Riaz Ahmad & Company
Chartered Accountants

SINDH INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED

(FORMERLY KARACHI INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED)

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

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 the province of Sindh. For execution of the priority PSDP project on fast track basis, Sindh Infrastructure Development Company Limited (SIDCL) formerly Karachi Infrastructure Development Company Limited (KIDCL) was incorporated under Companies Act-2017 (repelled Companies Ordinance, 1984) on 2nd June 2015.

Recently, name of the Company has changed from Karachi Infrastructure Development Company Limited (KIDCL) to Sindh Infrastructure Development Company Limited (SIDCL) as instructed by Government of Pakistan due to projects, Government is planning to undertake in the future that will enhance scope of company. Revised certificate of incorporation has given by Securities & Exchange Commission of Pakistan as per the provision of the Companies Act-2017 on 23-July-2019.

As an infrastructure developer, SIDCL continued its efforts to improve and consolidate its work for infrastructure development and helping people/institutions move into the economic mainstream. Through its ongoing projects such as Green Line BRTS, Karachi package, Sindh Package and Operations of Green Line BRTS Project, SIDCL spread its cherished values and approaches of building institutions, developing social capital, ensuring equality and inclusion and propelling economic sustainability that not only helps to improve the infrastructure development but building the state of the art infrastructure that improve congested environment of rapidly growing urban areas of the province of Sindh.

As per instruction given by Government of Pakistan, SIDCL is executing Green Line BRTS 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.

Along with Green Line BRTS project, several others projects are in execution stage and/or in the process of execution that include Karachi Package, Sindh Package and operations of Green Line BRTS Project.

OPERATING RESULTS

The summarized financial result for the year ended 30th June 2019 are as under:

Financial result

Particulars	For the Financial Year ended 30th June 2019
Net Profit For The Period	24,344,959
Earnings per share – basic & diluted	12.17

During the year, the company has a net profit of Rs. 24,344,959. Total service revenues for the period ended 30th June 2019 are Rs. 100,620,807 and profit earned from bank deposits are 18,482,371.

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 Govemance under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Govemance 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 have prepared and circulated, a Statement of Ethics and Business Strategy, among directors and employees.

j) The Board of Directors have prepared and adopted 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 2018-19 in summarized form is given below.

KEY FINANCIAL DATA

Particular	For the year 2018-19
Share Capital	200,000,000
Reserve	56,343,687
Long term liabilities	8,187,301
Current Liability	1,259,815,448
Total Equity & Liability	**1,524,346,436**
Operating Fixed Assets	19,510,572
Current assets	1,504,835,865
Total Assets	**1,524,346,436**

Service Revenue	100,620,807
Administrative Expense	(95,675,219)
Other Income	19,399,371
Profit Before Taxation	**24,344,959**
Profit After Taxation	**24,344,959**

PATTERN OF SHAREHOLDING

The Pattern of shareholding as at 30 June 2019 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 Secretary Finance	Federal Government / Ministry of Communications	1,999,993 (One Million Nine Hundred Ninety Nine Thousand Ninety Three Only)
Secretary Ministry of Finance, Government of Pakistan	Government Servant / Non-Executive Director	1 (One)
Secretary Ministry of Communications, Government of Pakistan	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	Vice Chancellor 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 3 meetings of the Board of Directors including Annual General Meeting were held, Attendance by each director is as follows:

Name of Share Holder	Designation	No of meetings Attend	No of meetings Attend under Authorisation
Secretary, Ministry of Communications, Government of Pakistan	Ex-Chairman BOD SIDCL	3	0

Mr. Samar Ali Khan	Chairman BOD SIDCL/ Independent Director	1	0
Secretary, Ministry of Planning, Govemment of Pakistan	Non-Executive Director	0	1
Chief Secretary, Government of Sindh	Non-Executive Director	2	0
Secretary, Ministry of Finance, Government of Pakistan	Non-Executive Director	0	3
Additional Secretary, Cabinet Division, Government of Pakistan	Non-Executive Director	1	0
Joint Secretary, Prime Minister Office, Government of Pakistan	Non-Executive Director	2	0
Mr. Salueh Ahmed Faruqui	Chief Executive Officer / Executive Director	3	0
Commissioner Karachi, Government of Sindh	Non-Executive Director	3	0
Lt. Gen (R) Shahid Niaz	Independent Director	3	0
Brigadier, 5 Corps, Pakistan Army	Non-Executive Director	1	0
Municipal Commissioner, Karachi Municipal Corporation	Non-Executive Director	1	0
Secretary Transport, Government of Sindh	Non-Executive Director	1	0
Mr. Arif Hasan	Independent Director	1	0
Vice chancellor NED University	Non-Executive Director	2	0
Chairman Dep of Architecture & Planning NED University	Non-Executive Director	3	0
Mr. Adnan Asdar	Independent Director	1	0

