191,198
4	Shareholding from 30001 to 35000 shares	135,146
2	Shareholding from 35001 to 40000 shares	74,533
2	Shareholding from 40001 to 45000 shares	81,438
2	Shareholding from 45001 to 50000 shares	93,214
2	Shareholding from 55001 to 60000 shares	116,378
3	Shareholding from 60001 to 65000 shares	183,932
1	Shareholding from 75001 to 80000 shares	79,535
2	Shareholding from 80001 to 85000 shares	165,377
2	Shareholding from 85001 to 90000 shares	177,009
2	Shareholding from 90001 to 95000 shares	91,000
1	Shareholding from 95001 to 100000 shares	195,215
1	Shareholding from 110001 to 115000 shares	112,726
1	Shareholding from 145001 to 150000 shares	150,000
1	Shareholding from 320001 to 325000 shares	323,803
1	Shareholding from 605001 to 610000 shares	606,500
1	Shareholding from 3365001 to 3370000 shares	3,368,044
1	Shareholding from 20350001 to 20400000 shares	20,369,056
2377	TOTAL	28,266,231

5. Categories of Shareholders		Share held	Percentage %
5.1	Directors, CEO, & their spouses/minor children	206,181	0.73
5.2	Associated Companies/ Joint Stock Companies undertakings and related parties	20,369,556	72.06
5.3	Investmetn Corporation of Pakistan	11,450	0.04
5.4	Banks, DFIs, NBFIs, Modarabas, etc	53,800	0.19
5.5	Insurance Company	60	0.00
5.6	Share holders holding 10 %		
	Bibojee Services (Pvt) Ltd	20,369,056	72.06
	Ahmed Kuli Khan Khattak	3,368,044	11.92
5.7	General Public		
	a. Local	7,417,997	26.24
	b. Foreign	207,187	0.73

6	Signature of Chief Executive / Company Secretary	
7	Name of Signatory	**AMIN UR RASHEED**
8	Designation	Company Secretary
9	NIC Number	1 4 3 0 1 - 4 5 7 5 7 6 4 - 3
10	Date	3 0 0 6 2 0 1 6

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

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

	CATEGORIES OF SHAREHOLDERS	SHARE HELD
1	ASSOCIATED COMPANIES UNDERTAINGS & RELATED PARTIES:	
	M/S BIBOJEE SERVICES (PVT) LIMITED	20,369,056
2	DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN:	
	SYED WAJID HUSSAIN BUKHARI	62,685
	MUHAMMAD SALAHUDDIN	112,726
	MR. FAZAL UR REHMAN KHAN BURKI	100
	MR. A. KARIM KHAN	30,670
	*MR. KHALID KULI KHAN KHATTAK	-
	*MR. HUSSAIN KULI KHAN KHATTAK	-
	*MUHAMMAD KULI KHAN KHATTAK	-
	*MR. SIKANDAR KULI KHAN KHATTAK	-

*** Directors on behalf of Bibojee Services (Pvt) Limited**

3	EXECUTIVES	NIL
4	JOINT STOCK COMPANIES	20,369,556
5	N..I.T. & I.C.P	
	M/S INVESTMENT CORPORATION OF PAKISTAN	11,450
	KARACHI INVESTMENT TRUST LIMITED	
6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS	53,800
7	INSURANCE COMPANY	60
8	FOREIGN SHAREHOLDERS	207,187
9	GENERAL PUBLIC AND OTHER SHAREHOLDERS	7,417,997
10	SHAREHOLDERS HOLDING 10% OR MORE:	
	M/S BIBOJEE SERVICES (PVT) LIMTIED	20,369,056
	MR. AHMED KULI KHAN KHATTAK	3,368,044

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

Name of Company **GAMMON PAKISTAN LIMITED**
Year Ended: **30-06-2016**

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in listing regulations of Pakistan Stock Exchange 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)	Mr. Fazal ur Rehman Burki
Executive Directors	ii)	Mr.Muhammad Salah-ud-Din(FCA)
Non - Executive Directors	iii)	Syed Wajid Hussain Bukhari
	vi)	Mr. A. Karim Khan
	v)	Mr. Khalid Kuli Khan Khattak
	vi)	Mr. Hussain Kuli Khan Khattak
	vii)	Muhammad Kuli Khan Khattak
	viii)	Mr. Sikandar Kuli Khan Khattak

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
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. Casual vacancy occurred in BOD during the year ,has been filled according to the conditions as mentioned in CCG.
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 or Director Training certification and comply with corporate requirement of the company
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 four members, of which three are non-executive directors including the chairman of the committee. The Chairman Audit Committee meets the criteria as per clause (xxiv).
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 three members, of which two are non-Executive Directors.
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.

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

23. We confirm that all other material principles contained in the CCG have been complied with.

Mohammad Salah-ud-Din (FCA)
(Chief Executive Officer)

BDO

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Gammon Pakistan Limited** for the year ended June 30, 2016 to comply with the requirements of Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited (formally Karachi Stock Exchange Limited in which Lahore and Islamabad stock exchanges have merged), where the Company is listed.

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

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

Statutory records of the Company comprising of share transfer registers and share transfer deeds prior to January 01, 2001 are not available.

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

Based on our review, except for the aforesaid observation nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

ISLAMABAD

DATED: 29 Sep, 2016

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gammon Pakistan Limited ("the Company") as at June 30, 2016 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:

> Contract receivables include balances aggregating to approximately Rs. 60.828 million which have been outstanding for the past three years and against which no recovery is observed till date. Moreover, no recovery subsequent to the balance sheet was observed against these balances. However, no provision has been recorded in respect of this amount.

Except for the adjustment in respect of matter stated above;

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

(b) in our opinion:-

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

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

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

(c) except for the adjustment 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, 2016 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 25.2(a) to the financial statements whereby the National Bank of Pakistan has filed an execution applications for the decrees for amounts mentioned in the aforesaid note. The liability determined of the Company is contingent upon the judgment of these suits.

