Riaz Ahmad & Company
Chartered Accountants

# Karachi Infrastructure Development Company Limited

## Financial Statements With Accompanying Information

## For The Year Ended 30 June 2016

A member of Nexia International

## DIRECTORS' REPORT

The Board of Directors of your company is hereby pleased to present the audited financial statements together with the Auditor's Report thereon of your Company for the year ended 30 June 2016.

### THE COMPANY AND ITS OPERATIONS

The principal object of the Company is to carry on the business of infrastructure and development, expansion and for planning, designing, implementation, construction and execution of infrastructure and developments in Karachi and any other areas.

The Prime Minister of Pakistan, during a high level meeting in Karachi on July 10, 2014, announced to provide infrastructure component to launch the BRT Green Line project on modern lines to alleviate the serve traffic congestion problems in the city and to improve the quality of life of the daily commuters by improving the existing transport system.

The project is to be undertaken by Government of Pakistan / Ministry of Communications as a high priority project as determined by Japan International Cooperation Agency (JICA) in their Feasibility Study conducted for Karachi Transportation Improvement Project (KTIP, 2030) in December, 2012.

For execution of the priority PSDP project on fast track basis, Karachi Infrastructure Development Company Limited (KIDCL) was incorporated under Companies Ordinance, 1984 on 2nd June 2015.

### OPERATING RESULTS

The summarized financial result for the year ended 30th June 2016 are as under:

#### Financial result

| Particulars | For the Financial Year ended 30th June 2016 |
|---|---|
| Net Profit/(Loss) For The Period | (3,557,140) |
| Loss per share – basic & diluted | (1.65) |

During the year, the company has a net profit / loss of Rs. (3,557,140). Total contract revenues for the period ended 30th June 2016 are Rs. 812,862,949 and profit earned from bank deposits are 36,310,019.

### GENERAL

The Board of Directors wishes to express its pleasure and gratefulness to the shareholders for their continued support and to all the employees for their ongoing dedication and commitment to the Company.

### CODE OF CORPORATE GOVERNANCE

The Directors of KIDCL are fully aware of their responsibilities under the Code of Corporate Governance under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in our Company as required by the Code.

As a part of the compliance of the Code, we confirm the following:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and is being effectively implemented and monitored.

f) The Company has the ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) We have an Internal Audit Committee, the members of which are amongst from the Board of Directors.

i) We are preparing and will be circulated, a Statement of Ethics and Business Strategy, among directors and employees.

j) The Board of Directors are in process of adopting a mission statement and a statement of overall corporate strategy.

k) As required by the Code of Corporate Governance, we have included the following information in this report:

- Statement of pattern of shareholding has been given separately.
- Statement of shares held by associated undertakings and related persons.
- Statement of the Board meetings held during the year and attendance by each director has been given separately.
- Key operating and financial statistics for the last year 2015-16 in summarized form is given below.

**KEY FINANCIAL DATA**

| Particular | For the year 2015-16 |
|---|---|
| Share Capital | 200,000,000 |
| Reserve | (3,557,140) |
| Accumulated (loss) / profit | (3,557,140) |
| Long term liabilities | 755,844 |
| Current Liability | 1,621,166,703 |
| **Total Equity & Liability** | **1,818,365,407** |
| Operating Fixed Assets | 19,653,790 |
| Current assets | 1,798,711,617 |
| **Total Assets** | **1,818,365,407** |
| Contract Revenue | 812,862,949 |
| Cost of Contract | (806,016,257) |
| Administrative & Other Expenses | (46,713,851) |
| Other Income | 36,310,019 |
| **Loss Before Taxation** | **(3,557,140)** |
| **Loss After Taxation** | **(3,557,140)** |

