HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
Non Current Assets			
Property and equipment	4	347,990,184	439,716,595
Intangible assets	5	44,750,920	55,858,220
		392,741,104	495,574,815
Current Assets			
Advances, prepayments and other receivables	6	91,502,319	11,971,410
Cash and bank balances	7	646,248,190	160,889,091
		737,750,509	172,860,501
		1,130,491,613	668,435,316
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 2,500,000 (2019: 2,500,000) ordinary shares of Rs. 100 each		250,000,000	250,000,000
Issued, subscribed and paid up capital: 1,751,000 (2019: 1,751,000) ordinary shares of Rs. 100 each fully paid in cash	8	175,100,000	175,100,000
Accumulated loss		(104,327,829)	(34,819,274)
		70,772,171	140,280,726
Non Current Liabilities			
Post employment benefits obligations	9	-	452,043
Deferred tax liability	10	-	-
		-	452,043
Current Liabilities			
Trade and other payables	11	1,058,626,302	524,304,954
Provision for taxation	12	1,093,140	3,397,593
		1,059,719,442	527,702,547
Contingencies and Commitments	13	-	-
		1,130,491,613	668,435,316

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Revenue	14	72,876,004	271,807,422
Direct cost	15	(172,561,267)	(319,860,942)
Gross Loss		(99,685,263)	(48,053,520)
Administrative expenses	16	(21,098,755)	(18,184,757)
Finance cost - bank charges		(3,782)	(3,673)
		(21,102,537)	(18,188,430)
Operating Loss		(120,787,800)	(66,241,950)
Other income	17	52,372,385	28,676,048
Loss before Taxation		(68,415,415)	(37,565,902)
Taxation	18	(1,093,140)	(2,670,581)
Net Loss for the Year		(69,508,555)	(40,236,483)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	Rupees
Net Loss for the Year	(69,508,555)	(40,236,483)
Other Comprehensive Loss		
Items that will not be reclassified to profit or loss		
Remeasurement of employee retirement benefits - liability	-	(325,591)
Related tax impact	-	94,421
	-	(231,170)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive loss for the year	-	(231,170)
Total Comprehensive Loss for the Year	(69,508,555)	(40,467,653)

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

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CHIEF EXECUTIVE OFFICER

DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Share Capital	Accumulated Profit / (Loss)	Total
	Rupees	Rupees	Rupees
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
Net loss for the year	-	(69,508,555)	(69,508,555)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(69,508,555)	(69,508,555)
Balance as at June 30, 2020	175,100,000	(104,327,829)	70,772,171

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(68,415,415)	(37,565,902)
Adjustment for:			
- Depreciation		91,908,432	92,409,136
- Amortization		11,107,300	10,753,100
- Provision for gratuity		660,696	722,015
- Finance cost		3,782	3,673
		103,680,210	103,887,924
Operating Profit before Working Capital Changes		35,264,795	66,322,022
(Increase) / Decrease in current assets			
- Advance, prepayments and other receivables		(79,530,909)	12,112,614
Increase / (Decrease) in current liabilities:			
- Trade and other payables		534,321,348	(30,760,689)
		454,790,439	(18,648,075)
Cash Generated from operations		490,055,234	47,673,947
Finance cost paid		(3,782)	(3,673)
Post employment benefit paid		(1,112,739)	(1,945,928)
Income tax paid		(3,397,593)	(7,180,922)
		(4,514,114)	(9,130,523)
Net Cash Generated from Operating Activities		485,541,120	38,543,424
CASH FLOWS FROM INVESTING ACTIVITIES			
Property and equipment purchased		(182,021)	(4,651,480)
Intangible assets purchased		-	(6,430,000)
Net Cash Used in Investing Activities		(182,021)	(11,081,480)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net Increase in Cash and Cash Equivalents		485,359,099	27,461,944
Cash and cash equivalents at the beginning of the year		160,889,091	133,427,147
Cash and Cash Equivalents at the End of the Year	7	646,248,190	160,889,091

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 Defense). 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 SRO No. 24 dated January 16, 2012 has given relaxation for the implementation of IFRIC 12 "Service Concession Arrangements" due to the practical difficulties being faced by companies.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except post employment benefits obligations that are recorded on present value basis.

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 and taxation.