MAJOR PROCURMENTS

For Execution of Green Line BRTS project and Karachi Package, major contracts have been awarded since inception of the company, under strict compliance to Public Procurement Rules, 2004 of Public Procurement Regulatory Authority (PPRA), which has been verified by Technical and Bid Evaluation 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. Major Contracts awarded during the tenure of the Company amounting Rs. 24,500 million that include project of Green Line BRTS amounting Rs. 17,500 million and schemes of Karachi Package amounting Rs. 7,000 million. PC-1 Cost of Green Line BRTS and Karachi package is 24,500 million and Rs. 8,000 million respectively.

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

Chief Financial Officer

Chairman BOD KIDCL

Dated: 25-11-2019

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

INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Infrastructure Development Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sindh Infrastructure Development Company Limited (formerly Karachi Infrastructure Development Company Limited) {"the Company"}, which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information other than the Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditor's report thereon.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company for our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Waqas.

Riaz Ahmad & Co.

RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI

Date: 25 November 2019

SINDH INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
(Formerly Karachi Infrastructure Development Company Limited)
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	**19,510,572**	23,864,573
CURRENT ASSETS			
Advances, deposits, prepayments and other receivables	6	**7,715,602**	3,980,933
Accrued interest on bank deposits		**6,541,115**	11,826,872
Government development fund	12	**300,566,711**	-
Advance tax	7	**4,257,692**	-
Cash and bank balances	8	**1,185,754,744**	1,360,996,961
		1,504,835,864	1,376,804,766
TOTAL ASSETS		**1,524,346,436**	1,400,669,339
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
3,000,000 (2018: 3,000,000) ordinary shares of Rupees 100 each		**300,000,000**	300,000,000
Issued, subscribed and paid-up share capital	9	**200,000,000**	200,000,000
Revenue reserves		**56,343,687**	31,998,728
TOTAL EQUITY		**256,343,687**	231,998,728
LIABILITIES			
NON-CURRENT LIABILITIES			
Staff retirement benefit	10	**8,187,301**	4,953,452
CURRENT LIABILITIES			
Trade and other payables	11	**1,259,815,448**	643,347,439
Government development fund	12	**-**	520,369,720
		1,259,815,448	1,163,717,159
TOTAL LIABILITIES		**1,268,002,749**	1,168,670,611
CONTINGENCIES AND COMMITMENTS	13		
TOTAL EQUITY AND LIABILITIES		**1,524,346,436**	1,400,669,339

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

CHIEF EXECUTIVE OFFICER | **DIRECTOR**

SINDH INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
(Formerly Karachi Infrastructure Development Company Limited)
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
Service revenue		**100,620,807**	62,140,647
Administrative expenses	14	**(95,675,219)**	(95,633,289)
Operating profit / (loss)		**4,945,588**	(33,492,642)
Other income	15	**19,399,371**	25,889,340
Profit / (loss) before taxation		**24,344,959**	(7,603,302)
Taxation	16	**-**	-
Profit / (loss) after taxation		**24,344,959**	(7,603,302)
Earnings / (loss) per share - basic and diluted	17	**12.17**	(3.80)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

SINDH INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
(Formerly Karachi Infrastructure Development Company Limited)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 Rupees	2018 Rupees
PROFIT / (LOSS) AFTER TAXATION	**24,344,959**	(7,603,302)
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 year	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**24,344,959**	(7,603,302)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

SINDH INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
(Formerly Karachi Infrastructure Development Company Limited)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued, subscribed and paid-up capital	Revenue reserves Unappropriated profit / (loss)	Total equity
	Rupees	Rupees	Rupees
Balance as at 30 June 2017	**200,000,000**	**39,602,030**	**239,602,030**
Comprehensive loss for the year			
Loss for the year	-	(7,603,302)	(7,603,302)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(7,603,302)	(7,603,302)
Balance as at 30 June 2018	**200,000,000**	**31,998,728**	**231,998,728**
Comprehensive income for the year			
Profit for the year	-	**24,344,959**	**24,344,959**
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**24,344,959**	**24,344,959**
Balance as at 30 June 2019	**200,000,000**	**56,343,687**	**256,343,687**