**PATTERN OF SHAREHOLDING**

The Pattern of shareholding as at 30 June 2016 is as follows:

| Name of Share Holder | Occupation (Directorship of Company if any) | Shares held (with distinctive Nos) or percentage of interest held |
|---|---|---|
| Government of Pakistan through Dr. Waqar Masood | Federal Government / Ministry of Communications | 1,999,993 (One Million Nine Hundred Ninety Nine Thousand Ninety Three Only) |
| Dr. Waqar Masood Khan | Government Servant / Non-Executive Director | 1 (One) |
| Mr. Muhammad Siddique Memon | Government Servant / Non-Executive Director | 1 (One) |
| Mr. Salueh Ahmed Faruqui | Government Servant / Chief Executive Officer | 1 (One) |
| Lt. Gen ® Shahid Niaz | Independent Director | 1 (One) |
| Dr. Sarosh Hashmat Lodhi | Prof. NED University / Non-Executive Director | 1 (One) |
| Mr. Arif Hassan | Architect / Independent Director | 1 (One) |
| Dr. Noman Ahmed | Professor/ Chairmen, Dept. of Architecture & Planning, NED University Karachi / Non-Executive Director | 1 (One) |

**DIRECTORS MEETING**

During the year six meetings of the board of Directors were held, Attendance by each director is as follows:

| Name of Share Holder | Designation | No of meetings Attend | No of meetings Attend Through Proxies |
|---|---|---|---|
| Mr. Khalid Masood Chaudhary | Secretary Communications / Chairman BOD | 1 | 0 |
| Mr. Shahid Ashraf Tarar | Ex Secretary Communications / Chairman BOD | 5 | 0 |
| Dr. Waqar Masood Khan | Secretary Finance / Non-Executive Director | 0 | 5 |
| Dr. Ijaz Munir | Additional Secretary, Prime Minister Officer / Non-Executive Director | 2 | 0 |
| Mr. Kazim Niaz | Joint Secretary Prime Minister Office / Ex Non-Executive Director | 4 | 0 |
| Mr. Salueh Ahmed Faruqui | Chief Executive Officer / Executive Director | 6 | 0 |
| Mr. Muhammad Siddique Memon | Chief Secretary Sindh / Non-Executive Director | 3 | 3 |
| Mr. Tuaha Ahmed Faruqi | Secretary Transport Department, Sindh / Non-Executive Director | 6 | 0 |
| Mr. Yousuf Naseem Khokhar | Secretary Planning, Development & Reform / Non-Executive Director | 4 | 0 |
| Mr. Hassan Nawaz Tarar | Ex Secretary Planning, Development & Reform / Non-Executive Director | 1 | 1 |

| | | | |
|---|---|---|---|
| Mr. Syed Asif Haider Shah | Ex Commissioner Karachi / Non-Executive Director | 1 | 1 |
| Lt. Gen ® Shahid Niaz | Independent Director | 3 | 0 |
| Dr. Sarosh Hashmat Lodhi | Dean & Prof. NED University / Non-Executive Director | 2 | 0 |
| Mr. Arif Hassan | Architect / Independent Director | 0 | 0 |
| Dr. Noman Ahmed | Professor / Chairman, Dept. of Architecture & Planning, NED University Karachi / Non-Executive Director | 0 | 0 |

## MAJOR PROCURMENTS

For Execution of Green Line BRTS project, significant contracts have been awarded during the financial year 2015-16, under compliance to Public Procurement Rules, 2004 of Public Procurement Regulatory Authority (PPRA), which has been verified by Technical and Bid Evolution Committee and approved through recommendations of Procurement Committee. Both committees have been formed under the supervision of BODs and subsequently all the procurements have been approved through Board of Directors Meeting. Major Contracts awarded during the financial year 2015-16 are as follows:

| Contractor Name | Contract Packages | Amount of Contract (Rs.) |
|---|---|---|
| M/S Hasni Builders & Malik Company (JV) After incorporating Variation Order | KAR/BRTS/GL/UT-01 | 207,089,913 |
| M/s CRFG-Matracon (JV) | KAR/BRTS/GL-01 | 1,813,614,183 |
| M/s Ch. Abdul .Latif & Sons | KAR/BRTS/GL-02 | 1,084,717,649 |
| M/s Agha Construction Company | KAR/BRTS/GL-03 | 785,867,391 |

Furthermore, contract packages KAR/BRTS/GL-04 and KAR/BRTS/GL-05 are in the final stages of procurement. Bid Evaluation Reports have been approved by the Procurement Committee of the BOD and recommended for placing it before the BOD in its upcoming session to accord approval to the same.

