

**Auditors' Report
of**

**HABIBABAD OPERATION AND
MANAGEMENT ENGINEERING
COMPANY (PRIVATE) LIMITED**

**for the year ended
June 30, 2017**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED** as at June 30, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, its cash flows and changes in equity for the year then ended; and

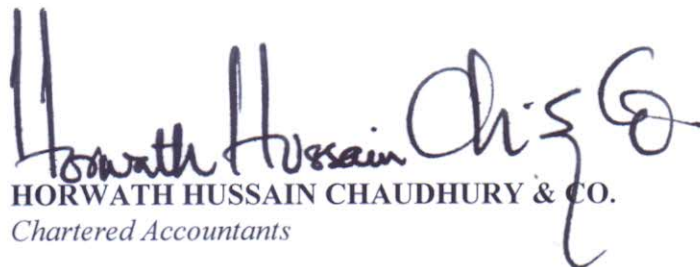


- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended June 30, 2016 were audited by another firm of chartered accountants, who expressed unqualified opinion vide their report dated December 29, 2016.

LAHORE

Dated **27 OCT 2017**


HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Amin Ali)

WAC

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non Current Assets			
Property and equipment	4	620,543,435	713,469,402
Intangible assets	5	70,467,034	80,906,594
		691,010,469	794,375,996
Current Assets			
Trade debts - considered good	6	-	1,437,750
Short term prepayments and other receivables	6	3,751,260	3,102,113
Cash and bank balances	7	179,499,225	118,418,323
		183,250,485	122,958,186
		<u>874,260,954</u>	<u>917,334,182</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 2,500,000 (2016: 2,500,000) ordinary shares of Rs.100 each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up capital: 1,751,000 (2016: 1,751,000) ordinary shares of Rs. 100 each fully paid in cash		175,100,000	175,100,000
Share deposit money		69,123,662	69,123,662
Unappropriated profit / (accumulated loss)		5,161,379	(24,482,027)
		249,385,041	219,741,635
Non Current Liabilities			
Long term financing	8	-	50,467,510
Deferred tax liability	9	8,416,613	-
		8,416,613	50,467,510
Current Liabilities			
Trade and other payables	10	390,336,072	369,899,298
Current portion of long term financing	8	168,298,129	229,115,092
Accrued interest on long term financing		51,139,396	42,267,019
Provision for taxation	11	6,685,703	5,843,628
		616,459,300	647,125,037
Contingencies and Commitments			
	12	-	-
		<u>874,260,954</u>	<u>917,334,182</u>

The annexed notes form an integral part of these financial statements.

WMC


CHIEF EXECUTIVE


DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
	Note	Rupees	Rupees
Revenue	13	392,749,146	454,318,536
Direct cost	14	<u>(307,494,336)</u>	<u>(350,580,454)</u>
Gross Profit		85,254,810	103,738,082
Administrative expenses	15	<u>(20,468,629)</u>	<u>(21,361,956)</u>
Finance cost	16	<u>(29,175,045)</u>	<u>(97,812,659)</u>
		<u>(49,643,674)</u>	<u>(119,174,615)</u>
Operating Profit / Loss		35,611,136	(15,436,533)
Other income	17	<u>8,275,495</u>	<u>17,614,698</u>
Profit before Taxation		43,886,631	2,178,165
Taxation	18	<u>(14,243,225)</u>	<u>(6,513,205)</u>
Net Profit / Loss for the Year		<u><u>29,643,406</u></u>	<u><u>(4,335,040)</u></u>

The annexed notes form an integral part of these financial statements.

