AUDITORS' REPORT

Habibabad Operation and Management Engineering Company (Private) Limited

FOR THE YEAR ENDED JUNE 30, 2019

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non Current Assets			
Property and equipment	4	439,716,595	527,474,251
Intangible assets	5	55,858,220	60,181,320
		495,574,815	587,655,571
Current Assets			
Advance prepayments and other receivables	6	11,995,810	24,108,424
Cash and bank balances	7	160,889,091	133,427,147
		172,884,901	157,535,571
		668,459,716	745,191,142
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 2,500,000 (2018: 2,500,000) ordinary shares of Rs.100 each		250,000,000	250,000,000
Issued, subscribed and paid up capital: 1,751,000 (2018: 1,751,000) ordinary shares of Rs. 100 each fully paid in cash	8	175,100,000	175,100,000
Unappropriated (loss) / profit		(34,819,274)	5,648,379
		140,280,726	180,748,379
Non Current Liabilities			
Post employment benefits obligations	9	452,043	1,350,365
Deferred tax liability	10	-	3,874,726
		452,043	5,225,091
Current Liabilities			
Trade and other payables	11	524,329,354	555,090,043
Provision for taxation	12	3,397,593	4,127,629
		527,726,947	559,217,672
Contingencies and Commitments	13	-	-
		668,459,716	745,191,142

The annexed notes from 1 to 26 form an integral part of these financial statements.

Chief Executive **Director**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Revenue	14	271,807,422	381,219,041
Direct cost	15	(319,860,942)	(344,895,340)
Gross (Loss) / Profit		(48,053,520)	36,323,701
Administrative expenses	16	(18,184,757)	(22,584,823)
Finance cost	17	(3,673)	(18,567,664)
		(18,188,430)	(41,152,487)
Operating Loss		(66,241,950)	(4,828,786)
Other income	18	28,676,048	9,001,256
(Loss) / Profit before Taxation		(37,565,902)	4,172,470
Taxation	19	(2,670,581)	(3,578,138)
Net (Loss) / Profit for the Year		(40,236,483)	594,332

The annexed notes from 1 to 26 form an integral part of these financial statements.

Chief Executive

Director

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
Net (Loss) / Profit for the Year	(40,236,483)	594,332
Other Comprehensive Loss		
Items that will not be reclassified to profit or loss		
Remeasurement of employee retirement benefits - liability	(325,591)	(153,331)
Related tax impact	94,421	45,999
	(231,170)	(107,332)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	(231,170)	(107,332)
Total Comprehensive (Loss) / Income for the Year	(40,467,653)	487,000

The annexed notes from 1 to 26 form an integral part of these financial statements.

Chief Executive

Director

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

Particulars	Share Capital	Share Deposit Money	Unappropriated Profit / (Loss)	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2017	175,100,000	69,123,662	5,161,379	249,385,041
Share deposit money transferred to long term financing	-	(69,123,662)		(69,123,662)
Net Profit for the year	-	-	594,332	594,332
Other comprehensive loss for the year	-	-	(107,332)	(107,332)
Total comprehensive income for the year	-	-	487,000	487,000
Balance as at June 30, 2018	175,100,000	-	5,648,379	180,748,379
Net loss for the year	-	-	(40,236,483)	(40,236,483)
Other comprehensive loss for the year	-	-	(231,170)	(231,170)
Total comprehensive loss for the year	-	-	(40,467,653)	(40,467,653)
Balance as at June 30, 2019	175,100,000	-	(34,819,274)	140,280,726

The annexed notes from 1 to 26 form an integral part of these financial statements.