## EXTENSION OF GREEN LINE BRTS PROJECT

Prime Minister of Pakistan during formal inauguration of Green Line BRTS project in Karachi, on 26th February, 2016 announced extension of Green Line BRTS from Surjani to Central Business District (CBD) which was previously planned from Surjani to Gurumandar. Feasibility study of extended route is being carried out with the consultation of several stakeholders that include but not limited to Government of Sindh, KMC, Independent Architects, Civil Society, Project Consultants etc.

## ACKNOWLEDGEMENT

Your Directors record with appreciation, the efforts of the Company's managers and employees who have worked to meet the target of business plans. Your Directors also extend their appreciation to the Company's bankers, Government of Pakistan, regulators and others for the cooperation extended by them during the year.

For and on behalf of the Board

**Chairman BOD KIDCL**
Karachi: Dated:21 October, 2016

Riaz Ahmad & Company
Chartered Accountants

108-109, 1st Floor, Park Avenue
Block-6, P.E.C.H.S., Shahrah-e-Faisal
Karachi 75400, Pakistan
T: +92 (21) 3431 08 26 - 7
F: +92 (21) 3431 39 51
racokhi@racopk.com
www.racopk.com

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED ("the Company") as at 30 June 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:

(a) in our opinion, proper books of account 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 with which we concur;

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

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

(c) 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 other 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 30 June 2016 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Hamid Jan

Date: 2 1 OCT 2016

KARACHI

KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
BALANCE SHEET
AS AT 30 JUNE 2016

| | Note | 2016 Rupees |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Operating fixed assets | 3 | 19,653,790 |
| **Total non-current assets** | | 19,653,790 |
| **Current assets** | | |
| Advances to sub contractors | 4 | 440,901,059 |
| Deposits and prepayments | 5 | 1,451,290 |
| Accrued interest on bank deposits | | 24,964,070 |
| Cash and bank balances | 6 | 1,331,395,198 |
| **Total current assets** | | 1,798,711,617 |
| **Total assets** | | 1,818,365,407 |
| **EQUITY AND LIABILITIES** | | |
| **Share capital and reserves** | | |
| Authorized share capital | | |
| 3,000,000 ordinary shares of Rupees 100 each | | 300,000,000 |
| Issued, subscribed and paid-up share capital | 7 | 200,000,000 |
| Reserves | | (3,557,140) |
| **Total equity** | | 196,442,860 |
| **Non-current liabilities** | | |
| Staff retirement benefit | | 755,844 |
| **Total non-current liabilities** | | 755,844 |
| **Current liabilities** | | |
| Trade and other payables | 9 | 57,535,235 |
| Due to customer for contract work | 10 | 1,563,631,468 |
| **Total current liabilities** | | 1,621,166,703 |
| Contingencies and commitments | 11 | |
| **Total equity and liabilities** | | 1,818,365,407 |

The annexed notes from 1 to 23 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016

| | Note | FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016<br>Rupees |
|---|---|---|
| Contract revenue | 12 | 812,862,949 |
| Cost of construction contract | 13 | (806,016,257) |
| Net contract profit | | 6,846,692 |
| Administrative expenses | 14 | (46,710,421) |
| Other operating expenses | 15 | (3,430) |
| Operating loss | | (39,867,159) |
| Other income | 16 | 36,310,019 |
| Loss before taxation | | (3,557,140) |
| Taxation | 17 | - |
| Loss after taxation | | (3,557,140) |
| Loss per share - basic and diluted | 18 | (1.65) |