ISLAMABAD

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

DATED: 29 Sep, 2016

GAMMON PAKISTAN LIMITED
BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	129,562,607	99,654,042
Investment property	6	240,780,368	223,463,403
Long term investments	7	1,231,263	1,119,023
Long term security deposits	8	3,468,994	3,623,394
		375,043,232	327,859,862
CURRENT ASSETS			
Stores, spares and loose tools	9	38,507,903	49,682,029
Contract receivables	10	123,527,023	139,811,644
Cost and estimated earnings in excess of billings	11	52,205,636	53,819,433
Loans and advances	12	11,294,720	12,089,609
Other receivables	13	902,295	263,000
Short term prepayments	14	80,282	275,862
Tax refunds due from Government	15	58,738,297	43,845,786
Taxation - net	16	12,917,338	14,892,511
Cash and bank balances	17	38,358,351	17,516,430
		336,531,845	332,196,304
TOTAL ASSETS		711,575,077	660,056,166
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	18	282,662,310	282,662,310
Share premium reserve		15,380,330	15,380,330
Accumulated loss		(72,074,684)	(93,885,442)
		225,967,956	204,157,198
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	19	253,288,883	225,724,311
NON-CURRENT LIABILITIES			
Deferred liability	20	8,669,894	7,572,987
Deferred taxation	21	12,416,622	10,221,475
		21,086,516	17,794,462
CURRENT LIABILITIES			
Trade and other payables	22	180,026,726	164,855,613
Billings in excess of cost and estimated earnings	11	1,145,454	-
Joint venture partner's advances	23	30,059,542	30,059,542
Material received from customers / secured advances	24	-	17,465,040
		211,231,722	212,380,195
CONTINGENCIES AND COMMITMENTS	25	-	-
TOTAL EQUITY AND LIABILITIES		711,575,077	660,056,166

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Contract income	26	495,088,441	344,643,336
Contract expenditure	27	(461,559,102)	(321,420,613)
Net contract profit		33,529,339	23,222,723
Operating expenses			
General and administrative expenses	28	(42,666,032)	(50,003,060)
Other operating expenses	29	(424,597)	(1,025,534)
		(43,090,629)	(51,028,594)
Other income	30	21,430,706	14,889,758
Operating profit / (loss)		11,869,416	(12,916,113)
Finance cost	31	(580,414)	(614,704)
Fair value gain on investment property	32	17,316,965	22,998,278
Allocation of loss to joint venture partners - net		36,000	44,750
Profit before taxation		28,641,967	9,512,211
Taxation	33	(7,207,919)	(5,403,385)
Profit after taxation		21,434,048	4,108,826
Earnings per share - basic and diluted (Rupees)	34	0.76	0.15

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
Profit after taxation	21,434,048	4,108,826
Other comprehensive income:		
Item that will not be reclassified to profit or loss account:		
Remeasurement of defined benefit gratuity plan - net of tax	(944,246)	78,761
Total comprehensive income for the year	20,489,802	4,187,587

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 48 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

GAMMON PAKISTAN LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before working capital changes	36	25,115,589	19,050,731
Changes in working capital:			
Decrease / (increase) in current assets			
Stores, spares and loose tools		11,174,126	(14,460,409)
Contract receivables		4,373,640	11,272,174
Cost and estimated earnings in excess of billings		1,613,797	(16,617,001)
Loans and advances		(4,525,752)	12,248,410
Other receivables		(639,295)	359,500
Short term prepayments		195,580	3,884,141
Long term security deposits		154,400	2,874,506
Increase / (decrease) in current liabilities			
Trade and other payables		15,207,112	(157,597)
Billings in excess of cost and estimated earnings		1,145,454	(6,522,558)
Material received from customers / secured advances		(10,933,918)	288,404
		17,765,144	(6,830,430)
Cash generated from operations		42,880,733	12,220,301
Financial charges paid		580,414	(614,704)
Income tax paid		(20,718,730)	(20,973,002)
Gratuity paid		(814,201)	(584,306)
		(20,952,517)	(22,172,012)
Net cash generated from / (used in) operating activities		21,928,216	(9,951,711)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,086,295)	(203,000)
Sale of Defense Saving Certificate		-	500,000
Net cash (used in) / generated from investing activities		(1,086,295)	297,000
Net increase / (decrease) in cash and cash equivalents		20,841,921	(9,654,711)
Cash and cash equivalents at the beginning of the year		17,516,430	27,171,141
Cash and cash equivalents at the end of the year		38,358,351	17,516,430

The annexed notes from 1 to 48 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, 2016

	Note	Issued, subscribed and paid-up capital	Share premium reserve	Accumulated loss	Total
		------- Rupees -------			
Balance as at July 01, 2014 (Restated)		282,662,310	15,380,330	(99,644,044)	198,398,596
Total comprehensive income for the year		-	-	4,187,587	4,187,587
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	19	-	-	1,443,164	1,443,164
Upon disposal of revalued operating fixed asset	19	-	-	127,851	127,851
Balance as at June 30, 2015		282,662,310	15,380,330	(93,885,442)	204,157,198
Total comprehensive income for the year		-	-	20,489,802	20,489,802
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation-net of deferred tax	19	-	-	1,320,956	1,320,956
Balance as at June 30, 2016		282,662,310	15,380,330	(72,074,684)	225,967,956

The annexed notes from 1 to 48 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, 2016

1 STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount.

2.3 Functional and presentation currency

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

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

3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Company has adopted these accounting standards and interpretations which do not have significant impact on the Company's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

3.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

		Effective date (annual periods beginning on or after)
IAS 16	Property, Plant and Equipment - 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 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2016 are as follows:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Operations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

3.3 Standards or interpretations not yet effective

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

IFRS 1	Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

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

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

4 SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Operating fixed assets

These are stated at cost / revalued amount less accumulated depreciation and any identified impairment loss, if any, except for freehold land, which is stated at revalued amount. Depreciation is charged to profit and loss account on straight-line basis on the cost or valuation of all fixed assets from / to the date of acquisition / deletion, except for freehold land, to write-off ninety percent of the value over the useful life of the assets. The remaining ten percent is written-off on retirement is considered the residual value.

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

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.

4.2 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

4.3 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is 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 4.15.

When an item of property, plant and equipment is transferred to investment property following a change in its use and differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is 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.

4.4 Held-to-maturity investments

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

4.5 Stock of materials, stores, spares and loose tools

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

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

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

4.6 Receivables

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

4.7 Loans and advances

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

4.8 Cash and cash equivalents

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

4.9 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.

4.10 Borrowings and borrowing costs

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

4.11 Trade and other payables

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

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

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

4.13 Dividend and appropriation to reserves

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

4.14 Taxation

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

Current

Provision for current taxation is based on taxable income on current rates of taxation after taking into account the rebates and tax credits available, if any, or 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.