Chief Executive

Director

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(37,565,902)	4,172,470
Adjustment for:			
- Depreciation		92,409,136	93,069,184
- Amortization		10,753,100	10,285,714
- Provision for post employment benefits		722,015	1,473,174
- Finance cost		3,673	18,567,664
		103,887,924	123,395,736
Operating Profit before Working Capital Changes		66,322,022	127,568,206
Decrease / (Increase) in current assets			
- Advance, prepayments and other receivables		12,112,614	(20,357,164)
Increase / (Decrease) in current liabilities:			
- Trade and other payables		(30,760,689)	164,753,971
		(18,648,075)	144,396,807
Cash Generated from operations		47,673,947	271,965,013
Finance cost paid		(3,673)	(69,707,060)
Post employment benefits paid		(1,945,928)	(276,140)
Income tax paid		(7,180,922)	(10,632,100)
		(9,130,523)	(80,615,300)
Net Cash Generated from Operating Activities		38,543,424	191,349,713
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(4,651,480)	-
Intangible assets purchased		(6,430,000)	-
Net Cash Used in Investing Activities		(11,081,480)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid - net		-	(237,421,791)
Net Cash Used in Financing Activities		-	(237,421,791)
Net Increase / (Decrease) in Cash and Cash Equivalents		27,461,944	(46,072,078)
Cash and cash equivalents at the beginning of the year		133,427,147	179,499,225
Cash and Cash Equivalents at the End of the Year		160,889,091	133,427,147

The annexed notes from 1 to 26 form an integral part of these financial statements.

Chief Executive **Director**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Note 1
The Company and its Operations

Habibabad Operation And Management Engineering Company (Private) Limited (the Company) was incorporated on 9th day of September 2013 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a public sector company and a subsidiary of Frontier Works Organization (working under Ministry of Defence). The principal activity of the Company is to develop, design, engineer, finance, construct, commission, manage, operate, maintain, insure and, on the transfer date, transfer a new four (4) lane flyover bridge at Habibabad (Wah Radha Ram) on National Highway N-5, and during the concession period, collect, receive and earn the toll revenue and other revenues generated from the said project, all on a build, operate and transfer basis (BOT basis) pursuant to the concession agreement executed between the National Highway Authority and the Company on April 23, 2014.

The registered office of the company is situated at- Gate no. 12, National Hockey Stadium, Gulberg-III, Lahore.

Note 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 Standard (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.

The Securities and Exchange Commission of Pakistan in pursuance of the SRO No. 24 dated 16 January 2012 has given relaxation for the implementation of IFRIC 12 "Service Concession Arrangements" due to the practical difficulties being faced by the companies.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of the following:

Post employment benefits obligation	Note 9	Present Value

2.3 Presentation and functional currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires 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 continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These estimates and related assumptions are reviewed on an on-going basis. Significant management estimates in these financial statements relate to the useful life and residual values of property and equipment, useful life of intangible assets, provisions for defined benefit plans and taxation.

Note 2, Basis of Preparation- Contd...
Note 2.4 Use of Estimates and Judgements- Contd...

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statement of the Company for the year ended June 30, 2019 have been consistent with previous years unless otherwise stated.

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after July 1, 2018 and are considered to be relevant to the Company's financial statements:

The Company has adopted IFRS 9 'Financial Instruments' during the year that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the recognition, measurement, presentation and disclosure of financial instruments.

The Company has also adopted IFRS 15 (Revenue from contract) with customers that has replaced IAS 18 covers revenue for goods and services, IAS 11 which covers construction contracts, SIC-31 - Revenue - Barter transaction involving advertising services, IFRIC 15 - Agreements for the construction of real estate and IFRIC 18 - Transfer of assets from customers.

The Company has adopted both the standards with effect from July 01, 2018, any change in presentation or classification of items has been accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

Standard or Interpretation		**Effective Date** (Period beginning on or after)
IAS 23	Borrowing costs	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	
IAS 19	Employee Benefits [Amendments]	January 01, 2019
Conceptual Framework in IFRS Standards [Amendments]		January 01, 2019
IAS 1 and IAS 8 [Amendments]		January 01, 2020

Amendments to IAS 19 specify the basis for determining the current service cost and the net interest expense / income for the period between a defined benefit retirement plan amendment, curtailment or settlement and the end of the reporting period.

The IASB has published a revised Conceptual Framework for Financial Reporting that will be used to develop new Standards and Interpretations in future. In particular, the definitions of assets and liabilities as well as the guidance on measurement and derecognition, presentation and disclosure were amended. This has not resulted in any technical amendments to current Standards to date. The amendments merely update the references to the Conceptual Framework in existing Standards. The Conceptual Framework itself is not subject of the endorsement procedure.