The annexed notes from 1 to 23 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016

| | Note | FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016<br>Rupees |
|---|---|---|
| LOSS AFTER TAXATION | | (3,557,140) |
| OTHER COMPREHENSIVE INCOME | | |
| Items that will not be reclassified to profit or loss | | - |
| Items that may be reclassified subsequently to profit or loss | | - |
| Other comprehensive income for the period | | - |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (3,557,140) |

The annexed notes from 1 to 23 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016

| | Note | FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE Rupees | |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | | (3,557,140) |
| **Adjustments for non-cash items:** | | | |
| Depreciation | | | 3,056,832 |
| Interest income from saving account | | | (35,373,657) |
| **Operating loss before working capital changes** | | | (35,873,965) |
| **Working capital changes** | | | |
| **Increase in current assets** | | | |
| Increase in advances to sub contractors | | (440,901,059) | |
| Increase in deposits and prepayments | | (1,451,290) | |
| | | | (442,352,349) |
| **Increase in current liabilities** | | | |
| Increase in trade and other payables | | 57,535,235 | |
| Increase in due to customer for contract work | | 1,563,631,468 | |
| | | | 1,621,166,703 |
| **Cash flow from operating activities after working capital** | | | 1,178,814,354 |
| Increase in staff retirement benefit | | | 755,844 |
| **Net cash flow from operating activities** | | | 1,143,696,233 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (22,710,622) | |
| Interest income received | | 10,409,587 | |
| **Net cash used in investing activities** | | | (12,301,035) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of share capital | | | 200,000,000 |
| **Net cash flow from financing activities** | | | 200,000,000 |
| **Net increase in cash and cash equivalents** | | | 1,331,395,198 |
| Cash and cash equivalents at the beginning of the period | | | - |
| **Cash and cash equivalents at the end of the period** | 6 | | 1,331,395,198 |

The annexed notes from 1 to 23 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016

| | Share Capital | Revenue Reserves | |
|---|---|---|---|
| | Issued, subscribed and paid-up capital | Un-appropriated profit / (loss) | Total |
| | Rupees | Rupees | Rupees |
| **Balance as at 02 June 2015** | - | - | - |
| Issue of ordinary shares during the period | 200,000,000 | - | 200,000,000 |
| **Comprehensive loss for the period** | | | |
| Loss for the period | - | (3,557,140) | (3,557,140) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive loss for the period | - | (3,557,140) | (3,557,140) |
| **Balance as at 30 June 2016** | 200,000,000 | (3,557,140) | 196,442,860 |

The annexed notes from 1 to 23 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016

## 1. THE COMPANY AND ITS OPERATIONS

The Karachi Infrastructure Development Company Limited ("the Company") is a public unlisted company incorporated under Companies Ordinance, 1984 on 02 June 2015. The Company has obtained certificate for commencement of business under section 146(2) of Companies Ordinance, 1984 on 23 November 2015. The registered office of the Company is situated at 6th Floor, Extension Block, Bahria Complex IV, Gizri, Karachi. The principal object of the Company is to carry on the business of infrastructure and development, expansion and for planning, designing, implementation, construction and execution of infrastructure and developments in Karachi and any other areas.

### 1.2 Transfer of assets, liabilities along with business operations from SPMU to the Company

Government of Pakistan (GoP) Ministry of Communications issued instructions regarding transfer of Special Project Management Unit (SPMU) into the Company. The instruction required transferring of assets, liabilities, employees and business operations of the unit to the Company. The objective of the Company is to take over and execute 'the GreenLine Bus Rapid Transport system (BRTS)' project of Government of Pakistan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and applied in the preparation of these financial statements are set out below.

### 2.1 Basis of preparation

### a) 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 (IFRSs) 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.

### b) Accounting Convention

These financial statements have been prepared for the period from 02 June 2015 to 30 June 2016 under the approval from Securities and Exchange Commission of Pakistan (SECP).