4.15 Revenue recognition

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

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

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

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

4.16 Foreign currency transactions

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

4.17 Financial instruments

Financial assets

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

Loans and receivables

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

Impairment

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

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

Financial liabilities

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

Recognition and measurement

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

Derecognition

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

4.18 Off-setting of financial assets and liabilities

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

4.19 Provisions

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.

4.20 Impairment

Non-financial assets

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

Financial assets

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

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

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

4.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information, as required by the approved accounting standard, is presented in note 43 to these financial statements.

4.22 Joint ventures

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

4.23 Earnings per share

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

4.24 Related party transactions

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

4.25 Significant accounting judgments and critical accounting estimates / assumptions

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

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

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

a) Staff retirement benefits - gratuity

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

b) Contract revenue and cost

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

c) Property, plant and equipment

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

d) Taxation

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

e) Provision for impairment against contract receivables

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

f) Stores and spares

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

5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Note	Freehold land	Buildings on freehold land	Plant and machinery	Furniture and fixtures	Computers and accessories	Motor vehicles, cycles and boats	Construction equipments	Total
		Rupees							
Year ended June 30, 2016									
Net carrying value basis									
Opening net book value (NBV)		76,766,769	7,248,472	8,318,742	698,993	744,868	4,999,416	876,782	99,654,042
Revaluation surplus		21,648,211	1,446,075	5,156,376	339,498	15,349	3,035,840	411,100	32,052,449
Revaluation surplus reversed		-	(174,125)	(36,631)	(12,507)	(155,037)	-	-	(378,300)
Impairment loss	5.1	-	-	(13,134)	(46)	(23,917)	-	-	(37,097)
Additions (at cost)		-	-	209,600	31,000	145,695	700,000	-	1,086,295
Depreciation charge	5.2	-	(190,772)	(1,233,452)	(102,938)	(124,482)	(975,256)	(187,882)	(2,814,782)
Closing net book value		98,414,980	8,329,650	12,401,501	954,000	602,476	7,760,000	1,100,000	129,562,607
Gross carrying value basis									
Cost/revalue		98,414,980	8,902,817	16,025,331	1,260,016	946,581	10,491,580	1,663,646	137,704,951
Revaluation adjustments		-	(573,167)	(3,623,830)	(306,016)	(344,105)	(2,731,580)	(563,646)	(8,142,344)
		98,414,980	8,329,650	12,401,501	954,000	602,476	7,760,000	1,100,000	129,562,607
Accumulated depreciation		-	(573,167)	(3,623,830)	(306,016)	(344,105)	(2,731,580)	(563,646)	(8,142,344)
Revaluation adjustments		-	573,167	3,623,830	306,016	344,105	2,731,580	563,646	8,142,344
		-	-	-	-	-	-	-	-
Net book value		98,414,980	8,329,650	12,401,501	954,000	602,476	7,760,000	1,100,000	129,562,607
Year ended June 30, 2015									
Net carrying value basis									
Opening net book value (NBV)		76,766,769	7,439,244	9,679,281	817,089	770,371	5,878,423	1,064,664	102,415,841
Additions (at cost)		-	-	102,000	11,000	90,000	-	-	203,000
Disposal at NBV	5.3	-	-	(243,552)	(26,594)	-	-	-	(270,146)
Depreciation charge		-	(190,772)	(1,218,987)	(102,502)	(115,503)	(879,007)	(187,882)	(2,694,653)
Closing net book value		76,766,769	7,248,472	8,318,742	698,993	744,868	4,999,416	876,782	99,654,042
Gross carrying value basis									
Cost/revalue		76,766,769	7,630,867	10,709,120	902,071	964,491	6,755,740	1,252,546	104,981,604
Accumulated depreciation		-	(382,395)	(2,390,378)	(203,078)	(219,623)	(1,756,324)	(375,764)	(5,327,562)
Net book value		76,766,769	7,248,472	8,318,742	698,993	744,868	4,999,416	876,782	99,654,042
Depreciation rate % per annum		-	2.5 to 2.8	6 to 30	9 to 18	12 to 15	9 to 18	6 to 24	

5.1 Impairment loss arise as a result of revaluation by M/s Impulse (Private) Limited on the basis of market value.

5.2 Depreciation for the year has been allocated as follows.

	Note	2016 Rupees	2015 Rupees
Contract expenditure	27	1,421,334	1,406,869
General and administrative expenses	28	1,393,448	1,287,784
		2,814,782	2,694,653

5.3 Deletion during the last year represented damage of fixed assets due to flood in Azad Jammu Kashmir and resulted in loss equal to the net book value of fixed assets.

	Note	2016 Rupees	2015 Rupees

6 INVESTMENT PROPERTY

	Note	2016 Rupees	2015 Rupees
Rural land	6.2	65,008,204	62,910,000
Gammon House - land and building	6.3	175,772,164	160,553,403
		240,780,368	223,463,403

6.1 The movement in this account is as follows:

	Note	2016 Rupees	2015 Rupees
Opening balance		223,463,403	200,465,125
Net fair value gain on revaluation shown in "Profit and loss account"	6.4	17,316,965	22,998,278
		240,780,368	223,463,403

6.2 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.

6.3 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.

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

6.4 The Company, as at June 30, 2016, revalued all of its investment property. The revaluation exercise was carried out by Impulse (Private) Limited and the revaluation resulted in Rs. 17.317 million net adjustment to fair value (2015: The revaluation exercise was carried out by W.W Engineering Services (Private) Limited and the revaluation resulted in Rs. 22.998 million adjustment to fair value).

7 LONG TERM INVESTMENTS

Held to maturity

	Note	2016 Rupees	2015 Rupees
Defense Savings Certificates	7.1	500,000	500,000
Accrued interest	7.2	731,263	619,023
		1,231,263	1,119,023

7.1 This represents one certificate (2015: one) having face value of Rs. 500,000, having a maturity period of 10 years i.e. February 2017 carrying markup (effective rate) at 10.03 % (2015: 10.08%) per annum. The Company has deposited the certificate as a security, and is pledged in favour of Director of Works and Chief Engineer, Pakistan Navy, Islamabad for provisional enlistment against construction of sailors' barracks at PNS Qasim, Manora, Karachi.