Note 2, Basis of Preparation- Contd...
Note 2.5.2 Standards Interpretation- Contd...

Amendments to IAS 1 & IAS 8 clarify the definition of "material". Besides additional explanations, the definition of "material" in the Conceptual Framework as well as all Standards was aligned with the central definition no anchored in IAS 1.

The Company expects that such improvement to the standard will not have any material impact on the company's financial statements in the period of initial application, except for IAS 19.

The following standards and amendments to published accounting standards were not effective during the year and have not been early adopted by the Company. The Company intends to adopt these standards, if applicable, when they become effective.

		Effective date [annual periods beginning on or after]
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019
IFRS 9	Financial Instruments [Amendments]	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures	January 01, 2019
IFRS 16	Leases	January 01, 2019

IFRIC 23 clarifies the requirements for measuring and recognizing uncertain income tax items. The interpretation must be applied to the determination of taxable profit / loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12.

Amendment to IFRS 9 clarifies how certain financial instruments with prepayment features with negative compensation are classified.

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) is introduced during the year that aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all the leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 replaces IAS 17 Leases, 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 Company expects that such improvement to the standards will not have any material impact on the company's financial statements.

The Company expects that such improvement to the standards will not have any material impact on the Company's financial statements.

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2018, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these financial statements.

2.5.3 Application of waiver from requirement of IFRIC 12 "Service Concession Arrangements"

In accordance with S.R.O 24(I)/2012, dated 16 January 2012, the Company has availed exemption, granted by Securities and Exchange Commission of Pakistan (SECP), from requirements of IFRIC 12 while preparing these financial statements.

IFRIC 12 applies to public-to-private service Concession arrangements if the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Note 3
Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except for the application of IFRS 15 revenue from contracts with customers (Note 3.8) and IFRS 9 'Financial Instruments' (Note 3.12) adopted with effect from July 01, 2018. The effect of adoption of these new standards has been detailed in Note 4.

3.1 Property and Equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss, if any.

Depreciation is charged to statement of profit or loss account on the straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 4. Depreciation on additions is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

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 benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss account during the period in which they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss account.

The carrying amounts of the Company's 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. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Impairment losses are recognized in the statement of profit or loss account. 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 account.

3.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

3.3 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably. Cost of intangible assets includes purchase cost and directly attributable expenses incidental to bring the intangible to its intended use.

Costs that are directly associated with identifiable intangible and have probable economic benefits beyond one year, are recognized as an intangible asset. However, costs associated with the maintenance of intangible are recognized as an expense. All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to statement of profit or loss account using the straight line method at the rates given in Note 5, so as to write off the cost of an intangible over its estimated useful life.

3.4 Provisions

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Note 3, Summary of Significant Accounting Policies - Contd...

3.5 Post Employment Benefits Obligations

The Company operates a employee defined scheme (gratuity scheme) for all those employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to statement of profit or loss account and other comprehensive income. The most recent valuation was carried out as at June 30, 2019 using the "Projected Unit Credit (PUC) Actuarial Cost Method'. The results of actuarial valuation are summarized in note 9 of these financial statements. The obligation at the reporting date is measured at the present value of the estimated future cash flows.

The actuarial gains and losses on defined benefit plans are recognized immediately in other comprehensive income. Calculation of gratuity requires assumptions to be made of future outcomes which mainly includes increase in remuneration and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

3.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost which approximate the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.7 Taxation

3.7.1 Current

The charge for current tax is based on taxable income higher of corporate tax and alternate corporate tax for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

3.7.2 Deferred

Deferred tax is accounted for using the reporting date liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or have been notified for subsequent enactment at the reporting date. Deferred tax is charged or credited in the statement of profit or loss account, except in the case of items credited or charged to other comprehensive income, if any, in which case it is included in equity.

3.8 Revenue recognition

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised services to third parties.

Revenue is to be recognized in accordance with the aforementioned principle by applying the following steps:

i) Identify the contract with a customer
ii) Identify the performance obligation in the contract
iii) Determine the transaction price of the contract
iv) Allocate the transaction price to each of the separate performance obligations in the contract
v) Recognize the revenue when (or as) the entity satisfies a performance obligation

Profit on bank deposits is recorded on accrual basis.