These financial statements comprise balance sheet, profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with explanatory notes and have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

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

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

c) **Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan and the Companies Ordinance, 1984, requires management the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continuously evaluated and are based on historical experience including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The areas where required assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

| | |
|---|---|
| a) depreciation on property and equipments | (note 2.3) |
| b) recoverable amount of the assets | (note 2.7) |
| c) provision for doubtful debts / bad debts | (note 2.9 (a)) |

However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

d) **Amendments to published approved standards that are effective in current year and are relevant to the Company**

The following standards are mandatory for the Company's accounting periods beginning on or after 02 June 2015:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 01 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. These amendments currently do not have an impact on the Company's financial statements.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 01 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments currently do not have an impact on the Company's financial statement.

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The amendments sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Company is not currently subjected to significant levies so do not have an impact on the Company's financial statements.

e) **Interpretations and amendments to published approved standards that are effective in current year but not relevant to the Company**

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 02 June 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) **Standards and amendments to published approved standards that are not yet effective but relevant to the Company**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

g) **Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company**

There are other standards, amendments to published approved standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## 2.2 Income tax

The Company has been alloted Free Tax Number from Federal Board of Revenue (FBR) whereby the income of the Company is exempt from tax under Section 49 of the Income Tax Ordinance, 2001. Therefore, no provision for taxation has been made in these financial statements and as a result temporary differences do not arise and deferred tax is not recorded.

## 2.3 Property and equipments

### Recognition

These are stated at cost less accumulated depreciation and impairments, if any. Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renewals and improvements are capitalized while normal replacements, repairs and maintenance are charged to profit and loss account.

### Depreciation

Depreciation is charged on a straight line basis over the estimated useful lives of the assets at the rate mentioned in Note 3. Depreciation on additions and disposals during the year is charged from the month of addition to the month of disposal. When parts of an item of asset have different useful lives, they are accounted for as separate item in property and equipment. The residual values and useful lives are reviewed at each balance sheet date and adjusted, if required.

### De-recognition

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of property and equipment are determined by comparing proceeds with the carrying amount. These are taken to the profit and loss account currently.

## 2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks on saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

## 2.5 Revenue recognition

When the outcome of of construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contracts costs, except where this would not be representative of the stage of completion. Variations in contracts work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized profit less recognized losses exceed progress billing, the surplus is shown as amount due from customers for contracts work. For contracts where progress billing exceed contract cost incurred to date plus recognized profit less recognized losses, the surplus shown as the amount due to customers for contract work.

Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

Tender fee is recognized on receipt basis.

## 2.6 Recognition of construction costs

Costs of construction contracts are recognized using the percentage of completion method. The percentage of completion is normally calculated by taking costs incurred to date as a percentage of estimated total costs for each contract. Contract costs include all direct material, labor costs, equipment and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Provision is made for losses incurred or foreseen in bringing the contract to completion as soon as they become apparent. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revision to costs and income and are recognized in the period in which the revisions are determined. Costs incurred and recognized profits less recognized losses in excess of progress billings on incomplete projects are classified as due from customers for construction work under current assets. Progress billings in excess of cost incurred and recognized profits less recognized losses on incomplete projects are classified as due to customers for construction work under current liabilities. Contract retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer.

## 2.7 Provisions

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

## 2.8 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. Transactions in foreign currency during the period are initially recorded in the functional currency at the rate of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency using rate of exchange prevailing at the balance sheet date.

## 2.9 Financial instruments

Financial instruments carried on the balance sheet include investments, trade debts, advances, cash and bank balances, trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss account. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item.

a) **Trade debts and other receivables**

Trade debts and other receivables are recognized at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

b) **Loans**

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognized at amortized cost using the effective interest method.

c) **Trade and other payables**

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in future for goods and services received.