		Note	2016 Rupees	2015 Rupees
7.2	**Accrued interest**			
	Opening		619,023	1,231,302
	Add:			
	Accrued during the year		112,240	128,256
	Less:			
	Interest received on early encashment		-	65,000
	Reversal due to change in interest rate by issuing authority		-	675,535
			-	740,535
			731,263	619,023
8	**LONG TERM SECURITY DEPOSITS**			
	Deposits with:			
	EFU General Insurance Limited	8.1	2,772,219	2,772,219
	Tender money deposit		89,500	252,900
	Others	8.2	607,275	598,275
			3,468,994	3,623,394
8.1	This comprises of amounts as follows:			
	Maritime Technologies Complex		2,153,950	2,153,950
	Dhalkot Bridge		618,269	618,269
			2,772,219	2,772,219
8.2	This comprises of amounts as follows:			
	WAPDA		25,600	25,600
	Main power division		100,000	100,000
	Sui Northern Gas Limited		52,675	52,675
	Sindh High Court		120,000	120,000
	Al Emran International		300,000	300,000
	Masha Allah Estate		4,000	-
	Student Inn Boys Hostel		5,000	-
			607,275	598,275
9	**STORES, SPARES AND LOOSE TOOLS**			
	Consumable materials		13,482,032	24,820,038
	Stores	9.1	24,076,561	23,870,831
	Spares		609,105	621,024
	Loose tools		22,106	21,141
	Other stocks		318,099	348,995
			38,507,903	49,682,029

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

	Note	2016 Rupees	2015 Rupees
10 CONTRACT RECEIVABLES			
Owned			
Unsecured - considered good			
Against billings			
- work-in-progress		12,720,100	17,110,552
- completed contracts		55,236,179	55,407,240
		67,956,279	72,517,792
Provision for doubtful receivables	10.1	(38,205,855)	(38,205,855)
		29,750,424	34,311,937
Against retention money			
- work-in-progress		49,979,040	45,812,788
- completed contracts		32,173,881	39,887,241
		82,152,921	85,700,029
Provision for doubtful receivables	10.1	(12,417,114)	(12,417,114)
		69,735,807	73,282,915
Joint venture			
- against billings		17,054,553	17,054,553
- against retention money		15,162,239	15,162,239
		32,216,792	32,216,792
Provision for doubtful receivables	10.1	(8,176,000)	-
		24,040,792	32,216,792
		123,527,023	139,811,644

10.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of progress billings and retention monies which are not likely to be received due to various reasons. Similarly during the year, management carried out the same exercise and provision amounting to Rs. 8.176 million (2015: Rs. 29.583 million) was recorded against which recovery has been deemed doubtful. Accordingly, during the year, balances aggregating to 3.734 million (2015: Rs. nil) have been written-off.

	Note	2016 Rupees	2015 Rupees
11 COST AND ESTIMATED EARNINGS ON INCOMPLETED PROJECTS			
Under the following captions:			
Cost and estimated earnings in excess of billings on incompleted projects		52,205,636	53,819,433
Billings in excess of cost and estimated earnings on incompleted projects		(1,145,454)	-
	11.1	51,060,182	53,819,433

	Note	2016 Rupees	2015 Rupees
11.1 This comprises of amounts as follows:			
Cost incurred on incompleted projects		1,269,954,824	808,688,519
Estimated earnings		124,335,265	91,257,271
		1,394,290,089	899,945,790
Billings to date		(1,343,229,907)	(846,126,357)
		51,060,182	53,819,433

12 LOANS AND ADVANCES

	Note	2016 Rupees	2015 Rupees
Unsecured - considered good			
To employees / project managers		1,064,146	385,002
To suppliers		6,851,596	7,986,100
To sub-contractors		3,378,978	3,718,507
		11,294,720	12,089,609
Doubtful advances		15,015,727	10,046,477
		26,310,447	22,136,086
Provision for doubtful advances	12.1	(15,015,727)	(10,046,477)
		11,294,720	12,089,609
Due from joint venture partners		932,586	932,586
Provision against doubtful advance		(932,586)	(932,586)
		-	-
		11,294,720	12,089,609

12.1 Management, in the previous year, carried out an exercise to identify long outstanding receivable balances comprising of advances to staff and suppliers, which are not likely to be received due to various reasons. Similarly during the year, management carried out the same exercise and provision amounting to Rs. 4.969 million (2015: Rs. nil) was recorded against which recovery has been deemed doubtful. Accordingly, during the year, balances aggregating to 0.351 million (2015: Rs. 0.026 million) have been written-off.

13 OTHER RECEIVABLES

	2016 Rupees	2015 Rupees
Unsecured:		
- Considered good		
Other receivables	902,295	263,000

14 SHORT TERM PREPAYMENTS

	2016 Rupees	2015 Rupees
Prepaid insurance	80,282	275,862

	Note	2016 Rupees	2015 Rupees
15 TAX REFUNDS DUE FROM GOVERNMENT			
Considered good			
Income tax		58,738,297	43,845,786
16 TAXATION - NET			
Advance income tax		20,718,730	21,038,004
Provision for taxation	33	(7,801,392)	(6,145,493)
		12,917,338	14,892,511
17 CASH AND BANK BALANCES			
Cash in hand		324,703	160,794
Cash at bank: local currency			
- current accounts		177,606	2,803,540
- PLS accounts		33,786,099	10,482,153
- deposit accounts	17.1	4,069,943	4,069,943
		38,033,648	17,355,636
		38,358,351	17,516,430

17.1 The entire balance as at June 30, 2016 was under a bank's lien (2015: balance amounting Rs. 4.069 million was under a bank's lien).

17.2 PLS accounts, during the current financial year, carried profit at the rates ranging from 3% to 8.5% (2015: 5% to 8.35%) per annum.

18 SHARE CAPITAL

Issued, subscribed and paid up capital

Number of ordinary shares of Rs.10/- each 2016	2015		Note	2016 Rupees	2015 Rupees
22,627,320	22,627,320	Fully paid in cash		226,273,200	226,273,200
2,562,845	2,562,845	Issued as fully paid bonus shares		25,628,450	25,628,450
3,076,066	3,076,066	Issued against conversion of loans	18.1	30,760,660	30,760,660
28,266,231	28,266,231			282,662,310	282,662,310

	Note	2016 Rupees	2015 Rupees
18.1 This includes shares held by related parties as follows:			
Bibojee Services (Private) Limited - Parent Company 20,369,056 (2015: 20,369,056) ordinary shares of Rs 10 each	18.2	203,690,560	203,690,560
Directors and their spouses / minor children 206,181 (2015: 95,855) ordinary shares of Rs 10 each		2,061,810	958,550
		205,752,370	204,649,110

18.2 The parent company Bibojee Services (Private) Limited held 72.06% shares (2015: 72.06% shares) in Gammon Pakistan Limited as at June 30, 2016.