Note 2, Basis of Preparation- Contd...
Note 2.4 Use of Estimates and Judgments- 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, 2020 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, 2019 and are considered to be relevant to the Company's financial statements:

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019). IFRS 16 sets 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. There is no impact on financial statements of the company.

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

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

Standard or Interpretation	**Effective Date** (Period beginning on or after)
Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020
IFRS 9 Financial Instruments [Amendments]	January 1, 2020
IFRS 16 Leases [Amendments]	July 1, 2020
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The Company will assess the impact of these changes in the period of initial application once such change becomes effective for the Company.

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 the 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.

3.1 Property and Equipment

Owned

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

Depreciation is charged to statement of profit or loss account on 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

Up till the reporting date, the Company operated an 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 was made annually to cover obligations under the scheme on the basis of actuarial valuation and was charged to the statement of profit or loss account and / or other comprehensive income. The most recent valuation was carried out as at June 30, 2020 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 were recognized immediately in other comprehensive income. Calculation of gratuity required assumptions to be made of future outcomes which mainly included 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. As of the reporting date, the Company has terminated it's gratuity scheme by paying off the amounts due to its employees and introduced provident fund for it's employees.

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 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 balance sheet 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 at a point in time when (or as) the Company satisfies performance obligations by transferring the promised services (toll collection services) to third parties.

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.

a) ***Classification***

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost and fair value through profit or loss. This 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.

b) ***Initial recognition and measurement***

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition except for trade receivable. Trade receivables are initially measured at the transaction price.

c) ***Subsequent measurement***

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss account.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the profit or loss account.

d) ***Derecognition***

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

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

e) *Impairment of financial assets*

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

3.12.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the effective interest rate (EIR) method. 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 account. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss account when the liabilities are derecognized.

3.12.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Note 4
Property and Equipment

Year Ended June 30, 2020

Particulars	Cost			Rate	Depreciation			Net Book Value as at
	As at July 01, 2019	Additions	As at June 30, 2020		As at July 01, 2019	For the Year	As at June 30, 2020	June 30, 2020
	Rupees			%	Rupees			Rupees
Flyover (Habibabad)	822,097,141	-	822,097,141	11	387,299,098	90,430,686	477,729,784	344,367,357
Office equipment	4,717,341	94,241	4,811,582	20	764,329	959,280	1,723,609	3,087,973
Vehicles	5,985,632	-	5,985,632	20	5,985,632	-	5,985,632	-
Electric and gas appliances	2,573,797	87,780	2,661,577	20	1,608,257	518,466	2,126,723	534,854
Total Rupees - 2020	835,373,911	182,021	835,555,932		395,657,316	91,908,432	487,565,748	347,990,184

Year Ended June 30, 2019

Particulars	Cost			Rate	Depreciation			Net Book Value as at
	As at July 01, 2018	Additions	As at June 30, 2019		As at July 01, 2018	For the year	As at June 30, 2019	June 30, 2019
	Rupees			%	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

Note 4, Property and Equipment- Contd...

4.1 Apportionment of depreciation charge for the year

	Note	2020 Rupees	2019 Rupees
Direct cost	15	90,430,686	90,430,686
Administrative expenses	16	1,477,746	1,978,450
		91,908,432	92,409,136

Note 5
Intangible Assets

Year Ended June 30, 2020

Particulars	Cost			Rate	Amortization			Net Book Value as at June 30, 2020
	As at July 01, 2019	Additions	As at June 30, 2020		As at July 01, 2019	For the year	As at June 30, 2020	
	Rupees			%	Rupees			
Software	46,430,000	-	46,430,000	11	20,110,242	5,107,300	25,217,542	21,212,458
Right to use toll plaza	60,000,000	-	60,000,000	10	30,461,538	6,000,000	36,461,538	23,538,462
Total Rupees - 2020	106,430,000	-	106,430,000		50,571,780	11,107,300	61,679,080	44,750,920

Year Ended June 30, 2019

Particulars	Cost			Rate	Amortization			Net Book Value as at June 30, 2019
	As at July 01, 2018	Additions	As at June 30, 2019		As at July 01, 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

5.1 Amortization of intangible assets is charged to Direct Cost (Note 15)

Note 6
Advance, Prepayments and Other Receivables

	Note	2020 Rupees	2019 Rupees
Advance to Frontier Works Organization (FWO)	6.1	76,856,563	-
Advance income tax		13,202,776	5,944,161
Prepayments		1,442,980	1,755,303
Accrued profit		-	4,271,946
		91,502,319	11,971,410