Wpc


CHIEF EXECUTIVE


DIRECTOR

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	43,886,631	2,178,165
Adjustment for:		
- Depreciation	92,925,967	96,060,934
- Amortization	10,439,560	11,993,245
- Finance cost	29,175,045	97,812,659
	<u>132,540,572</u>	<u>205,866,838</u>
Operating Profit before Working Capital Changes	176,427,203	208,045,003
(Increase) / decrease in current assets		
- Trade debts	1,437,750	(94,770)
- Short term prepayments and other receivables	(649,147)	(1,980,463)
(Decrease) / Increase in current liabilities:		
- Trade and other payables	20,436,774	76,929,647
	<u>21,225,377</u>	<u>74,854,414</u>
Cash Generated from operations	197,652,580	282,899,417
Finance cost paid	(20,302,668)	(87,769,813)
Income tax paid	(4,984,537)	(1,714,097)
	<u>(25,287,205)</u>	<u>(89,483,910)</u>
Net Cash Generated from Operating Activities	172,365,375	193,415,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment	-	(2,274,869)
Net Cash Used in Investing Activities	-	(2,274,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing repaid - net	(111,284,473)	(375,031,946)
Share deposit money received	-	2,000,000
Net Cash Used in Financing Activities	(111,284,473)	(373,031,946)
Net Increase / (Decrease) in Cash and Cash Equivalents	61,080,902	(181,891,308)
Cash and cash equivalents at the beginning of the year	118,418,323	300,309,631
Cash and Cash Equivalents at the End of the Year	<u>179,499,225</u>	<u>118,418,323</u>

The annexed notes 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, 2017

Particulars	Share Capital	Share Deposit Money	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2015	175,100,000	67,123,662	(20,146,987)	222,076,675
Share deposit money received	-	2,000,000	-	2,000,000
Net loss for the year	-	-	(4,335,040)	(4,335,040)
Balance as at June 30, 2016	175,100,000	69,123,662	(24,482,027)	219,741,635
Net profit for the year	-	-	29,643,406	29,643,406
Balance as at June 30, 2017	175,100,000	69,123,662	5,161,379	249,385,041

The annexed notes form an integral part of these financial statements.

unc


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, 2017

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 Companies Ordinance, 1984. The registered office of the Company is situated at Gate no. 12, National Hockey Stadium, Gulberg-III, Lahore Pakistan. The Company is domiciled in Pakistan. 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) pursuant to the concession agreement executed between the National Highway Authority and the Company on April 23, 2014.

Note 2

Basis of Preparation**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards, as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs) issued by the Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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.

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 IFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are 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.

WKE

Note 3

Summary of Significant Accounting Policies

3.1 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss, if any. Capital work-in-progress is stated at cost and transferred to operating assets as and when these assets are ready for their intended use.

Depreciation is charged to profit and loss 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 repair and maintenance costs are charged to profit and 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 or disposal. 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 profit and loss account in the year the asset is derecognized.

The carrying amounts of the Company's assets are reviewed at each balance sheet 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 profit and 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 profit and 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 profit and loss account using the straight line method so as to write off the cost of an intangible over its estimated useful life.

3.4 Provisions

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

WV

3.5 Trade and other payables

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

3.6 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

All financial assets and financial liabilities are initially measured at cost / original invoice amount / fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The financial asset comprises of trade debtor, other receivables and cash & bank balances. The financial liabilities comprises of long term loans, accrued mark up and payable to parties in cash terms.

3.7 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 recognised amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.8 Taxation

3.8.1 Current

Provision for current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income or turnover tax, whichever is higher. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous periods arising from assessments framed during the period for such periods.

3.8.2 Deferred

Deferred tax is accounted for using the balance sheet 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 the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and 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.

3.9 Revenue recognition

Share of revenue from toll collection is recorded on accrual basis.

3.10 Return on bank deposits

Profit on bank deposits is recorded on accrual basis.

3.11 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.

Whe

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

3.12 Provident fund

The Company does not maintain a provident fund for its employees.

3.13 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.

WKC

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED
Notes to and forming part of the Financial Statements

Page 9 of 16

Note 4
Property and Equipment

Year Ended June 30, 2017

Particulars	Cost			Rate	Depreciation			Net Book Value as at June 30, 2017
	As at	Additions	As at		As at	For the year	As at	
	July 1, 2016		June 30, 2017		July 1, 2016		June 30, 2017	
	-----Rupees-----			%	-----Rupees-----			
Flyover (Habibabad)	822,097,141	-	822,097,141	11	114,180,158	91,344,127	205,524,285	616,572,856
Office equipment	321,861	-	321,861	20	116,789	64,045	180,834	141,027
Vehicles	5,985,632	-	5,985,632	20	2,740,243	1,077,414	3,817,657	2,167,975
Electric and gas appliances	2,317,797	-	2,317,797	20	215,839	440,381	656,220	1,661,577
Total Rupees - 2017	830,722,431	-	830,722,431		117,253,029	92,925,967	210,118,996	620,543,435

Year Ended June 30, 2016

Particulars	Cost		Rate	Depreciation		Net Book Value as at June 30, 2016
	As at July 1, 2015	Additions		As at June 30, 2016	As at July 1, 2015	
	Rupees-----		%	Rupees-----		
Flyover (Habibabad)	822,097,141	-	11	19,449,068	94,731,090	114,180,158
Office equipment	236,521	85,340	20	62,068	54,721	116,789
Vehicles	5,985,632	-	20	1,662,829	1,077,414	2,740,243
Electric and gas appliances	128,268	2,189,529	20	18,130	197,709	215,839
Total Rupees - 2016	828,447,562	2,274,869		21,192,095	96,060,934	117,253,029
						713,469,402

4.1 Apportionment of depreciation charge for the year

	2017	2016
Direct cost	Rupees	Rupees
Administrative expenses	91,344,127	94,904,428
	1,581,840	1,156,506
	<u>92,925,967</u>	<u>96,060,934</u>

4.2 All the assets of the Company are pledged against long term financing as mentioned in note 8 to these financial statements.

WAC

Note 5
Intangible Assets

Year Ended June 30, 2017

Particulars	Cost		Rate	Amortization		Net Book Value as at
	As at July 1, 2016	Additions		As at July 1, 2016	For the year	
	Rupees-----		%	Rupees-----		
Software	40,000,000	-	11	6,785,714	4,285,714	11,071,428
Right to use toll plaza	60,000,000	-	10	12,307,692	6,153,846	18,461,538
Total Rupees - 2017	100,000,000	-		19,093,406	10,439,560	29,532,966
						70,467,034

Year Ended June 30, 2016

Particulars	Cost		Rate	Amortization		Net Book Value as at
	As at July 1, 2015	Additions		As at July 1, 2015	For the year	
	Rupees-----		%	Rupees-----		
Software	40,000,000	-	11	946,315	5,839,399	6,785,714
Right to use toll plaza	60,000,000	-	10	6,153,846	6,153,846	12,307,692
Total Rupees - 2016	100,000,000	-		7,100,161	11,993,245	19,093,406
						80,906,594

WAC

Note 6

Short Term Prepayments and other Receivables

	2017	2016
	Rupees	Rupees
Short term prepayments	2,162,252	2,099,443
Other receivables- related party	1,002,670	1,002,670
Accrued profit	586,338	-
	<u>3,751,260</u>	<u>3,102,113</u>

Note 7

Cash and Bank Balances

	2017	2016
	Rupees	Rupees
Cash in hand	46,021	24,721
Balance at banks - in saving accounts	7.1 <u>179,453,204</u>	<u>118,393,602</u>
	<u>179,499,225</u>	<u>118,418,323</u>

7.1 These carry mark-up at rates ranging from 3.75% to 4.85% (2016: 5% to 6%) per annum.

Note 8

Long Term Financing

	2017	2016
	Rupees	Rupees
Loan from Frontier Works Organization (FWO)	8.1 168,298,129	279,582,602
Less: Current portion	<u>(168,298,129)</u>	<u>(229,115,092)</u>
	<u>-</u>	<u>50,467,510</u>

8.1 Reconciliation of carrying amount of loan

Opening balance	279,582,602	654,614,548
Add: Loan obtained during the year	-	43,921,365
Less: Payments made during the year	<u>(111,284,473)</u>	<u>(418,953,311)</u>
Closing balance on June 30,	<u>168,298,129</u>	<u>279,582,602</u>

8.2 As on 04 June 2014, the Company entered into a shareholder loan agreement with its shareholders M/s Frontier Works Organization (FWO). In accordance with the terms of agreement FWO shall lend amount necessary to finance the project in accordance with the concession agreement between the National Highway Authority and the Company on April 23, 2014. The loan shall be secured through:

- A mortgage, pledge, security interest, hypothecation or similar charge on all present and future fixed and current, tangible and intangible assets, undertakings and properties of the Company.
- Lien and fixed charge on Company's bank accounts.
- The loan carries fixed interest @ 13%. Repayment was initially staggered in 6 semi-annual instalments commencing from 6 months anniversary date of the service commencement date i.e. October 14, 2015.

8.2.1 Loan repayment schedule

As per the 2nd amendment in loan agreement dated April 29, 2016, the repayment schedule is as follows:

	Due Date	Principal Amount
		Rupees
1st installment	October 14, 2015	176,745,928
2nd installment	April 14, 2016	124,376,764
3rd installment	October 14, 2016	117,830,619
4th installment	April 14, 2017	111,284,473
5th installment	October 14, 2017	104,738,328
6th installment	April 14, 2018	63,559,801

Note 9

Deferred Tax Liability

	2017	2016
	Rupees	Rupees
Taxable temporary differences		
- Accelerated tax depreciation	52,358,733	65,043,331
Deductible temporary differences		
- Unused tax losses	(43,942,120)	(65,043,331)
	<u>8,416,613</u>	<u>-</u>

Note 10

Trade and other Payables

	2017	2016
	Rupees	Rupees
Trade creditors	-	877,500
Accrued liabilities	931,649	503,020
Due to related parties	389,404,423	368,518,778
	<u>390,336,072</u>	<u>369,899,298</u>

Note 11

Provision for Taxation

	2017	2016
	Rupees	Rupees
Opening balance	5,843,628	1,044,520
Provision for the year	7,460,727	4,209,513
Prior year adjustment	(1,634,115)	(1,044,520)
	<u>11,670,240</u>	<u>4,209,513</u>
Adjustment / payments made during the year	(4,984,537)	1,634,115
	<u>6,685,703</u>	<u>5,843,628</u>

Note 12

Contingencies and Commitments

There are no contingencies or commitments outstanding as at the balance sheet date (2016: Nil).

Note 13

Revenue

		2017	2016
	Note	Rupees	Rupees
Gross revenue		577,839,110	531,824,200
Less: Share of national highway authority (NHA)	13.1	(185,089,964)	(77,505,664)
		<u>392,749,146</u>	<u>454,318,536</u>

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

Note 14

Direct Cost

		2017	2016
	Note	Rupees	Rupees
Operation, management and maintenance cost	14.1	204,150,558	199,395,322
Cost of additional work		-	43,921,365
Insurance expense		1,560,091	366,094
Depreciation	4.1	91,344,127	94,904,428
Amortization	5	10,439,560	11,993,245
		<u>307,494,336</u>	<u>350,580,454</u>

14.1 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. The FWO shall be entitled to a monthly compensation, which shall be the fixed amount or percentage of toll revenue whichever is higher.

WPK

Note 15

Administrative expenses

		2017	2016
	Note	Rupees	Rupees
Salaries, wages and benefits		11,066,227	7,899,946
Travelling and conveyance		238,750	262,837
Repairs and maintenance		2,844,500	2,288,777
Insurance		419,366	321,138
Utilities		483,170	381,270
Communication		21,119	29,249
Printing and stationery		272,586	377,205
Rent, rates and taxes		1,051,480	455,240
Entertainment		258,812	355,573
Depreciation	4.1	1,581,840	1,156,506
Legal and professional charges		1,187,220	2,065,050
Auditors' remuneration	15.1	177,500	150,000
Consultancy services		534,500	5,251,000
Operational and maintenance charges		-	44,500
Miscellaneous		331,559	323,665
		<u>20,468,629</u>	<u>21,361,956</u>

15.1 Auditors' remuneration includes sales tax amounting to Rs. 27,500.

Note 16

Finance Cost

	2017	2016
	Rupees	Rupees
Maru-up on long term financing	29,171,701	97,809,270
Bank charges	3,344	3,389
	<u>29,175,045</u>	<u>97,812,659</u>

Note 17

Other income

		2017	2016
	Note	Rupees	Rupees
Other income	17.1	<u>8,275,495</u>	<u>17,614,698</u>

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

Note 18

Taxation

	2017	2016
	Rupees	Rupees
For the year		
- Current	7,460,727	6,513,205
- Prior year adjustment	(1,634,115)	-
- Deferred	8,416,613	-
	<u>14,243,225</u>	<u>6,513,205</u>

Note 19

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

			2017	2016
Related party	Relationship	Nature of transaction	Rupees	Rupees
National Highway Authority	Contractor	Share of revenue	185,089,964	77,505,664
		Payment on party's behalf	-	143,095
Frontier Works Organization	Shareholder	Direct cost	204,150,558	199,395,322
		Cost of additional work	-	43,921,365
		Further loan received	-	43,921,365
		Repayment of loan	111,284,473	418,953,311
		Mark-up on loan	29,175,045	97,809,270

WMC

Note 19, Transaction with Related Parties - Contd...

Outstanding balance as at the year end			2017	2016
			Rupees	Rupees
National Highway Authority	Contractor	Share of revenue payable	289,815,701	169,123,456
Frontier Works Organization	Shareholder	Receivable against expenses	1,002,670	1,002,670
		Receivable against toll revenue	-	1,437,750
		Loan outstanding	168,298,129	279,582,602
		Accrued interest on loan	51,139,396	42,267,019
		Operation, management and maintenance cost payable	99,588,722	199,395,322

Note 20

Financial Risk Management

20.1 Financial risk factors

The Company's activities expose it to various financial risks (including currency risk and interest rate risk) which are not significant. The Company's overall risk management practice focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the management of the Company. The management provides principles and guidelines for overall risk management, as well as policies covering specific areas. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

Floating rate instruments

Financial assets

Bank balances - PLS savings accounts - Local Currency

2017	2016
Rupees	Rupees
179,453,204	118,393,602

Cash flow sensitivity analysis for fixed rate instruments

If interest rate at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, surplus before taxation for the year would have been Rs. 1.79 million (2016: Rs. 1.18 million) higher / lower, mainly as a result of higher / lower interest income on floating rate assets. This analysis is prepared assuming the amounts of assets outstanding at balance sheet date were indicative of balance outstanding during the year.

(b) 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, trade debts and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017	2016
	Rupees	Rupees
Trade debts - considered good	-	1,437,750
Other receivables	3,751,260	3,102,113
Bank balances	179,453,204	118,393,602
	183,204,464	122,933,465

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties.

WKC

Note 20, Financial Risk Management - Continued...

(C) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity by maintaining sufficient cash and funds. Following are the contractual maturities of financial liabilities.

Contractual maturities of financial liabilities as at June 30, 2017

	Carrying Amount	Within 1 year	Within 2-5 years	Above 5 years
	Rupees	Rupees	Rupees	Rupees
Long term financing	168,298,129	168,298,129	-	-
Trade and other payables	390,336,072	390,336,072	-	-
	<u>390,336,072</u>	<u>390,336,072</u>	<u>-</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2016

	Carrying Amount	Within 1 year	Within 2-5 years	Above 5 years
	Rupees	Rupees	Rupees	Rupees
Long term financing	279,582,602	111,284,473	168,298,129	-
Trade and other payables	369,899,298	369,899,298	-	-
	<u>369,899,298</u>	<u>369,899,298</u>	<u>-</u>	<u>-</u>

20.2 Fair values of financial assets and

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

20.3 Financial instruments by categories

Financial assets as at June 30, 2017

	Cash and cash equivalent	Loan and advances	Held for maturity	Total
	Rupees	Rupees	Rupees	Rupees
Other receivables	-	3,751,260	-	3,751,260
Cash and bank balances	179,499,225	-	-	179,499,225
	<u>179,499,225</u>	<u>3,751,260</u>	<u>-</u>	<u>183,250,485</u>

Financial assets as at June 30, 2016

	Cash and cash equivalent	Loan and advances	Held for maturity	Total
	Rupees	Rupees	Rupees	Rupees
Trade debts - considered good	-	1,437,750	-	1,437,750
Other receivables	-	3,102,113	-	3,102,113
Cash and bank balances	118,418,323	-	-	118,418,323
	<u>118,418,323</u>	<u>4,539,863</u>	<u>-</u>	<u>122,958,186</u>

Financial liabilities

	2017	2016
	Rupees	Rupees
Long term financing	168,298,129	279,582,602
Trade and other payables	390,336,072	369,899,298
	<u>558,634,201</u>	<u>649,481,900</u>

WAC

Note 21

Remuneration of Chief Executive and Directors

	Chief Executive		Directors	
	2017	2016	2017	2016
	Rupees		Rupees	
Bonus	272,673	77,500	1,176,945	335,000
Honorarium	120,000	90,000	439,333	360,667
	392,673	167,500	1,616,278	695,667
Number of persons	1	1	6	4

Note 22

Number of Employee

	2017	2016
	Numbers	Numbers
Employee as at June 30,	9	8

Note 23

Authorization of Financial Statements

These financial statements were authorized for issue on 27 OCT 2017 by the Board of Directors of the Company.

Note 24

Corresponding Figures

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

Handwritten signature

Handwritten signature of Chief Executive

CHIEF EXECUTIVE

Handwritten signature of Director

DIRECTOR