18.3 Authorized share capital:

This represents 30,000,000 (2015: 30,000,000) ordinary shares of Rs. 10/- each amounting to Rs. 300,000,000 (2015: Rs. 300,000,000).

	Note	2016 Rupees	2015 Rupees
19 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Balance brought forward		235,945,786	238,258,909
Add: Revaluations during the year		32,052,449	-
Less: Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax		1,320,956	1,443,164
Realized on disposal of revalued assets - net of deferred tax		-	127,851
Revaluation surplus reversed		378,301	-
Related deferred tax liability during the year transferred to profit and loss account		593,473	742,108
		2,292,730	2,313,123
	19.1	265,705,505	235,945,786
Less: Related deferred tax effect :			
Opening balance - as previously reported		10,221,475	11,304,227
Effect of change in rate		(319,421)	(340,644)
Revaluation during the year		3,225,314	-
Reversal during the year		(117,273)	-
Incremental depreciation charged during the year transferred to profit and loss		(593,473)	(742,108)
		12,416,622	10,221,475
		253,288,883	225,724,311

19.1 This represents surplus over book values resulted from revaluations of operating fixed assets based on fair value / market value estimated by independent valuers adjusted only by surplus realized on disposal of revalued assets and incremental depreciation arising out of revaluation and treated as per requirements of Sec. 235 of the Companies Ordinance 1984. Details of revaluation are as follows:

Independent valuers	Revaluation dates	Revaluations
M/s Impulse (Private) Limited	June 30, 2016	29,759,719
M/s Ideal Group of Consultant, Larkana	June 20, 2013 and June 30, 2013	40,834,092
M/s Engineering Pakistan International (Pvt.) Ltd.	June 30, 2009	82,480,666
M/s Hamid Mukhtar & Co.	March 30, 2008	5,637,026
Independent valuer	June 30, 2006	90,659,260
Independent valuer	July 01, 1992	15,126,034
Independent valuer	March 31, 1977	1,208,708
		265,705,505

19.2 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.

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

	Note	2016 Rupees	2015 Rupees
Freehold land		120,988	120,988
Buildings on freehold land		2,309,139	2,367,376
Plant and machinery		2,901,992	3,118,373
Furniture and fixture		271,928	280,844
Computers and accessories		384,298	298,067
Motor vehicles, cycles and boats		1,787,351	1,402,766
Construction equipments		328,908	399,160

20 DEFERRED LIABILITY

	Note	2016 Rupees	2015 Rupees
Provision for gratuity	20.3	8,669,894	7,572,987

20.1 General description

The scheme provides for terminal benefits for all its permanent employees whose period of service exceeds six months. Employees are entitled to gratuity on the basis of one gross salary for each completed one year of service after the minimum qualifying period. Annual charge is based on actuarial valuation carried out as at June 30, 2016 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.

	2016	2015
20.2 Principal actuarial assumptions		
Following are a few important actuarial assumptions used in the valuation:		
Discount rate per annum	7.25%	9.50%
Expected rate of increase in salary per annum	6.25%	8.50%
Average expected remaining working life time of employees	8 years	7 years

	2016 Rupees	2015 Rupees
20.3 Reconciliation of amount recognized in the balance sheet		
Present value of obligation	5,040,201	4,743,493
Benefits due but not paid	3,629,693	2,829,494
Liability recognized in balance sheet	8,669,894	7,572,987
20.4 Movement in net liability recognized		
Opening net liability	4,743,493	5,561,965
Opening benefits due but not paid	2,829,494	1,540,900
Current service cost for the year	554,905	434,939
Interest cost for the year	411,957	698,250
Benefit paid during the period	(814,201)	(584,306)
Benefits due but not paid during the year	(3,629,693)	(2,829,494)
Actuarial loss / (gain) on PVDBO	944,246	(78,761)
Liability at the end of the year	5,040,201	4,743,493
20.5 Charge for the year		
Current service cost	554,905	434,939
Interest cost	411,957	698,250
	966,862	1,133,189

20.6 Movement in liability recognized in the balance sheet

Opening liability	7,572,987	7,102,865
Expenses for the year	966,862	1,133,189
Remeasurement gain	944,246	(78,761)
Benefit paid during the period	(814,201)	(584,306)
Closing liability	8,669,894	7,572,987

20.7 Comparison of five years

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

	2016	2015	2014 Restated	2013 Restated	2012 Restated
	----------	----------	Rupees	----------	----------
Present value of defined benefit obligation	5,040,201	4,743,493	5,561,965	5,591,467	4,563,910

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

20.9 Sensitivity analysis

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

	2016	
	1% increase in assumption	1% decrease in assumption
	----------- Rupees	-------------
Discount rate	4,705,440	4,516,634
Salary increase	5,430,716	5,007,084

22.10 The charge in respect of defined benefit plan for the year ending June 30, 2016 is estimated to be Rs. 966,862. Further the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

21 DEFERRED TAXATION

Deferred tax liabilities arising due to taxable temporary differences are as follows:

	Note	2016 Rupees	2015 Rupees
Deferred taxation			
Surplus on revaluation of fixed assets	19	12,416,622	10,221,475
Tax rate used		31%	32%

21.1 Net deferred tax asset of Rs. 1.278 million debit (2015: Rs. 11.395 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	2016 Rupees	2015 Rupees
Net deferred tax asset			
Deferred tax liabilities			
Accelerated tax depreciation allowance		42,817,099	36,001,500
Deferred tax assets			
Provision for doubtful receivables		(15,693,120)	(16,199,350)
Tax losses carried forward		(12,569,971)	(16,445,188)
Provision for doubtful loans and advances		(4,943,977)	(3,513,300)
Provision for overseas loans		(10,887,975)	(11,239,200)
		(1,277,944)	(11,395,538)

22 TRADE AND OTHER PAYABLES

	Note	2016 Rupees	2015 Rupees
Sundry creditors		70,102,429	43,721,570
Advance rent		3,865,224	3,527,072
Due to sub-contractors		43,909,086	46,854,139
Accrued expenses		11,209,072	17,967,405
Due to customers		-	1,337,962
Due to employees and others	22.1	9,917,029	10,646,885
Taxes payable		301,942	477,829
Sales tax payable		1,179,335	-
Unclaimed dividends		1,442,230	1,442,230
Joint venture partners' share of profit		2,977,879	3,758,021
Other provisions	22.2	35,122,500	35,122,500
		180,026,726	164,855,613

22.1 This balance includes amounts aggregating Rs. 1.666 million (2015: Rs. 2.282 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.The Company opened a separate bank account and transferred the entire amount into it. Furthermore, subsequently amount of Rs. 0.615 million (2015: Rs. 1.114 million) has been paid to members of the Fund.