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

SINDH INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED
(Formerly Karachi Infrastructure Development Company Limited)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**24,344,959**	(7,603,302)
Adjustments for non-cash items:			
Depreciation	5	**5,647,241**	5,521,069
Interest income from saving account	15	**(18,482,371)**	(24,194,340)
Loss on disposal of office equipment		**-**	71,888
Cash flow from / (used in) operations before working capital changes		**11,509,829**	(26,204,685)
Working capital changes			
(Increase) / decrease in current assets			
Advances, deposits, prepayments and other receivables		**(3,734,669)**	1,624,802
Government development fund		**(300,566,711)**	-
		(304,301,380)	1,624,802
Increase / (decrease) in current liabilities			
Trade and other payables		**616,468,009**	282,576,187
Government development fund		**(520,369,720)**	(199,863,054)
		96,098,289	82,713,133
Cash (used in) / flow from operations after working capital changes		**(196,693,262)**	58,133,250
Income tax paid during the year		**(4,257,692)**	-
Net increase in staff retirement benefit		**3,233,849**	2,596,384
Net cash (used in) / flow from operating activities		**(197,717,105)**	60,729,634
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(1,293,240)**	(6,641,671)
Sale consideration on disposal of property and equipment		**-**	30,000
Interest income received during the year		**23,768,128**	40,055,288
Net cash flow from investing activities		**22,474,888**	33,443,617
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
Net (decrease) / increase in cash and cash equivalents		**(175,242,217)**	94,173,251
Cash and cash equivalents at the beginning of the year		**1,360,996,961**	1,266,823,710
Cash and cash equivalents at the end of the year	8	**1,185,754,744**	1,360,996,961

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

1. THE COMPANY AND ITS OPERATIONS

The Sindh Infrastructure Development Company Limited (formerly Karachi Infrastructure Development Company Limited) {"the Company"} is a public unlisted company incorporated under the repealed Companies Ordinance, 1984 (Now the Companies Act, 2017) on 02 June 2015. The Company has obtained certificate for commencement of business under section 146(2) of the repealed Companies Ordinance, 1984 on 23 November 2015.

During the year, Prime Minister of Pakistan has instructed the Company vide letter No. PM Office U.O. No.1(120)/ESTAB/2019 dated 29 March 2019 to change the name of Karachi Infrastructure Development Company Limited to Sindh Infrastructure Development Company Limited. Accordingly, the Company has approved the alteration of Memorandum of Association and Article of Association by changing the name of Company and object clause through special resolution passed in the meeting held on 19 April 2019 which was subsequently ratified by SECP on 23 July 2019.

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 development projects in the province of Sindh and its adjoining areas.

1.1 Geographical location and addresses of all business units are as follows:

Sr. No.	Office	Address
i.	Registered office	6th Floor, Extension Block, Bahria Complex IV, Gizri, Karachi
ii.	Site office - 1	Deputy Commissioner Office, North Nazimabad, Karachi
iii.	Site office - 2	Governor House, Karachi

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

During the year ended 30 June 2016, Government of Pakistan (GoP) Ministry of Communications issued instructions regarding transfer of Special Project Management Unit (SPMU) into the Company. The instructions required transferring of assets, liabilities, employees and business operations of the unit to the Company with the objective to takeover and execute the 'Bus Rapid Transport System (BRTS)' project of Government of Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Accounting Convention

These financial statements comprise statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan and the Companies Act, 2017, 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 4.1)
b) Recoverable amount of the assets {Note 4.4(iii)}
c) Provision for expected credit loss (Note 4.6)

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.

3. NEW AND AMENDED STANDARDS / INTERPRETATIONS AND FORTHCOMING REQUIREMENTS

3.1 Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'

- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9 and IFRS 15. These are disclosed in note 4.4 and note 4.10. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in statement of other comprehensive income. The application of the amendments is not likely to have an impact on Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits–this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

3.3 Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property 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 statement of profit or loss.

Depreciation

Depreciation on property and equipment is charged to statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given 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 by the management, at each financial year-end and adjusted if impact on depreciation is significant.

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 statement of profit or loss currently.

4.2 Employee benefit

The Company operates an unfunded provident fund scheme covering all its employees who are eligible. Equal monthly contributions are made both by the Company and employees at the rate of 3 percent of the basic salary to the fund. The Company's contributions to the fund are charged to statement of profit or loss.