**2.10 Off-setting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.11 Earnings per share - Basic and Diluted**

The Company presents basic and diluted earnings per share (EPS) for its shareholder. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated if there is any potential dilutive effect on the Company's reported net profit or loss.

**2.12 Related party transactions**

All related party transactions are made on terms equivalent to those that prevail in arm's length transactions.

| | | | 2016 |
|---|---|---|---|
| 3 | OPERATING FIXED ASSETS | Note | Rupees |
| | Property and equipment | 3.1 | 19,653,790 |

3.1 Property and equipment

| DESCRIPTION | BALANCE AS AT 02 JUNE 2015 | | | Additions / (Adjustments) | Depreciation Charge | BALANCE AS AT 30 JUNE 2016 | | | DEPRECIATION RATE |
|---|---|---|---|---|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net Book Value | | | Cost | Accumulated Depreciation | Net Book Value | |
| Furniture, fixture & fittings | - | - | - | 1,818,996 | 166,872 | 1,818,996 | 166,872 | 1,652,124 | 30% |
| Computer equipments | - | - | - | 1,817,058 | 452,772 | 1,817,058 | 452,772 | 1,364,286 | 15% |
| Vehicles | - | - | - | 18,186,688 | 2,374,023 | 18,188,688 | 2,374,023 | 15,814,665 | 15% |
| Office equipments | - | - | - | 885,880 | 63,165 | 885,880 | 63,165 | 822,715 | 15% |
| | - | - | - | **22,710,622** | **3,056,832** | **22,710,622** | **3,056,832** | **19,653,790** | |

3.2 This includes operating fixed assets transferred from Special Project Management Unit (SPMU) which have been accounted for at Rupee 1.

| 4 | ADVANCES TO SUB CONTRACTORS - considered good | Note | 2016 Rupees |
|---|---|---|---|
| | CRFG - MATRACON JV | 4.1 | 257,042,127 |
| | CH. A. Latif and Sons (Private) Limited | 4.2 | 80,228,824 |
| | Agha Construction Company | 4.3 | 103,630,108 |
| | | | 440,901,059 |

4.1 This represents the mobilization advance being the 15 percent of contract value paid to CRFG - MATRACON under contract awarded for construction of RCC Elevated Section from Nazimabad Chowrangi to Guru Mandir via Contract Package No. KAR/BRTS/GL/01. This advance is adjustable against five consecutive Interim Payment Certificates (IPCs) starting from third IPC in equal instalments.

4.2 This represents the mobilization advance being the 15 percent of contract value paid to CH. A. Latif and Sons (Private) Limited under contract awarded for construction of Section from Nagan Chowrangi to Nazimabad Chowrangi via Contract Package No. KAR/BRTS/GL/02. This advance is adjustable against five consecutive Interim Payment Certificates (IPCs) starting from third IPC in equal instalments.

4.3 This represents the mobilization advance being the 15 percent of contract value paid to Agha Construction Company under contract awarded for construction of Board Office Interchange via Contract Package No. KAR/BRTS/GL/03. This advance is adjustable against five consecutive Interim Payment Certificates (IPCs) starting from third IPC in equal instalments.

| 5 | DEPOSITS AND PREPAYMENTS | | |
|---|---|---|---|
| | Security deposit | 5.1 | 200,000 |
| | Prepayments | | 1,251,290 |
| | | | 1,451,290 |

5.1 It includes an amount paid as security deposit to Pakistan State Oil for issuance of fuel card.

| 6 | CASH AND BANK BALANCES | |
|---|---|---|
| | Cash at bank - saving account | **1,331,395,198** |

6.1 It includes an amount of Rupees 0.756 million deposited in a separate bank account maintianed against provident fund.