22.2 These represent provisions made for the potential liability, in respect of borrowings of Saudi Riyals 2.500 million and Saudi Riyals 5.000 million during the year 1986 for the Saudi Operations of the Company, that the Company may have to incur as a result of settlement of overseas dues of National Bank of Pakistan in accordance with the Incentive Scheme under the State Bank of Pakistan's Circular No.19 of 05 June,1997 (For further detail please refer note 26.2(a) of these financial statements).

23 JOINT VENTURE PARTNER'S ADVANCES

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

	2016 Rupees	2015 Rupees
24 MATERIALS RECEIVED FROM CUSTOMERS / SECURED ADVANCES		
Secured - against		
Dhalkot bridge	-	1,266,320
Thalair bridge	-	6,531,122
M.T.C project	-	9,667,598
	-	17,465,040

25 CONTINGENCIES AND COMMITMENTS

25.1 Contingent assets

The Company had lodged a claim with National Highway Authority amounting Rs. 201.177 million (2015: Rs. 201.177 million) against M/s Bayinder for recovery of losses suffered by the Company attributable to the cessation of work at Islamabad - Peshawar Motorway Project.

25.2 Contingent liabilities

(a) 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. 207.750 million at the rate of Rs. 27.7/ SR) with the interest thereon of SR 21.650 million (equivalent to Rs. 599.705 million at the rate of Rs. 27.7/ SR) are being contested in the Sindh High Court.

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.

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

25.3 Commitments

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

(a) Guarantees issued by a commercial bank and insurance companies in respect of financial and operational obligations of the Company to various institutions and corporate bodies, aggregate Rs. 91.207 million (2015: Rs. 91.207 million).

(b) There were no commitment for capital expenditures as at the balance sheet date (2015: nil).

	Note	2016 Rupees	2015 Rupees

26 CONTRACT INCOME

	Note	2016 Rupees	2015 Rupees
Opening work-in-progress		3,157,020,942	(2,812,377,606)
Completed during previous periods		(566,354,944)	-
Closing work-in-progress		(2,095,577,557)	3,157,020,942
		495,088,441	344,643,336
Contract income stated above may be classified as follows:			
- own projects	26.1	495,088,441	344,643,336

26.1 Revenue includes an amount of Rs. 17.241 million (2015: Rs. 46.864 million) in respect of Projects in Azad Jammu Kashmir.

26.2 Revenue includes loss amounting to Rs. 1.188 million incurred on B-Type Officers Mess completed during the year.

27 CONTRACT EXPENDITURE

	Note	2016 Rupees	2015 Rupees
Materials		336,530,934	218,358,776
Salaries and wages		95,018,163	64,179,487
Sub-contracts and joint ventures		445,800	13,096,076
Maintenance and hiring of plants		18,322,138	9,557,444
Project insurance		325,059	812,454
Cartage, traveling and conveyance		1,276,668	2,009,398
Site auxiliary works and temporary hutting		575,810	496,000
Electricity		1,469,939	2,029,782
Depreciation	5.2	1,421,334	1,406,869
Petrol, oil and lubricants		2,925,456	7,571,791
Sundry expenses		3,247,801	1,902,536
		461,559,102	321,420,613

27.1 Contract expenditure includes an amount of Rs. 20.232 million (2015: Rs. 51.234 million) in respect of Projects in Azad Jammu Kashmir.

	Note	2016 Rupees	2015 Rupees
28 GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and benefits		12,983,575	11,671,224
Staff retirement benefits - gratuity		966,862	1,133,189
Repair and maintenance		1,675,819	792,738
Rent, rates and taxes		2,034,449	1,153,323
Telephone and fax		303,708	361,673
Advertisement and publicity		44,275	75,150
Legal and professional charges		512,000	386,000
Power and electricity		558,115	397,240
Traveling and conveyance		1,206,313	912,436
Works in view		674,150	176,791
Provision for doubtful contract receivables	28.1	8,176,000	29,583,983
Provision for loans and advances	28.1	4,969,250	-
Contract receivable written off	28.1	3,734,981	-
Advances written off	28.1	351,391	25,783
Loss on disposal of operating fixed assets		-	270,146
Fee and subscription		320,505	-
Insurance		14,204	-
Depreciation	5.2	1,393,448	1,287,784
Other sundry expenses		2,746,987	1,775,600
		42,666,032	50,003,060

28.1 The management 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. 4.086 million (2015: Rs. 0.026 million) have been written off and further, provision amounting to Rs. 13.145 million (2015: Rs. 29.584 million) has also been recorded.

	Note	2016 Rupees	2015 Rupees
29 OTHER OPERATING EXPENSES			
Reversal of excess accrued interest -DSC		-	675,534
Impairment loss	5.1	37,097	-
Auditors' remuneration	29.1	387,500	350,000
		424,597	1,025,534

29.1 This comprises of amounts as follows:

	2016	2015
Statutory audit	287,500	250,000
Half yearly review	100,000	100,000
	387,500	350,000

	Note	2016 Rupees	2015 Rupees
30 OTHER INCOME			
Income from financial assets:			
Profit on deposit and PLS accounts		1,096,238	964,164
Accrued interest on Defense Savings Certificates		112,240	128,257
Income from non-financial assets:			
Rental income on investment property		13,552,856	11,509,150
Reversal of WPPF	30.1	-	297,800
Scrap sales		54,250	-
Trade and other payables written back	30.2	-	1,990,387
Materials received from customers / secured advances written back	30.3	6,531,122	-
Miscellaneous income		84,000	-
		21,430,706	14,889,758

30.1 During the year 2015, management had written-off the workers' profit participation fund on obtaining legal opinion from legal advisor that WPPF and its scheme does not include Construction Company as industrial undertaking.

30.2 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. nil (2015: Rs. 1.990 million) have been written-back.

30.3 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. 6.531 million (2015: Rs. nil) have been written-back.

	Note	2016 Rupees	2015 Rupees
31 FINANCE COST			
Commission	31.1	-	564,432
Markup		-	690
Bank charges		580,414	49,582
		580,414	614,704

31.1 This represented the bank commission for renewal of guarantee given by Silk Bank Limited.

32 FAIR VALUE GAIN ON INVESTMENT PROPERTY

The Company, as at June 30, 2016, revalued all of its investment property. The revaluation exercise was carried out by Impulse (Private) Limited and the revaluation resulted in fair value gain amounting to Rs. 17.317 million (2015: Rs. 22.998 million).