4.3 Income tax

The Company has been allotted 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.

4.4 IFRS 9 "Financial instruments"

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Financial assets

a) Classification

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities

Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss and other comprehensive income. Any gain or loss on de-recognition is also included in profit or loss.

iii) Impairment of financial assets

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For deposits and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

iv) De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

v) Offsetting of financial instruments

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

a) Reclassifications of financial instruments on adoption of IFRS 9

As on 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
Current financial assets	(IAS 39)	(IFRS 9)	Rupees		
Advances	Loans and receivables	Amortized cost	563,667	563,667	-
Security deposit	Loans and receivables	Amortized cost	400,000	400,000	-
Other receivables	Loans and receivables	Amortized cost	2,127,126	2,127,126	-
Short term deposits	Loans and receivables	Amortized cost	400,000	400,000	-
Accrued interest on bank deposits	Loans and receivables	Amortized cost	11,826,872	11,826,872	-
Cash and bank balances	Loans and receivables	Amortized cost	1,360,996,961	1,360,996,961	-

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, 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.

4.6 Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

4.7 Share capital

Ordinary shares are classified as share capital.

4.8 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

4.9 Government Development Fund

Receipts in excess of cost incurred and advances to contractors on government projects assigned to the Company for execution and recognized service revenue on government projects are classified as due to government under current liabilities.

4.10 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

Rendering of services

Service revenue in respect of execution of government projects is recognized by reference to the stage of completion of the respective projects using the cost-based input method. The stage of completion is measured by reference to the contract costs (inputs) incurred up to the reporting date as a percentage of total expected inputs for each contract.

Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognized when it is received or when the right to receive payment is established.

4.11 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 reporting date and adjusted to reflect current best estimate.

4.12 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the statement of profit or loss.

4.13 Impairment of Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

4.14 Earnings per share - Basic and Diluted

The Company presents basic and diluted earnings per share (EPS) for its shareholders. 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 are calculated if there is any potential dilutive effect on the Company's reported net profit or loss.

4.15 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

4.16 Related party transactions

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

5. PROPERTY AND EQUIPMENT

	2019				
	Furniture, fixture & fittings	**Computer equipment**	**Vehicles**	**Office equipment**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
As at 01 July 2018					
Cost	**3,110,936**	**2,435,503**	**28,633,188**	**1,637,380**	**35,817,007**
Accumulated depreciation	**(873,016)**	**(1,319,108)**	**(9,351,756)**	**(408,554)**	**(11,952,434)**
Net book value	**2,237,920**	**1,116,395**	**19,281,432**	**1,228,826**	**23,864,573**
Year ended 30 June 2019					
Opening net book value	**2,237,920**	**1,116,395**	**19,281,432**	**1,228,826**	**23,864,573**
Additions - at cost	**247,800**	**1,045,440**	**-**	**-**	**1,293,240**
Depreciation charge	**(485,225)**	**(621,430)**	**(4,294,978)**	**(245,608)**	**(5,647,241)**
Closing net book value	**2,000,495**	**1,540,405**	**14,986,454**	**983,218**	**19,510,572**
As at 30 June 2019					
Cost	**3,358,736**	**3,480,943**	**28,633,188**	**1,637,380**	**37,110,247**
Accumulated depreciation	**(1,358,241)**	**(1,940,538)**	**(13,646,734)**	**(654,162)**	**(17,599,675)**
Net book value	**2,000,495**	**1,540,405**	**14,986,454**	**983,218**	**19,510,572**
Depreciation rate per annum	**15%**	**30%**	**15%**	**15%**	

	2018				
	Furniture, fixture & fittings	**Computer equipment**	**Vehicles**	**Office equipment**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**
As at 01 July 2017					
Cost	2,108,436	2,118,332	24,433,188	885,880	29,545,836
Accumulated depreciation	(469,151)	(925,502)	(5,109,278)	(196,047)	(6,699,978)
Net book value	1,639,285	1,192,830	19,323,910	689,833	22,845,858
Year ended 30 June 2018					
Opening net book value	1,639,285	1,192,830	19,323,910	689,833	22,845,858
Additions - at cost	1,002,500	687,671	4,200,000	751,500	6,641,671
Deletions					
Cost	-	(370,500)	-	-	(370,500)
Accumulated depreciation	-	268,613	-	-	268,613
	-	(101,887)	-	-	(101,887)
Depreciation charge	(403,865)	(662,219)	(4,242,478)	(212,507)	(5,521,069)
Closing net book value	2,237,920	1,116,395	19,281,432	1,228,826	23,864,573
As at 30 June 2018					
Cost	3,110,936	2,435,503	28,633,188	1,637,380	35,817,007
Accumulated depreciation	(873,016)	(1,319,108)	(9,351,756)	(408,554)	(11,952,434)
Net book value	2,237,920	1,116,395	19,281,432	1,228,826	23,864,573
Depreciation rate per annum	15%	30%	15%	15%	