6.2 These bank accounts carry profit at rates ranging from 4.55% to 5.2% per annum.

7 **ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

| 2016 (Number of shares) | | 2016 Rupees |
|---|---|---|
| 2,000,000 | Ordinary shares of Rs.100 each fully paid in cash | 200,000,000 |

7.1 **Movement during the period**

| | | |
|---|---|---|
| - | Opening balance | - |
| 2,000,000 | Issued ordinary shares during the period for Rupees 100 each fully paid in cash | 200,000,000 |
| 2,000,000 | | 200,000,000 |

7.2 These ordinary shares are beneficially owned by Government of Pakistan directly and through nominee directors.

| | | | 2016 |
|---|---|---|---|
| **8** | **STAFF RETIREMENT BENEFIT** | **Note** | **Rupees** |
| | Provident fund balance | | 755,844 |

| | | | |
|---|---|---|---|
| **9** | **TRADE AND OTHER PAYABLES** | | |
| | Accrued expenses | | 801,489 |
| | Retention money | | 56,629,645 |
| | Withholding income tax payable | | 2,271 |
| | Withholding general sales tax payable | | 101,830 |
| | | | 57,535,235 |

| | | | |
|---|---|---|---|
| **10** | **DUE TO CUSTOMER FOR CONTRACT WORK** | | |
| | Cost incurred | 13 | 806,016,257 |
| | Recognized profit | | 6,846,692 |
| | | | 812,862,949 |
| | Less: Progress billings | | (2,376,494,417) |
| | | | (1,563,631,468) |
| 10.1 | Due from customer for contract work | | - |
| | Due to customer for contract work | | 1,563,631,468 |
| | | | 1,563,631,468 |

**11 CONTINGENCIES AND COMMITMENTS**

11.1 There were no contingencies of the Company as at 30 June 2016.

11.2 There were no commitments of the Company as at 30 June 2016.

| | | | FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016 |
|---|---|---|---|
| **12** | **CONTRACT REVENUE RECOGNIZED** | | **Rupees** |
| | Construction contracts: | | |
| | Revenue from contract in progress | 12.1 | **812,862,949** |

12.1 This represents 4.55% work completed during the year of Green Line Bus Rapid Transit System Karachi Construction Contract between the Company and Government of Pakistan (Customer). The total price of the contract is Rupees 17.853 billion. The Company has submitted Revised PCI of Rupees 24.604 billion to the federal government including extension work to original contract proposed by Prime Minister, the approval to which is pending.

| | | | |
|---|---|---|---|
| **13** | **COST OF CONSTRUCTION CONTRACT** | | |
| | Design & supervision | | 65,231,591 |
| | Utilities relocation | | 253,184,294 |
| | Track work & infrastructure development | | 487,600,372 |
| | | | 806,016,257 |

13.1 Construction contract is in process as at 30 June 2016.



ll

| | | | FOR THE PERIOD FROM 02 JUNE 2015 TO 30 JUNE 2016 |
|---|---|---|---|
| **14** | **ADMINISTRATIVE EXPENSES** | **Note** | **Rupees** |
| | Salaries, wages and benefits | 14.1 | 28,292,108 |
| | Stationery, printing and publication | | 302,895 |
| | Newspapers and periodicals | | 12,395 |
| | Depreciation | 3.1 | 3,056,832 |
| | Auditors' remuneration | 14.2 | 695,000 |
| | Communication charges | | 794,756 |
| | Travelling and conveyance | | 3,746,633 |
| | Advertisement | | 4,114,417 |
| | Utilities expense | | 956,014 |
| | Repairs and maintenance | | 1,308,845 |
| | Rent expense | | 1,797,792 |
| | Insurance | | 592,947 |
| | Conveyance charges | | 30,000 |
| | Miscellaneous expenses | | 1,007,787 |
| | | | 46,710,421 |

14.1 This includes an amount of Rupees 0.450 million representing the contribution made by the Company to the Staff Provident Fund.

**14.2 Auditors' remuneration**

| | |
|---|---|
| Audit fee | 600,000 |
| Other certification charges | 95,000 |
| | 695,000 |

**15 OTHER OPERATING EXPENSES**

| | |
|---|---|
| Bank charges | 3,430 |

**16 OTHER INCOME**

| | |
|---|---|
| Interest income from saving account | 35,373,657 |
| Tender fee income | 936,362 |
| | 36,310,019 |

**17 TAXATION**

17.1 The Federal Board of Revenue (FBR) has alloted Free Tax Number (FTN) to the Comapny under Section 49 of the Income Tax Ordinance, 2001 whereby the income of the Company is exempt from tax. Therefore, no provision for taxation has been made in these financial statements and as a result temporary differences do not arise and deferred tax is not recorded.

| **18** | **LOSS PER SHARE -BASIC AND DILUTED** | 2016 |
|---|---|---|
| | There is no dilutive effect on basic loss per share which is based on: | |
| | Loss for the period **(Rupees)** | (3,557,140) |
| | Weighted average number of ordinary shares in issue during the period **(Number)** | 2,158,904 |
| | Loss per share basic and diluted **(Rupees)** | (1.65) |

**Sensitivity analysis**

Sensitivity analysis of functional currency at reporting date is not required due to nil foreign currency nominated financial assets and liabilities at the balance sheet date.

**(ii) Other price risk**

Other price risk represents 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. The Company is not exposed to this risk.

**(iii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. As there is no borrowings of the Company so there is no interest rate exposure to the Company.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

| | 2016<br>Rupees |
|---|---|
| **Fixed rate instruments :** | |
| **Financial assets** | |
| Cash at bank - saving account | 1,331,395,198 |
| **Financial Liabilities** | - |
| **Floating rate instruments :** | |
| **Financial assets** | - |
| **Financial Liabilities** | - |

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | 2016<br>Rupees |
|---|---|
| Advances to sub contractors | 440,901,059 |
| Cash at bank - saving account | 1,331,395,198 |
| | 1,772,296,257 |

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

| | Rating | | | 2016 |
|---|---|---|---|---|
| | Short Term | Long Term | Agency | Rupees |
| **Banks** | | | | |
| National Bank of Pakistan | A1+ | AAA | JCR-VIS | 1,331,395,198 |

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient bank balance. At 30 June 2016, the Company had bank balances of Rupees 1,331,395,198. Following are the contractual maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2016

| | Carrying Amount | Contractual Cash Flows | 6 month or less | 6 months to 12 months | More than 1 year |
|---|---|---|---|---|---|
| Trade and other payables | 57,431,134 | 57,431,134 | 57,431,134 | - | - |
| Due to customer for contract work | 1,563,631,468 | 1,563,631,468 | 1,563,631,468 | - | - |
| | 1,621,062,602 | 1,621,062,602 | 1,621,062,602 | - | - |

## 21.2 Fair values of financial assets and liabilities

The carrying value of all the financial instruments reflected in the financial statements approximate their fair

## 21.3 Financial instruments by categories

| | Loans and receivables | Total |
|---|---|---|
| | Rupees | Rupees |
| As at 30 June 2016 | | |
| Assets as per balance sheet | | |
| Advances to sub contractors | 440,901,059 | 440,901,059 |
| Cash and bank balances | 1,331,395,198 | 1,331,395,198 |
| | 1,772,296,257 | 1,772,296,257 |

| | Financial liabilities at amortized cost |
|---|---|
| | Rupees |
| Trade and other payables | 57,431,134 |
| Due to customer for contract work | 1,563,631,468 |
| | 1,621,062,602 |

## 21.4 Off setting financial assets and liabilities

As on balance sheet date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

## 22 NUMBER OF EMPLOYEES

The number of employees during the period is as follows:

| | 2016 | |
|---|---|---|
| | At year end | Average |
| Number of employees | 29 | 27 |

## 23 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 21 OCT 2016 by the Board of Directors of the Company.

## 24 GENERAL

24.1 There are no corresponding figures as these financial statements have been prepared since the incorporation of the Company.

24.2 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE

DIRECTOR