3.9 Finance cost

Finance costs are recognized as an expense in the period in which these are incurred except to the extent of finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such finance costs are capitalized as part of the cost of that asset up to the date of its commissioning.

Note 3, Summary of Significant Accounting Policies - Contd...

3.10 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.11 Related party transactions

Transactions with related parties are made at arm's length prices determined in accordance with the Company's policy.

3.12 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.12.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

Classification

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The equity investments of the Company held in short term investments are classified at fair value through profit or loss because they are frequently traded.

Note 3, Summary of Significant Accounting Policies - Contd...
Note 3.12, Financial Instruments - Contd...
Note 3.12.1, Financial Assets - Contd...

Reclassification

When the Company changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Company applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the amortized cost measurement category to fair value through profit or loss measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit or loss.

In case of reclassification out of fair value through profit or loss measurement category to the amortized cost measurement category, fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of the amortized cost measurement category to fair value through other comprehensive income measurement category, fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through other comprehensive income measurement category to the amortized cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of fair value through profit or loss measurement category to the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

In case of reclassification out of fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Initial recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Company uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

Note 3, Summary of Significant Accounting Policies - Contd...
Note 3.12, Financial Instruments - Contd...
Note 3.12.1, Financial Assets - Contd...

Subsequent measurement

For the purpose of measuring financial assets after initial recognition, these are classified into the following four categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Company's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  a) the Company has transferred substantially all the risks and rewards of the asset; or

  b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

Note 3, Summary of Significant Accounting Policies - Contd...
Note 3.12, Financial Instruments - Contd...
Note 3.12.1, Financial Assets - Contd...

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

If the Company's continuing involvement is in only a part of a financial asset, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.

Impairment of financial assets

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the statement of financial position is not reduced.

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

3.12.2 Financial liabilities

Initial recognition and measurement

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

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities.

Note 3, Summary of Significant Accounting Policies - Contd...
Note 3.12, Financial Instruments - Contd...
Note 3.12.2, Financial Liabilities - Contd...

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

The Company's financial liabilities include trade and other payables, loans and borrowings including Company overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financial liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel. The Company has not designated any financial liability as at fair value through profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

If the Company repurchases a part of a financial liability, the Company allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit or loss.

Note 3, Summary of Significant Accounting Policies - Contd...
Note 3.12, Financial Instruments - Contd...

3.12.3 Offsetting of financial assets and liabilities

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

Note 4

Change in Accounting Policy

The Company has adopted IFRS 9 'Financial Instruments' would effect from July 01, 2018 that has replaced IFRIC 9 - Reassessment of Embedded Derivatives, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). IFRS 9 shall now govern the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Company has also adopted IFRS 15 (Revenue from contract) with customers which replaced IAS 18 which covers revenue for goods and services, IAS 11 which covers construction contracts, SIC31 - Revenue - Barter transaction involving advertising services, IFRIC 15 - Agreements for the construction of real estate and IFRIC 18 - Transfer of assets from customers.

The Company has adopted both the standards with effect from July 01, 2018 and any change in presentation or classification of items has been accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The application of IFRS 15 did not have a material impact on amounts in the statement of comprehensive income, the statement of changes in equity and the statement of cash flows as the current methodology for revenue recognition adequately reflects timing of satisfaction of performance obligations under requirements of the new standard.

The changes laid down by these standards do not have any impact on these financial statements. Hence, no re-statement is required in Company's financial statements.