5.1 Property and equipment includes assets transferred from Special Project Management Unit (SPMU) accounted for at Rupee 1.

6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2019 Rupees	2018 Rupees
Security deposit	6.1	**700,000**	400,000
Prepayments		**2,231,026**	890,140
Advance against expenses		**439,399**	563,667
Tender fee due from government		**4,345,177**	2,127,126
		7,715,602	3,980,933

6.1 It represents an amount paid as security deposit to Pakistan State Oil Company Limited against issuance of fuel cards.

7. This represents tax deducted at source from interest income earned on saving account maintained with National Bank of Pakistan. As the Company has been alloted Free Tax Number (FTN) under section 49 of Income Tax Ordinance, 2001 whereby the income of the Company is exempt from tax (Note 16). Therefore, management is confident that this amount is recoverable from the bank.

8. CASH AND BANK BALANCES

	Note	2019 Rupees	2018 Rupees
Cash in hand		-	38,238
Cash at bank - current accounts		**953,611,117**	881,355,765
Cash at bank - saving accounts	8.1 & 8.2	**232,143,627**	479,602,958
		1,185,754,744	1,360,996,961

8.1 It includes an amount of Rupees 7.925 million (2018: Rupees 4.880 million) deposited in a separate bank account maintained against provident fund.

8.2 These bank accounts carry profit at rates ranging from 5.5% to 11.25% (2018: 4.75% to 5.5%) per annum.

9. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	Note	2019 Rupees	2018 Rupees
2,000,000 (2018: 2,000,000) ordinary shares of Rupees 100 each fully paid in cash	9.1	**200,000,000**	200,000,000

9.1 These ordinary shares are beneficially owned by Government of Pakistan through Secreatry Ministry of Finance and by nominee directors.

10. STAFF RETIREMENT BENEFIT

	Note	2019 Rupees	2018 Rupees
Provident fund balance	10.1	**8,187,301**	4,953,452

10.1 Movement in provident fund balance:

	Note	2019 Rupees	2018 Rupees
Balance as at 01 July		**4,953,452**	2,357,068
Company's contribution		**1,454,355**	1,264,503
Employees' contribution		**1,454,355**	1,264,503
Recovery of loan to members		**12,000**	-
Interest on bank deposit accrued during the year		**417,807**	120,505
		3,338,517	2,649,511
Less: payment made during the year			
Final settlement		**(84,668)**	(53,127)
Loan to member		**(20,000)**	-
		(104,668)	(53,127)
	10.1.1	**8,187,301**	4,953,452

10.1.1 This represents the balance of provident fund maintained in a seperate bank account.

11. TRADE AND OTHER PAYABLES	Note	2019 Rupees	2018 Rupees
Accrued expenses		**779,830**	921,540
Contractors & creditors payable		**333,691,380**	-
Retention money	11.1	**866,821,802**	606,187,555
Provision against utility relocation under litigation	11.2	**53,853,862**	-
Withholding income tax payable		**4,358,584**	36,191,454
Withholding sales tax payable		**309,990**	46,890
		1,259,815,448	643,347,439

11.1 Retention money represents the amounts retained from progress billings of contarctors which will be paid on satisfaction of conditions specified.

11.2 This represents provision maintained against suit filed by K-Electric Limited (Plantiff) on account of utility relocation expenses incurred by the Plaintiff which, subsequent to year end, is compromised by the Company.