6.1 This represents advance given to 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. 76,856,563 (2019: Nil).

Note 7
Cash and Bank Balances

	Note	2020 Rupees	2019 Rupees
Cash in hand		9,005	4,217
Cash at banks - in savings accounts	7.1	646,239,185	160,884,874
		646,248,190	160,889,091

7.1 These carry mark-up at rates ranging from 6.55% to 11.50% (2019: 11.85% to 14.82%) per annum.

Note 8
Issued, Subscribed and Paid up Capital

2020 No. of Shares	2019 No. of Shares		2020 Rupees	2019 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 (2019: Nil).

8.2 As at the reporting date, Frontier Works Organization held 1,750,996 (2019: 1,750,996) 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	2020 Rupees	2019 Rupees
Post employment benefits obligations	9.1	-	452,043

9.1 The Company operated an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. During the year, the Company has terminated the employee gratuity scheme effective from February 25, 2020 and all outstanding gratuity balances have been paid to employees. Latest actuarial valuation of the scheme was carried out by an independent actuary as at June 30, 2020. Following key information is included in that actuarial report:

9.2 Actuarial assumptions

	2020	2019
Discount rate of interest cost in P&L - per annum	14.25%	9.00%
Discount rate for year end obligation - per annum	N/A	14.25%
Expected rate of increase in salary level - per annum	N/A	13.25%
Average duration of the defined benefit obligation	N/A	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**

	2020	2019
Present value of defined benefit obligation	-	452,043

The Company did not maintain plan assets to cover its defined benefit obligation.

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Note 9, Post Employment Benefits Obligations - Continued ...

9.2.2 Company's liability

	Note	2020 Rupees	2019 Rupees
Opening balance		452,043	1,350,365
Charge for the year	9.2.4	660,696	722,015
Remeasurement chargeable to other comprehensive income - experience adjustment		-	325,591
		1,112,739	2,397,971
Benefits paid to outgoing employees		(1,112,739)	(1,945,928)
		-	452,043

9.2.3 Movement in present value of defined benefit obligation

	2020 Rupees	2019 Rupees
Opening balance	452,043	1,350,365
Current service cost	530,776	688,049
Interest cost on defined benefit obligation	42,944	33,966
Payments made during the year	(1,112,739)	(1,945,928)
Loss arising on plan settlements	86,976	-
Remeasurement chargeable to other comprehensive income - experience adjustment	-	325,591
Closing balance	-	452,043

9.2.4 Charge for the year

	2020 Rupees	2019 Rupees
Current service cost	530,776	688,049
Interest cost	42,944	33,966
Loss arising on plan settlements	86,976	-
	660,696	722,015

9.2.5 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:

	2020 Rupees	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

	2020 Rupees	2019 Rupees
(Deductible) / Taxable temporary differences on:		
- Accelerated tax depreciation	(8,565,861)	8,292,512
- Post employment benefits obligations	-	(225,513)
- Unused tax losses	(14,300,802)	(8,066,999)
	(22,866,663)	-
Less: Deferred tax asset not recognized	22,866,663	-
	-	-

10.1 During the year deferred tax asset related to unused tax losses and accelerated tax depreciation of Rs. 22.866 million has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future; taxable profits may not be available against which the temporary differences can be utilized. Further deferred tax asset on minimum taxes available for carry forward under the Income Tax Ordinance, 2001 ("ITO") has not been recognized and these minimum taxes will expire as follows:

Accounting year to which minimum tax relates	Amount of minimum tax	Accounting year in which minimum tax will expire
	Rupees	
2016	926,428	2021
2018	8,074,026	2023
2019	3,397,593	2024

10.2 The amount of unused income tax losses carried forward, as per assessed income tax returns, is Rs. 49.313 million (2019: Rs. 54.925). These represent depreciation and amortization losses which can be carried forward to indefinite number of years.

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Note 11
Trade and Other Payables

	Note	2020 Rupees	2019 Rupees
Accrued liabilities		583,468	895,442
Employee provident fund payable		204,796	-
Withholding tax payable		59,815	55,315
Due to related parties	11.1	1,057,778,223	523,354,197
		1,058,626,302	524,304,954

11.1 This represents the amount payable to National Highway Authority.

Note 12
Provision for Taxation

	2020 Rupees	2019 Rupees
Opening balance	3,397,593	4,127,629
Provision for the year	1,093,140	3,397,593
Prior year adjustment	-	3,053,293
	4,490,733	10,578,515
Adjustment / payments made during the year	(3,397,593)	(7,180,922)
	1,093,140	3,397,593

12.1 The provision for current year tax represents tax on taxable income at the rate of 1.5% as minimum turnover tax.

Note 13
Contingencies and Commitments

13.1 Contingencies

There are no material contingencies outstanding as at the reporting date.

13.2 Commitments

The Company entered into an Operational, Management and Maintenance (OM&M) contract with Frontier Works Organization on August 8th, 2014 By virtue of this agreement, the Company will be required to pay direct costs related to Operational, Management and Maintenance (OM&M) as per specified percentage of toll revenue or fixed amount as mentioned in agreement whichever is higher. The detail of minimum commitment is mentioned in following table:

	2021 Rupees	2022 Rupees	2023 Rupees	2024 Rupees	Total Rupees
Toll Revenue					
Envisaged toll revenue	925,000,000	1,112,000,000	1,168,000,000	1,404,000,000	4,609,000,000
Envisaged collection loss	(18,500,000)	(22,240,000)	(23,360,000)	(28,080,000)	(92,180,000)
Total	906,500,000	1,089,760,000	1,144,640,000	1,375,920,000	4,516,820,000
Percentage of Toll Revenue	8.07%	8.04%	8.05%	8.02%	8.04%
Total	**73,154,550**	**87,616,704**	**92,143,520**	**110,348,784**	**363,263,558**
Fixed Compensation Structure					
Operating costs	58,920,000	70,830,000	74,400,000	89,430,000	293,580,000
Management cost	11,780,000	14,170,000	14,880,000	17,890,000	58,720,000
Routine maintenance cost	2,160,000	2,330,000	2,520,000	2,720,000	9,730,000
Insurance cover	334,000	334,000	334,000	334,000	1,336,000
Total	**73,194,000**	**87,664,000**	**92,134,000**	**110,374,000**	**363,366,000**

Note 14
Revenue

	Note	2020 Rupees	2019 Rupees
Gross revenue		607,300,030	630,228,850
Less: Share of National Highway Authority (NHA)	14.1	(534,424,026)	(358,421,428)
		72,876,004	271,807,422

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	2020 Rupees	2019 Rupees
Operation, management and maintenance cost	15.1	69,771,770	217,580,000
Insurance expense		1,251,511	1,097,156
Depreciation	4.1	90,430,686	90,430,686
Amortization	5.1	11,107,300	10,753,100
		172,561,267	319,860,942

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	2020 Rupees	2019 Rupees
Salaries, wages and benefits	16.1	12,663,923	10,460,521
Travelling and conveyance		422,300	430,390
Repairs and maintenance		1,492,790	1,722,151
Insurance		957,231	471,104
Utilities		220,999	145,607
Communication		57,969	44,347
Printing and stationery		135,293	153,036
Rent, rates and taxes		915,129	891,690
Entertainment		402,940	376,475
Legal and professional charges		1,141,125	704,219
Auditors' remuneration		150,000	150,000
Consultancy services		581,640	216,680
Miscellaneous		479,670	440,087
Depreciation	4.1	1,477,746	1,978,450
		21,098,755	18,184,757

16.1 This includes Rs. 865,492 (2019: Rs. 722,015) in respect of employee retirement benefits.

Note 17
Other Income

	Note	2020 Rupees	2019 Rupees
Profit on bank accounts	17.1	51,204,132	28,022,145
Miscellaneous income		1,168,253	653,903
		52,372,385	28,676,048

17.1 This represents profit on TDR and Savings held by the Company in deposit accounts with banks.

Note 18
Taxation

	2020 Rupees	2019 Rupees
For the year		
- Current	1,093,140	3,397,593
- Prior year adjustment	-	3,053,293
- Deferred	-	(3,780,305)
	1,093,140	2,670,581

Note 19
Transaction with Related Parties

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

Transactions during the year				**2020** Rupees	**2019** Rupees
Related party	**Relationship**	**Aggregate % of Shareholding**	**Nature of transaction**		
National Highway Authority	Principal		Share of revenue	534,424,026	358,421,428
Frontier Works Organization	Parent Company	99.99%	Direct cost	69,771,770	217,580,000
			Advance paid	76,856,563	-
Outstanding balance as at the year end					
National Highway Authority	Principal		Share of revenue payable	1,057,778,223	523,354,197
Frontier Works Organization	Parent Company		Receivable	76,856,563	-

Note 20
Financial Risk Management

The Board of Directors have the overall responsibility for the establishment and oversight of the 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.

20.1 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.

	2020 Rupees	**2019** Rupees
Bank balances	646,239,185	160,884,874

The Company believes that it is not exposed to credit risk as advances are due from related party which will be adjusted against certain percentage of revenue / fixed amount 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**	**2020** Rupees	**2019** Rupees
MCB Bank Limited	AAA	PACRA	641,908,612	158,142,898
Habib Bank Limited	AAA	JCR-VIS	4,330,573	2,741,976
			646,239,185	160,884,874

Note 20, Financial Risk Management- Continued...

20.4 Financial instruments by categories

Financial assets as at June 30, 2020

	At fair value through profit or loss	At amortized Cost	At fair value through other comprehensive income	Total
	---------------	Rupees	--------------	
Advances, prepayments and other receivables	-	-	-	-
Cash and bank balances	-	646,248,190	-	646,248,190
	-	646,248,190	-	646,248,190

Financial assets as at June 30, 2019

	At fair value through profit or loss	At amortized Cost	At fair value through other comprehensive	Total
	---------------	Rupees	--------------	
Advances, prepayments and other receivables	-	4,271,946	-	4,271,946
Cash and bank balances	-	160,889,091	-	160,889,091
	-	165,161,037	-	165,161,037

Financial liabilities as at June 30

	Amortized Cost	
	2020	2019
	-----------Rupees-----------	
Trade and other payables	1,058,361,691	524,249,639

20.4.1 There are no other categories of financial assets and financial liabilities as at reporting date (2019: Nil).

Note 21
Remuneration of Chief Executive, Directors and Executives

	2020	2019
	Chief Executive	
	----------Rupees----------	
Remuneration	2,854,166	2,928,124
Gratuity	365,425	517,302
Provident fund	33,200	-
Bonus	495,000	242,568
Other Allowances	23,280	96,000
	3,771,071	**3,783,994**
Number of persons	1	1

21.1 An executive is defined as an employee, other than chief executive and directors, whose basic salary exceeds 1.2 million in a financial year. There is no executive in the company.

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

21.3 The Company has provided a vehicle to chief executive for personal use.

Note 22
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 and 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 is not geared (2019: Not geared).

Note 20, Financial Risk Management- Continued...

20.2 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. 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, 2020

	Carrying Amount	Within 1 year	1-2 Years	2-5 Years	Above 5 years
		---------------Rupees--------------			
Trade and other payables	1,058,361,691	1,058,361,691	-	-	-

Contractual maturities of financial liabilities as at June 30, 2019

	Carrying Amount	Within 1 year	1-2 Years	2-5 Years	Above 5 years
Trade and other payables	524,249,639	524,249,639	-	-	-

20.3 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:

	2020	2019
Financial assets	Rupees	Rupees
Bank balances -savings accounts - local currency	646,239,185	160,884,874

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. 6.46 million (2019: Rs. 1.61 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.

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, 2020 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)

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Note 23
Number of Employees

	2020 Numbers	2019 Numbers
Number of contractual employees as at June 30,	10	10
Average number of employees during the year	10	9

Note 24
Impact of COVID-19 on the Financial Statements

The outbreak of COVID-19 pandemic and the lockdown situation in the country have impacted businesses to varying degrees, having implications on their operations, financial position, profitability, liquidity and in certain cases, the going concern status. The management has evaluated the impacts of COVID-19 on the Financial Statements of the Company and has concluded as follows:

- There are no material implications of COVID-19 on carrying amounts of assets and liabilities or items of income and expenses, as required under the relevant accounting and reporting standards, that require specific disclosure in the financial statements.

- The management has evaluated the impacts of COVID-19 on going concern status of the Company and has concluded that the Company is not exposed to any going concern risk.

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

CHIEF EXECUTIVE OFFICER

DIRECTOR