Note 4

Property and Equipment

Year Ended June 30, 2019

Particulars	Cost			Rate	Depreciation			Net Book Value as at June 30, 2019
	As at July 1, 2018	Additions	As at June 30, 2019		As at July 1, 2018	For the Year	As at June 30, 2019	
	----Rupees----			%	----Rupees----			
Flyover (Habibabad)	822,097,141	-	822,097,141	11	296,868,412	90,430,686	387,299,098	434,798,043
Office equipment	321,861	4,395,480	4,717,341	20	245,206	519,123	764,329	3,953,012
Vehicles	5,985,632	-	5,985,632	20	5,014,783	970,849	5,985,632	-
Electric and gas appliances	2,317,797	256,000	2,573,797	20	1,119,779	488,478	1,608,257	965,540
Total Rupees - 2019	830,722,431	4,651,480	835,373,911		303,248,180	92,409,136	395,657,316	439,716,595

Year Ended June 30, 2018

Particulars	Cost			Rate	Depreciation			Net Book Value as at June 30, 2018
	As at July 1, 2017	Additions	As at June 30, 2018		As at July 1, 2017	For the year	As at June 30, 2018	
	----Rupees----			%	----Rupees----			
Flyover (Habibabad)	822,097,141	-	822,097,141	11	205,524,285	91,344,127	296,868,412	525,228,729
Office equipment	321,861	-	321,861	20	180,834	64,372	245,206	76,655
Vehicles	5,985,632	-	5,985,632	20	3,817,657	1,197,126	5,014,783	970,849
Electric and gas appliances	2,317,797	-	2,317,797	20	656,220	463,559	1,119,779	1,198,018
Total Rupees - 2018	830,722,431	-	830,722,431		210,178,996	93,069,184	303,248,180	527,474,251

Note 4, Property and Equipment- Contd...

4.1 Apportionment of depreciation charge for the year

	Note	2019 Rupees	2018 Rupees
Direct cost	15	90,430,686	91,344,127
Administrative expenses	16	1,978,450	1,725,057
		92,409,136	93,069,184

Note 5
Intangible Assets

Year Ended June 30, 2019

Particulars	Cost			Rate	Amortization			Net Book Value as at June 30, 2019
	As at July 1, 2018	Additions	As at June 30, 2019		As at July 1, 2018	For the year	As at June 30, 2019	
	-Rupees-			%	-Rupees-			
Software	40,000,000	6,430,000	46,430,000	11	15,357,142	4,753,100	20,110,242	26,319,758
Right to use toll plaza	60,000,000	-	60,000,000	10	24,461,538	6,000,000	30,461,538	29,538,462
Total Rupees - 2019	100,000,000	6,430,000	106,430,000		39,818,680	10,753,100	50,571,780	55,858,220

Year Ended June 30, 2018

Particulars	Cost			Rate	Amortization			Net Book Value as at June 30, 2018
	As at July 1, 2017	Additions	As at June 30, 2018		As at July 1, 2017	For the year	As at June 30, 2018	
	-Rupees-			%	-Rupees-			
Software	40,000,000	-	40,000,000	11	11,071,428	4,285,714	15,357,142	24,642,858
Right to use toll plaza	60,000,000	-	60,000,000	10	18,461,538	6,000,000	24,461,538	35,538,462
Total Rupees - 2018	100,000,000	-	100,000,000		29,532,966	10,285,714	39,818,680	60,181,320

Note 6
Advance, Prepayments and other Receivables

	Note	2019 Rupees	2018 Rupees
Prepayments		1,755,303	1,185,205
Advance income tax		5,944,161	-
Other receivables	6.1	24,400	22,037,759
Accrued profit		4,271,946	885,460
		11,995,810	24,108,424

6.1 This represents the amount receivable from related party i.e. Frontier Works Organization as at the reporting date. The maximum aggregate amount due from related party at the end of any month during the year was Rs. 22,037,759 (2018: Rs. 22,037,759)

Note 7
Cash and Bank Balances

	Note	2019 Rupees	2018 Rupees
Cash in hand		4,217	5,590
Cash at banks - in savings accounts	7.1	160,884,874	133,421,557
		160,889,091	133,427,147

7.1 These carry mark-up at rates ranging from 11.85% to 14.82% (2018: 3.75% to 4.85%) per annum.

Note 8
Issued, Subscribed and Paid up Capital

2019 No. of Shares	2018 No. of Shares		2019 Rupees	2018 Rupees
1,751,000	1,751,000	Ordinary shares of Rs. 100 each fully paid in cash	175,100,000	175,100,000

8.1 No shares were issued or cancelled during the year (2018: Nil).

8.2 As at the reporting date, Frontier Works Organization held 1,750,994 (2018: 1,750,994) shares of the Company.

8.3 There are no agreements with shareholders for any specific voting rights, board selection, rights of first refusal and block voting etc.