12. GOVERNMENT DEVELOPMENT FUND

Balance as at 01 July		**520,369,720**	720,232,774
Fund received during the year - net		**6,850,587,611**	7,978,600,567
Less: Development cost incurred during the year	12.1	**(8,789,345,859)**	(7,756,598,611)
Less: Service revenue recognized during the year		**(100,620,807)**	(62,140,647)
Less: Advance to contractors during the year		**-**	(359,724,363)
Add: Adjustment of advance to contractors against development cost for the year		**1,218,442,624**	-
Balance as at 30 June		**(300,566,711)**	520,369,720
Represented by:			
Funds received		**21,973,361,137**	15,122,773,526
Less: Projects' development cost incurred		**(21,780,802,431)**	(12,991,456,572)
Less: Company's establishment cost recognized		**(204,699,613)**	(104,078,806)
Less: Advance to contractors		**(288,425,804)**	(1,506,868,428)
		(300,566,711)	520,369,720

12.1 Government development fund represents the balance of government projects being executed by the Company on behalf of Government of Pakistan. As at the reporting date, the Company has been entrusted to execute the following projects of the Government of Pakistan:

(a) Green Line Bus Rapid Transport System {Project 1};

(b) Reconstruction of Mangopir Road from Jam Chakro to Banaras 8.10 KM {Project 2};

(c) Reconstruction of Mango Pir Road from Banaras Chowk to Nishtar Road {Project 3};

(d) Reconstruction of Nishtar Road from Tin Hatti to Napier Road {Project 4};

(e) Rehabilitation / upgradation of existing fire station of Karachi Metropolitan Corporation (KMC) {Project 5}; and

(f) Construction of Flyover at Sakhi Hassan, Five Star and KDA Roundabout along Shershah Suri Road {Project 6}.

12.2 The projects current status and details are as unders:

Description	2019 Government Development Projects						
	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Project development cost as per PC-I	24,408,512,255	2,558,000,000	1,156,000,000	858,000,000	1,876,000,000	2,950,950,000	33,807,462,255
SIDCL establishment charges as per PC-I	195,544,572	43,060,000	37,800,000	27,670,000	17,290,000	39,503,446	360,868,018
Total project development cost as per PC-I	24,604,056,827	2,601,060,000	1,193,800,000	885,670,000	1,893,290,000	2,990,453,446	34,168,330,273
Development contarct cost incurred to date:							
Design & supervision	518,200,153	15,822,352	7,710,890	5,720,644	-	27,219,288	574,673,327
Utilities relocation	712,083,962	39,337,721	22,462,268	4,300,000	-	27,080,661	805,264,612
Track work & infrastructure development	16,396,534,449	1,131,242,010	222,721,486	166,006,465	1,021,000,000	1,433,889,130	20,371,393,540
Land acquisition for project	29,470,952	-	-	-	-	-	29,470,952
	17,656,289,516	1,186,402,083	252,894,644	176,027,109	1,021,000,000	1,488,189,079	21,780,802,431
SIDCL establishment charges recognized to date	141,450,308	19,971,256	8,269,392	5,676,772	9,409,963	19,921,922	204,699,613
Advance to contractors	230,255,118	58,125,666	-	-	-	-	288,380,784
Stage of completion (%)	72.34%	46.38%	22%	21%	54%	50%	
Method of stage of completion	*Cost-based input method*						

Description	2018 Government Development Projects						
	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Project development cost as per PC-I	24,408,512,255	2,558,000,000	1,156,000,000	858,000,000	1,876,000,000	2,950,950,000	33,807,462,255
SIDCL establishment charges as per PC-I	195,544,572	43,060,000	37,800,000	27,670,000	17,290,000	39,503,446	360,868,018
Total project development cost as per PC-I	24,604,056,827	2,601,060,000	1,193,800,000	885,670,000	1,893,290,000	2,990,453,446	34,168,330,273
Development contarct cost incurred to date:							
Design & supervision	398,894,893	-	-	-	-	-	398,894,893
Utilities relocation	613,987,745	-	-	-	-	-	613,987,745
Track work & infrastructure development	11,949,102,982	-	-	-	-	-	11,949,102,982
Land acquisition for project	29,470,952	-	-	-	-	-	29,470,952
	12,991,456,572	-	-	-	-	-	12,991,456,572
SIDCL establishment charges recognized to date	104,078,806	-	-	-	-	-	104,078,806
Advance to contractors	794,866,499	172,373,462	374,234,928	60,666,665	-	104,726,874	1,506,868,428
Stage of completion (%)	53.23%	0%	0%	0%	0%	0%	
Method of stage of completion	*Cost-based input method*						