		2016 Rupees	2015 Rupees
33	**TAXATION**		
	Current	7,801,392	6,145,493
	Deferred tax	(593,473)	(742,108)
		7,207,919	5,403,385

33.1 Income tax assessments of the Company have been completed upto the Tax Year 2014; the return for the said year has not been taken-up for audit till 30 June, 2016.

33.2 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.

34 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2016 Rupees	2015 Rupees
Profit after taxation	21,434,048	4,108,826
	Number of shares	
Weighted average number of ordinary shares at the end of the year	28,266,231	28,266,231
	Rupees	
Earning per share	0.76	0.15

35 RELATED PARTY TRANSACTIONS

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

	2016 Rupees	2015 Rupees
Ghandhara Nissan Limited		
Rental income	2,250,000	1,500,000
Rentals received during the year	(2,250,000)	(1,875,000)
Ghandhara Industries Limited		
Rental income	2,250,000	1,500,000
Rentals received during the year	(2,250,000)	(1,750,000)
Janana De Malucho Textile Mills Limited		
Rental income	75,000	-
Rentals received during the year	(75,000)	-

	2016 Rupees	2015 Rupees
The Universal Insurance Company Limited		
Rental income	-	525,000
Rentals received during the year	-	(525,000)
Insurance expense paid	-	23,553
Bannu Woollen Mills Limited		
Rental income	700,000	-
Rentals received during the year	(700,000)	-
General Tyer & Rubber Company Limited		
Contract income	341,296,770	-
Payment received	(311,534,404)	-
Mobilization advance received	(72,317,233)	-
Mobilization advance adjusted	72,317,233	-
Purchase of pre-qualification documents	-	25,000

The status of outstanding balances of related parties as at June 30, 2016 are included in "Other receivables" (note 13) and "trade and other payables" (note 22).

36 PROFIT / (LOSS) BEFORE WORKING CAPITAL CHANGES

	2016 Rupees	2015 Rupees
Profit / (loss) before taxation	28,641,967	9,512,211
Adjustment for:		
Depreciation	2,814,782	2,694,653
Impairment loss	37,097	-
Loss on disposal of fixed assets	-	270,146
Staff retirement benefits - gratuity	966,862	1,133,189
Provision for doubtful contract receivable	8,176,000	29,583,983
Provision for loans and advances	4,969,250	-
Receivable written off	3,734,981	25,783
Advances written off	351,391	-
Loss on long term Investment	-	675,534
Allocation of loss to joint venture - net	(36,000)	(44,750)
Profit on defense saving certificates	(112,240)	(128,257)
Fair value gain on investment property	(17,316,965)	(22,998,278)
Trade and other payable written off	-	(1,990,387)
Materials received from customers / secured advances written back	(6,531,122)	-
Reversal of WPPF	-	(297,800)
Finance cost	(580,414)	614,704
	(3,526,378)	9,538,520
Profit / (loss) before working capital changes	25,115,589	19,050,731

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2016				2015			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	1,020,000	-	1,593,000	2,613,000	1,020,000	-	1,930,500	2,950,500
House rent	342,000	-	446,750	788,750	342,000	-	636,300	978,300
Staff retirement benefits	-	-	-	-	150,000	-	-	150,000
Medical	180,000	-	259,700	439,700	180,000	-	273,300	453,300
Utilities	114,000	-	267,200	381,200	114,000	-	243,300	357,300
Others	144,000	-	305,850	449,850	144,000	-	255,600	399,600
Total	1,800,000	-	2,872,500	4,672,500	1,950,000	-	3,339,000	5,289,000
Number of persons	1	7	3	11	1	7	3	11

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

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

	2016			2015		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	(Rupees)					
Managerial remuneration	1,800,000	-	1,800,000	1,950,000	-	1,950,000
Number of persons	1	7	8	1	7	8

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

38 FINANCIAL ASSETS AND LIABILITIES

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

	2016				
	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
	Rupees				
Financial assets					
Loans and receivables at amortized cost					
Long term investments	1,231,263	-	1,231,263	1,231,263	-
Long term security deposits	3,468,994	-	-	-	3,468,994
Contract receivables	123,527,023	-	-	-	123,527,023
Loans and advances	11,294,720	-	-	-	11,294,720
Other receivables	902,295	-	-	-	902,295
Cost and estimated earnings in excess of billings	52,205,636	-	-	-	52,205,636
Cash and bank balances	38,358,351	33,786,099	-	33,786,099	4,572,252
	230,988,282	33,786,099	1,231,263	35,017,362	195,970,920
Financial liabilities					
Financial liabilities carried at amortized cost					
Trade and other payables	164,763,196	-	-	-	164,763,196
Deferred liability	8,669,894	-	-	-	8,669,894
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Billings in excess of cost and estimated earnings	1,145,454	-	-	-	1,145,454
Material received from customers / secured advances	-	-	-	-	-
	(204,638,086)	-	-	-	(204,638,086)
On balance sheet gap	26,350,196	33,786,099	1,231,263	35,017,362	(8,667,166)
Off Balance sheet Items					
Financial contingencies:	-	-	-	-	-
Total Gap	26,350,196	33,786,099	1,231,263	35,017,362	(8,667,166)

	2015				
	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
	Rupees				
Financial assets					
Loans and receivables at amortized cost					
Long investments	1,119,023	-	1,119,023	1,119,023	-
Long term security deposits	3,623,394	-	-	-	3,623,394
Contract receivables	139,811,644	-	-	-	139,811,644
Loans and advances	12,089,609	-	-	-	12,089,609
Other receivables	263,000	-	-	-	263,000
Cost and estimated earnings in excess of billings	53,819,433	-	-	-	53,819,433
Cash and bank balances	17,516,430	10,482,153	-	10,482,153	7,034,277
	228,242,533	10,482,153	1,119,023	11,601,176	216,641,357
Financial liabilities					
Financial liabilities carried at amortized cost					
Trade and other payables	150,203,827	-	-	-	150,203,827
Deferred liability	7,572,987	-	-	-	7,572,987
Joint venture partner's advances	30,059,542	-	-	-	30,059,542
Billings in excess of cost and estimated earnings	-	-	-	-	-
Material received from customers / secured advances	17,465,040	-	-	-	17,465,040
	(205,301,396)	-	-	-	(205,301,396)
On balance sheet gap	22,941,137	10,482,153	1,119,023	11,601,176	11,339,961
Off Balance sheet Items					
Financial contingencies:	-	-	-	-	-
Total Gap	22,941,137	10,482,153	1,119,023	11,601,176	11,339,961

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

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

39.1 Risk management policies

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

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

39.2 Credit risk

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

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets, the financial assets which are subject to credit risk amounted to Rs. 304.179 million (2015: Rs 288.564 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2016 Rupees	2015 Rupees
Long term security deposits	3,468,994	3,623,394
Contract receivables	182,325,992	190,434,613
Loans and advances	27,243,033	23,068,672
Other receivables	902,295	263,000
Cost and estimated earnings in excess of billings	52,205,636	53,819,433
Bank balances	38,033,648	17,355,636
	304,179,598	288,564,748

The aging of contract receivables at the reporting date is:

Not past due	29,626,136	11,989,934
Past due 1-30 days	-	284,520
Past due 30-90 days	-	15,424,844
Past due 90 days	152,699,856	162,735,315
	182,325,992	190,434,613

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

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

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

Concentration of credit risk

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

Impaired assets

During the year contract receivables amounting to Rs. 3.735 million (2015: Rs. nil) have been written off and provision has been created against contract receivables amounting to Rs. 8.176 million (2015: Rs. 29.583 million). During the year loans and advances amounting to Rs. 0.351 million (2015: Rs. nil) have been written off and provision has been created against loans and advances amounting to Rs. 4.969 million (2015: Rs. nil).

39.3 Liquidity risk

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

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	Rupees						
2016							
Trade and other payables	164,763,196	164,763,196	164,763,196	-	-	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings	1,145,454	1,145,454	-	1,145,454	-	-	-
Material received from customers / secured advances	-	-	-	-	-	-	-
	195,968,192	195,968,192	164,763,196	31,204,996	-	-	-

	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						
2015							
Trade and other payables	150,203,827	150,203,827	150,203,827	-	-	-	-
Joint venture partner's advances	30,059,542	30,059,542	-	30,059,542	-	-	-
Billings in excess of cost and estimated earnings	-	-	-	-	-	-	-
Material received from customers / secured advances	17,465,040	17,465,040	17,465,040	-	-	-	-
	197,728,409	197,728,409	167,668,867	30,059,542	-	-	-

39.4 Market risk

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

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other then the functional currency in which they are measured.

Presently the Company is not exposed to foreign currency risk except contingencies as disclosed in note 26.2 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, 2016 can be evaluated from the schedule given in note 39 to these financial statements.

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

c) Other price risk

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

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

40 FAIR VALUE MEASUREMENT

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

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

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

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

	June 30, 2016		June 30, 2015	
Assets carried at amortized cost	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	Rupees			
Contract receivables	123,527,023	123,527,023	139,811,644	139,811,644
Cost and estimated earnings in excess of billings	52,205,636	52,205,636	53,819,433	53,819,433
Loans and advances	11,294,720	11,294,720	12,089,609	12,089,609
Other receivables	902,295	902,295	263,000	263,000
Cash and bank balances	38,358,351	38,358,351	17,516,430	17,516,430
	226,288,025	226,288,025	223,500,116	223,500,116
Liabilities carried at amortized cost				
Trade and other payables	180,026,726	180,026,726	164,855,613	164,855,613
Billings in excess of cost and estimated earnings	1,145,454	1,145,454	-	-
Joint venture partner's advances	30,059,542	30,059,542	30,059,542	30,059,542
Material received from customers / secured advances	-	-	17,465,040	17,465,040
	211,231,722	211,231,722	212,380,195	212,380,195

As at June 30, 2016 the Company did not hold any financial instruments carried at fair value. Moreover, investment property and operating fixed assets are measured at fair value.

The investment property was valued on June 30, 2016 carried out by external independent valuer M/s Impulse (Private) Limited.

	As at June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Assets				
Investment property carried at fair value	-	-	240,780,368	240,780,368

	As at June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	Rupees			
Assets				
Investment property carried at fair value	-	-	223,463,403	223,463,403

The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2016 by independent valuer M/s Impulse (Private) Limited on the basis of market values of similar properties. The fair value of free hold land, buildings and plant and machinery is a level 3 recurring fair value measurement.

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

	June 30, 2016 Rupees	June 30, 2015 Rupees
Freehold land	120,988	120,988
Buildings on freehold land	2,309,139	2,367,376
Plant and machinery	2,901,992	3,118,373
Furniture and fixture	271,928	280,844
Computers and accessories	384,298	298,067
Motor vehicles, cycles and boats	1,787,351	1,402,766
Construction equipments	328,908	399,160

Interest rate used for determining fair value

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

Fair value hierarchy

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by valuation method. The different values have been defined as follows:

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

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

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

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

40.1 Determination of fair values

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

Investment in fair value through profit and loss

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

Available for sale investments

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

Investment in associates and subsidiaries

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

Non-derivate financial asset

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

Non-derivate financial liabilities

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

41 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

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

42 CAPITAL MANAGEMENT

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

43 JOINT VENTURES

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

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

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

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

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

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

43.4 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.

44 INFORMATION ABOUT BUSINESS SEGMENTS

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

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

The Company has two (2015: three) customers having contract income of 10% or more during the year.

45 NUMBER OF EMPLOYEES

The number of employees as at year end was 43 (2015: 38) and average number of employees during the year was 41 (2015: 37).

46 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on Sep 29, 2016 by the Board of Directors of the Company.

48 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		2011	2012	2013	2014	2015	2016
			Restated				
Contract Income	Rupees in Million	46.877	54.553	59.91	320.762	344.643	495.088
Net Contract Profit /loss	Rupees in Million	3.156	3.131	3.652	44.406	23.222	33.529
BALANCE SHEET							
Shareholders equity (excluding Surplus on revaluation of fixed assets)	Rupees in Million	217.734	209.542	193.141	198.399	204.157	225.968
Operating Fixed Assets	Rupees in Million	215.476	211.291	104.585	102.415	99.654	129.563
Current Assets	Rupees in Million	304.427	301.343	260.603	353.255	332.196	336.532
Current Liabilities	Rupees in Million	182.437	189.282	166.125	221.104	212.380	211.232
Cash and Cash Equivalents at year end	Rupees in Million	33.422	27.203	13.856	27.171	17.516	38.358

SAY NO TO CORRUPTION