Note 9
Post Employment Benefits Obligations

	Note	2019 Rupees	2018 Rupees
Post employment benefits obligations	9.1	452,043	1,350,365

9.1 The Company operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out annually by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2019. Following key information is included in that actuarial report:

9.2 Actuarial assumptions

	2019	2018
Discount rate of interest cost in P&L - per annum	9.00%	7.75%
Discount rate for year end obligation - per annum	14.25%	9.00%
Expected rate of increase in salary level - per annum	13.25%	8.00%
Average duration of the defined benefit obligation	8 Years	8 Years
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table with 1 year setback	
Actuarial valuation method	Projected Unit Credit Method	

9.2.1 **Reconciliation of the funded status**

	2019	2018
Present value of defined benefit obligation	452,043	1,350,365

The company does not maintain plan assets to cover its defined benefit obligation.

Note 9, Retirement Benefits Liability - Continued ...

9.2.2 Company's liability

		2019 Rupees	2018 Rupees
Opening balance		1,350,365	-
Charge for the year	9.2.4	722,015	1,473,174
Remeasurement chargeable to other comprehensive income - experience adjustment		325,591	153,331
		2,397,971	1,626,505
Benefits paid to outgoing employees		(1,945,928)	(276,140)
		452,043	1,350,365

9.2.3 Movement in present value of defined benefit obligation

	2019	2018
Opening balance	1,350,365	-
Current service cost	688,049	1,416,700
Interest cost on defined benefit obligation	33,966	56,474
Payments made / approved during the year	(1,945,928)	(276,140)
Remeasurement chargeable to other comprehensive income - experience adjustment	325,591	153,331
Closing balance	452,043	1,350,365

9.2.4 Charge for the year

	2019	2018
Current service cost	688,049	1,416,700
Interest cost	33,966	56,474
	722,015	1,473,174

9.2.5 Estimated Charge for the year 2019-2020

	2020 Rupees
Current and past service cost	796,164
Interest cost	56,988
	853,152

9.2.6 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		Rupees	Rupees
Discount rate	1%	1,657,857	1,948,207
Salary increase	1%	1,948,207	1,655,539

9.2.7 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2019 Rupees	2018 Rupees
Present value of defined benefit obligation	452,043	1,350,365
Fair value of plan asset	-	-
Net liability	452,043	1,350,365

Note 10
Deferred Tax Liability

	2019 Rupees	2018 Rupees
Taxable temporary differences		
- Accelerated tax depreciation	8,292,512	38,145,701
Deductible temporary differences		
- Post employment benefits obligations	(225,513)	(451,109)
- Unused tax losses	(8,066,999)	(33,819,866)
	-	3,874,726

Note 10, Deffered Tax Laibility - Continued ...

10.1 The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position.

10.2 Being prudent, the management has not recognized deferred tax asset on recognized losses in excess of foreseeable deferred tax liability.

10.3 The amount of unused income tax losses carried forward, as per assessed income tax returns, is Rs. 158.056 million. These represent depreciation and amortization losses which can be carried forward to indefinite number of years.

Note 11
Trade and Other Payables

	Note	2019 Rupees	2018 Rupees
Accrued liabilities		895,442	532,288
Withholding tax payable		55,315	43,500
Due to related parties	11.1	523,378,597	554,518,755
		524,329,354	555,094,543

11.1 This represents the amount payable to National Highway Authority.

Note 12
Provision for Taxation

	2019 Rupees	2018 Rupees
Opening balance	4,127,629	6,685,703
Provision for the year	3,397,593	8,074,026
Prior year adjustment	3,053,293	-
	10,578,515	14,759,729
Adjustment / payments made during the year	(7,180,922)	(10,632,100)
	3,397,593	4,127,629

12.1 The provision for current year tax represents tax on taxable income at the rate of 1.25% as minimum turnover tax.

12.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2018 as tax returns were filed under the self assessment scheme.

Note 13
Contingencies and Commitments

13.1 Contingencies

Income Tax Department raised a demand amounting to Rs. 46.581 million in consequence of proceedings under section 161 and 205 of the Income Tax Ordinance, 2001 for the Tax Year 2016 on April 09, 2019. The Company has submitted reply against the show cause notice issued on April, 24, 2019. The matter is now pending for review before the ACIR. The management does not foresee any adverse order against the Company and therefore has not incorporated any provision against this based on the opinion of the tax advisor.

13.2 Commitments

There are no commitments as at the reporting date (2018: Nil)

Note 14
Revenue

	Note	2019 Rupees	2018 Rupees
Gross revenue		630,228,850	645,922,095
Less: Share of National Highway Authority (NHA)	14.1	(358,421,428)	(264,703,054)
		271,807,422	381,219,041

14.1 National Highway Authority (NHA) is entitled to a certain percentage of revenue generated form the flyover as defined in the Concession Agreement.

Note 15
Direct Cost

	Note	2019 Rupees	2018 Rupees
Operation, management and maintenance cost	15.1	217,580,000	241,451,095
Insurance expense		1,097,156	1,814,404
Depreciation	4.1	90,430,686	91,344,127
Amortization	5	10,753,100	10,285,714
		319,860,942	344,895,340

15.1 This represents operation, management and maintenance (OM&M) cost as per OM&M contract between the Company and Frontier Works Organization (FWO), dated August 8, 2014 for provision of operations, management, maintenance, administration and other services as described under the agreement. FWO shall be entitled to a monthly compensation, which shall be the fixed amount or percentage of toll revenue whichever is higher.

Note 16
Administrative expenses

	Note	2019 Rupees	2018 Rupees
Salaries, wages and benefits	16.1	10,460,521	15,283,827
Travelling and conveyance		430,390	493,740
Repairs and maintenance		1,722,151	1,467,644
Insurance		471,104	363,887
Utilities		145,607	236,702
Communication		44,347	22,352
Printing and stationery		153,036	202,764
Rent, rates and taxes		891,690	980,240
Entertainment		376,475	259,871
Legal and professional charges		704,219	1,145,900
Auditors' remuneration		150,000	150,000
Consultancy services		216,680	91,000
Miscellaneous		440,087	161,839
Depreciation	4.1	1,978,450	1,725,057
		18,184,757	22,584,823

16.1 This includes Rs. 722,015 (2018: Rs. 1,909,624) in respect of employee retirement benefits.

Note 17
Finance Cost

	2019 Rupees	2018 Rupees
Mark-up on long term financing	-	18,564,334
Bank charges	3,673	3,330
	3,673	18,567,664

Note 18
Other Income

	Note	2019 Rupees	2018 Rupees
Misleaneous income		653,903	-
Profit on bank accounts	18.1	28,022,145	9,001,256
		28,676,048	9,001,256

18.1 This represents profit on balances held by the Company in deposit accounts with banks.

Note 19
Taxation

	2019 Rupees	2018 Rupees
For the year		
- Current	3,397,593	8,074,026
- Prior year adjustment	3,053,293	-
- Deferred	(3,780,305)	(4,495,888)
	2,670,581	3,578,138

Note 20
Transaction with Related Parties

Related parties consist of shareholder, directors and key management personnel of the Company. Transactions with related parties are as under:

Transactions during the year

Related party	Relationship	Aggregate % of Shareholding	Nature of transaction	2019 Rupees	2018 Rupees
National Highway Authority	Principal		Share of revenue	358,421,428	264,703,054
Frontier Works Organization	Parent Company	99.90%	Direct cost	217,580,000	241,451,095
			Repayment of loan	-	237,421,791
			Mark-up on loan	-	18,564,334
			Advance paid	-	22,037,759
Outstanding balance as at the year end					
National Highway Authority	Principal		Share of revenue payable	523,378,597	554,518,755
Frontier Works Organization	Parent Company		Advance paid / receivable against expenses	24,400	22,037,759

Note 21
Financial Risk Management

The Board of Directors have the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management is carried out by the management of the Company. The management provides principles and guidelines for overall risk management, as well as policies covering specific areas.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

21.1 Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial deficit for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, and other receivables.

	2019 Rupees	2018 Rupees
Other receivables	24,400	22,037,759
Bank balances	160,884,874	133,421,557
	160,909,274	155,459,316

The Company believes that it is not exposed to credit risk as other receivables are due to related party which will be adjusted against share of revenue payable to that related party in future as per agreement with the related party.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating Long term	Rating Agency	2019 Rupees	2018 Rupees
MCB Bank Limited	AAA	PACRA	158,142,898	133,060,665
Habib Bank Limited	AAA	JCR-VIS	2,741,976	360,892
			160,884,874	133,421,557

Note 21, Financial Risk Management- Continued...

21.2 Liquidity Risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the Company operates. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

Contractual maturities of financial liabilities as at June 30, 2019

	Carrying Amount	Within 1 year	1-2 Years	2-5 Years	Above 5 years
		---------------Rupees-------------			
Trade and other payables	524,329,354	524,329,354	-	-	-
	524,329,354	524,329,354	-	-	-

Contractual maturities of financial liabilities as at June 30, 2018

	Carrying Amount	Within 1 year	1-2 Years	2-5 Years	Above 5 years
		---------------Rupees-------------			
Trade and other payables	555,090,043	555,090,043	-	-	-
	555,090,043	555,090,043	-	-	-

21.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent of deposits with banks only as reported below:

	2019	2018
Financial assets	Rupees	Rupees
Bank balances -savings accounts - local currency	160,884,874	133,421,557

Cash flow sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profits for the year by Rs. 1.61 million (2018: Rs. 1.33 million).

(c) Price Risk

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 instrument traded in the market. The Company is not exposed to commodity and equity price risk.

Note 21, Financial Risk Management- Continued...
Note 21.3, Market Risk - Contd...

d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. As at June 30, 2019 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

The fair values of all financial assets and liabilities are not considered to be significantly different from their carrying values. The Company classifies the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

Level 1	Quoted market
Level 2	Valuation techniques (market observable)
Level 3	Valuation techniques (non market observable)

21.4 Financial instruments by categories

Financial assets as at June 30, 2019

	At fair value through profit or loss	At amortized Cost	At fair value through other comprehensive income	Total
	--------------	Rupees	--------------	
Other receivables	-	11,995,810	-	11,995,810
Cash and bank balances	-	160,889,091	-	160,889,091
	-	172,884,901	-	172,884,901

Financial assets as at June 30, 2018

	At fair value through profit or loss	At amortized Cost	At fair value through other comprehensive	Total
	--------------	Rupees	--------------	
Other receivables	-	24,108,424	-	24,108,424
Cash and bank balances	-	133,427,147	-	133,427,147
	-	157,535,571	-	157,535,571

Financial liabilities as at

	Amortized Cost	
	2019	2018
	----------Rupees	----------
Trade and other payables	524,329,354	555,090,043
	524,329,354	555,090,043

21.4.1 There are no other categories of financial assets and financial liabilities as at reporting date (2018: Nil).

Note 22
Remuneration of Chief Executive, Directors and Executives

	2019			2018		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	----------------------		Rupees	----------------------		
Rememuration	2,928,124	-	2,064,546	2,729,346	-	1,901,922
Bonus	242,568	-	81,926	605,199	-	470,128
Other Allowances	96,000	-	72,000	96,000	-	72,000
	3,266,692		**2,218,472**	**3,430,545**	**-**	**2,444,050**
Number of persons	1	-	1	1	-	1

22.1 An executive is defined as an employee, other than chief executive and directors, whose basic salary exceeds 1.2 million in a financial year.

22.2 No meeting fee has been paid to any director of the Company.

Note 23
Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital employed. Total capital is calculated as equity, as shown in the statement of financial position, plus total borrowings.

However as on the reporting date, the Company was not geared (2018: Not geared).

Note 24
Number of Employee

	2019	2018
	Numbers	Numbers
Contractual employees as at June 30,	9	9
Average contractual employees during the year	9	9

Note 25
Authorization of Financial Statements

These financial statements were approved and authorized for issuance on ____________________ by the Board of Directors of the Company.

Note 26
General

Corresponding figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangements / reclassifications have been made in these financial statements.

CHIEF EXECUTIVE **DIRECTOR**