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

a) Al-Noor Builders & Construction HUB (Private) Limited and Gul Construction Company (Joint Venture) ('Plaintiff') has filed an appeal against the Company vide Suit No. 1056 dated 11 May 2018 in the Honorable High Court of Sindh against disqualification from the tender process at the stage of technical evaluation. The tender was issued for construction of BRT common corridor and underground facility at Numaish M.A Jinnah Road, contract package No. KAR/BRTS/GL16. The Plaintiff is seeking an injuction against the opening of finance bid of the successful bidder. No injuction has been granted by the honorable court till the reporting date and the suit is currently ending at the stage of hearing of applications. The Plaintiff has also prayed for damages amounting to Rupees 50 million. The Company in consultation with its legal advisor is confident of favorable outcome on this matter. The Company is indirectly involved in this litigation as it is executing projects on behalf of the Government of Pakistan. Any adverse consequences thereof have to be borne by the Government of Pakistan.

13.2 Commitments	**Note**	**2019 Rupees**	2018 Rupees
Commitments to contractors		**6,265,985,914**	11,554,774,809

14. ADMINISTRATIVE EXPENSES

	Note	2019 Rupees	2018 Rupees
Salaries, wages and benefits	14.1	**67,634,720**	64,894,114
Stationery, printing and publication		**520,980**	611,274
Newspapers and periodicals		**46,687**	24,274
Depreciation	5.1	**5,647,241**	5,521,069
Auditors' remuneration	14.2	**654,000**	654,000
Communication charges		**1,066,077**	714,529
Travelling and conveyance		**3,677,404**	2,864,546
Advertisement		**2,617,812**	4,666,209
Utilities expense		**3,293,097**	1,896,946
Repairs and maintenance		**3,171,762**	3,920,585
Rent, rate and taxes		**4,288,572**	4,085,634
Insurance		**193,259**	1,333,432
Law charges		**1,924,001**	1,840,050
Loss on disposal of office equipment		**-**	71,888
Bank charges		**3,850**	1,750
Miscellaneous expenses		**935,757**	2,532,989
		95,675,219	95,633,289

14.1 This includes an amount of Rupees 1.454 million (2018: Rupees 1.265 million) representing the contribution made by the Company to the Staff Provident Fund.

		2019	2018
14.2	**Auditors' remuneration**	**Rupees**	Rupees
	Audit fee	**500,000**	500,000
	Out of pocket expenses	**60,000**	60,000
	Sindh sales tax	**40,000**	40,000
		600,000	600,000
	Tax services	**54,000**	54,000
		654,000	654,000

15. OTHER INCOME

	2019	2018
Income from financial assets		
Interest income from saving account	**18,482,371**	24,194,340
Income from assets other than financial assets		
Tender fee income	**917,000**	1,695,000
	19,399,371	25,889,340

16. TAXATION

	2019	2018
Current tax	**-**	-

16.1 The Federal Board of Revenue (FBR) has allotted Free Tax Number (FTN) to the Company 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.

17. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

There is no dilutive effect on basic earnings / (loss) per share which is based on:

	2019	2018
Profit / (loss) for the year **(Rupees)**	**24,344,959**	(7,603,302)
Weighted average number of ordinary shares **(Number)**	**2,000,000**	2,000,000
Earnings / (loss) per share basic and diluted **(Rupees)**	**12.17**	(3.80)

18. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2019	2018
Chief Executive Officer		
Meeting fee	**300,000**	480,000
Salary	**1,594,000**	2,300,000
Utilities	**44,000**	24,000
Others	**75,000**	30,000
	2,013,000	2,834,000
Number of executive	**1**	1
Directors		
Meeting fee	**3,780,000**	5,280,000
Others	**-**	980,000
	3,780,000	6,260,000
Number of directors	**11**	11

Executives	**2019 Rupees**	2018 Rupees
Salary	**11,063,855**	24,168,078
Utilities	**113,400**	246,310
Others	**411,312**	147,550
	11,588,567	24,561,938
Number of executives	**14**	14

18.1 Chief Executive Officer and certain executives of the Company are provided with Company maintained vehicles.

19. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of principal shareholder (Government of Pakistan), directors, key management personnel, entities over which the directors are able to exercise influence. Transactions with related parties other than those disclosed in Note 18 and the balances outstanding at the year end are given below:

	Relationship with the Company	**Nature of transaction**		
i.	Principal shareholder	Fund received during the year - net	**6,850,587,611**	7,978,600,567
		Tender fee paid to government	**2,218,051**	-
		Receivable / (payable) balance		
ii.	Principal shareholder	Government development fund	**300,566,711**	(520,369,720)
		Tender fee due from government	**4,345,177**	-

	Name of party	**Basis of relationship**	**Percentage of shareholding**
iii.	Government of Pakistan	Shareholding	100%

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

20.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, credit risk and liquidity risk.

(a) Market risk

(i) 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 arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to this risk because there were no receivables and payables in any foreign currency as at the reporting date.

No foreign currency transactions were carried out during the year. Therefore, no currency risk exist at the statement of financial position.

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 reporting 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 reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
Fixed rate instruments :	**Rupees**	Rupees
Financial assets	**-**	-
Floating rate instruments :		
Financial assets		
Cash at bank - saving account	**232,143,627**	479,602,958
Financial liabilities	**-**	-

Fair value sensitivity analysis for variable rate instruments

As at 30 June 2019, if market interest rates had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been higher / lower by Rupees 2,321,436 (2018: Rupees 4,796,030).

(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:

Advances, deposits and other receivables	**5,484,576**	3,090,793
Accrued interest on bank deposits	**6,541,115**	11,826,872
Government development fund	**300,566,711**	-
Bank balances	**1,185,754,744**	1,360,958,723
	1,498,347,146	1,375,876,388

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			2019	2018
Banks	**Short Term**	**Long Term**	**Agency**	**Rupees**	Rupees
National Bank of Pakistan	A1+	AAA	JCR-VIS	**1,185,754,744**	1,360,958,723
Entity					
Government of Pakistan	Government Sovereign			**300,566,711**	-

(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 2019, the Company had cash and bank balances of Rupees 1,185,754,744 (2018: Rupees 1,360,996,961). 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 2019

	Trade and other payables	Government development fund	Total
Carrying Amount	**1,255,146,874**	-	**1,255,146,874**
Contractual Cash Flows			
6 month or less	**1,094,975,241**	-	**1,094,975,241**
6 months to 12 months	**160,171,633**	-	**160,171,633**
More than 1 year	-	-	-
	1,255,146,874	-	**1,255,146,874**

Contractual maturities of financial liabilities as at 30 June 2018

	Trade and other payables	Government development fund	Total
Carrying Amount	607,109,095	520,369,720	1,127,478,815
Contractual Cash Flows			
6 month or less	234,744,132	520,369,720	755,113,852
6 months to 12 months	372,364,963	-	372,364,963
More than 1 year	-	-	-
	607,109,095	520,369,720	1,127,478,815

20.2 Recognized fair value measurements

(a) Financial Assets

Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no financial asset and financial liability to be reported under above levels as the carrying amounts of all financial assets and financial liabilities presented in these financial statements are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

(b) Non-Financial Assets

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

20.3 Financial instruments by categories

As at 30 June 2019 **Financial assets as per statement of financial position**	**At amortized cost** **Rupees**	**Total** **Rupees**
Advances, deposits and other receivables	**5,484,576**	**5,484,576**
Accrued interest on bank deposits	**6,541,115**	**6,541,115**
Government development fund	**300,566,711**	**300,566,711**
Cash and bank balances	**1,185,754,744**	**1,185,754,744**
	1,498,347,146	**1,498,347,146**

Financial liabilities as per statement of financial position	**Financial liabilities at amortized cost** **Rupees**
Trade and other payables	**1,255,146,874**

As at 30 June 2018 **Financial assets as per statement of financial position**	**Loans and receivables** **Rupees**	**Total** **Rupees**
Advances, deposits and other receivables	3,090,793	3,090,793
Accrued interest on bank deposits	11,826,872	11,826,872
Cash and bank balances	1,360,996,961	1,360,996,961
	1,375,914,626	1,375,914,626

Financial liabilities as per statement of financial position	**Financial liabilities at amortized cost** **Rupees**
Trade and other payables	607,109,095
Government development fund	520,369,720
	1,127,478,815

20.4 Off setting financial assets and liabilities

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

21. NUMBER OF EMPLOYEES

The number of employees during the year is as follows:

	2019		2018	
	At year end	**Average**	At year end	Average
Number of employees				
- Permanent	**2**	**2**	2	2
- Contractual	**47**	**41**	47	41

22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 25 NOV 2019 by the Board of Directors of the Company.

23. GENERAL

23.1 Corresponding figures have been reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made, except for the following:

From	**To**	**Rupees**
Advances, deposits, prepayments and other receivables		
Prepayments	Advance against expenses	**563,667**

23.2 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR