Crowe

Horwath Hussain Chaudhury & Co.
25-E, Main Market, Gulberg II,
Lahore-54600, Pakistan
Main +92-42-3575 9223-5
www.crowe.pk

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at June 30,2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the information included in the director's report, but does not include the financial statements and our auditor's report thereon.

Crowe

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Crowe

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Amin Ali.

Horwath Hussain Ch's Co.

Lahore
Dated: 05 OCT 2018

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non Current Assets			
Property and equipment	5	527,474,251	620,543,435
Intangible assets	6	60,181,320	70,467,034
		587,655,571	691,010,469
Current Assets			
Short term prepayments and other receivables	7	24,108,424	3,751,260
Cash and bank balances	8	133,427,147	179,499,225
		157,535,571	183,250,485
		745,191,142	874,260,954
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 2,500,000 (2017: 2,500,000) ordinary shares of Rs.100 each		250,000,000	250,000,000
Issued, subscribed and paid up capital: 1,751,000 (2017: 1,751,000) ordinary shares of Rs. 100 each fully paid in cash	9	175,100,000	175,100,000
Share deposit money	10	-	69,123,662
Unappropriated profit		5,648,379	5,161,379
		180,748,379	249,385,041
Non Current Liabilities			
Long term financing	11	-	-
Retirement benefits liability	12	1,350,365	-
Deferred tax liability	13	3,874,726	8,416,613
		5,225,091	8,416,613
Current Liabilities			
Trade and other payables	14	555,090,043	390,336,072
Current portion of long term financing	11	-	168,298,129
Accrued interest on long term financing		-	51,139,396
Provision for taxation	15	4,127,629	6,685,703
		559,217,672	616,459,300
Contingencies and Commitments	16	-	-
		745,191,142	874,260,954

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Revenue	17	381,219,041	392,749,146
Direct cost	18	(344,895,340)	(307,494,336)
Gross Profit		36,323,701	85,254,810
Administrative expenses	19	(22,584,823)	(20,468,629)
Finance cost	20	(18,567,664)	(29,175,045)
		(41,152,487)	(49,643,674)
Operating (Loss) / Profit		(4,828,786)	35,611,136
Other income	21	9,001,256	8,275,495
Profit before Taxation		4,172,470	43,886,631
Taxation	22	(3,578,138)	(14,243,225)
Net Profit for the Year		594,332	29,643,406

The annexed notes from 1 to 30 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, 2018

	2018	2017
	Rupees	Rupees
Net Profit for the Year	594,332	29,643,406
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefits liability	(153,331)	-
Related tax impact	45,999	-
Items that may be reclassified to profit or loss	-	-
Other comprehensive loss for the year	(107,332)	-
Total Comprehensive Income for the Year	487,000	29,643,406

The annexed notes from 1 to 30 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

Particulars	Share Capital	Share Deposit Money	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
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
Other comprehensive income for the year	-	-	-	-
Total comprehensive income 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
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 income 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

The annexed notes from 1 to 30 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, 2018

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,172,470	43,886,631
Adjustment for:			
- Depreciation		93,069,184	92,925,967
- Amortization		10,285,714	10,439,560
- Provision for gratuity		1,473,174	-
- Finance cost		18,567,664	29,175,045
		123,395,736	132,540,572
Operating Profit before Working Capital Changes		127,568,206	176,427,203
(Increase) / decrease in current assets			
- Trade debts		-	1,437,750
- Short term prepayments and other receivables		(20,357,164)	(649,147)
(Decrease) / Increase in current liabilities:			
- Trade and other payables		164,753,971	20,436,774
		144,396,807	21,225,377
Cash Generated from operations		271,965,013	197,652,580
Finance cost paid		(69,707,060)	(20,302,668)
Gratuity paid		(276,140)	-
Income tax paid		(10,632,100)	(4,984,537)
		(80,615,300)	(25,287,205)
Net Cash Generated from Operating Activities		191,349,713	172,365,375
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		(237,421,791)	(111,284,473)
Net Cash Used in Financing Activities	24	(237,421,791)	(111,284,473)
Net (Decrease) / Increase in Cash and Cash Equivalents		(46,072,078)	61,080,902
Cash and cash equivalents at the beginning of the year		179,499,225	118,418,323
Cash and Cash Equivalents at the End of the Year		133,427,147	179,499,225

The annexed notes from 1 to 30 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, 2018

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, subsidiary of Frontier Works Organization (working under Ministry of Defence). The Company is domiciled in Pakistan and its registered office is situated at Gate no. 12, National Hockey Stadium, Gulberg-III, Lahore. 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 (Built-Operate-Transfer) pursuant to the concession agreement executed between the National Highway Authority and the Company on April 23, 2014.

Note 2
Summary of Significant Transactions

	2018 Impact in Rupees
Advance paid to related party-FWO	22,037,759
Share deposit money transferred to long term financing	69,123,662
Long term financing repaid during the year	237,421,791
Increase in operation, management and maintenance cost	37,300,537

Note 3
Basis of Preparation

3.1 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) 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, 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.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

WAC

Note 3, Basis of Preparation- Contd...

3.3 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.

3.4 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; provisions for defined benefit plans and taxation.

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statement of Habibabad Operation and Management Engineering Company (Private) Limited for the year ended June 30, 2018 have been consistent with previous years unless otherwise stated.

3.5 Changes in accounting standards, interpretations and pronouncements

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

The Company has adopted the following accounting standard and the amendments which became effective for the current year:

IAS 7 - Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)
IAS 12 - Income Taxes — Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2014

IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

3.5.2 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 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)
IFRIC 22	Foreign Currency Transactions and Advance	January 1, 2018
IFRS 9	Financial Instruments: Classification and Measurement	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 23	Borrowing costs	January 1, 2019

Uhue

Note 3, Basis of Preparation- Contd...

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	Effective Date (Period beginning on or after)
-IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
-IFRS 17 'Insurance Contracts '	January 1, 2021

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

Note 4
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, unless stated otherwise.

4.1 Property and Equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss. 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 or 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 5. 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 profit or loss 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 profit or loss in the year the asset is derecognized.

Note 4, Summary of Significant Accounting Policies - Contd...

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 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 profit or loss account.

4.2 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.

4.3 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 or loss using the straight line method so as to write off the cost of an intangible over its estimated useful life.

4.4 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 reporting date and adjusted to reflect the current best estimate.

4.5 Provident fund

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

4.6 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.

4.7 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 profit or loss for the year.

Note 4, Summary of Significant Accounting Policies - Contd...

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 other receivables and cash and bank balances. The financial liabilities comprises of long term finnancing, accrued mark up and payable to parties in cash terms.

4.8 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.

4.9 Taxation

4.9.1 Current

Provision for current tax is based on 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.

4.9.2 Deferred

Deferred tax is accounted for using the 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 by the reporting date for subsequent enactment. Deferred tax is charged or credited in profit or loss, except in the case of items credited or charged to other comprehensive income, if any, in which case it is included in equity.

4.10 Revenue recognition

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

- Profit on bank deposits is recorded on accrual basis.

4.11 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

4.12 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.

Wttc

Note 4, Summary of Significant Accounting Policies - Contd...

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.

4.13 Related party transactions

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

Note 5
Property and Equipment

Year Ended June 30, 2018

Particulars	Cost			Rate	Depreciation			Net Book
	As at July 1, 2017	Additions	As at June 30, 2018		As at July 1, 2017	For the Year	As at June 30, 2018	Value 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

Year Ended June 30, 2017

Particulars	Cost			Rate	Depreciation			Net Book
	As at July 1, 2016	Additions	As at June 30, 2017		As at July 1, 2016	For the year	As at June 30, 2017	Value as at 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	210,178,996	620,543,435

Note 5, Property and Equipment- Contd...

5.1 Apportionment of depreciation charge for the year

	2018	2017
	Rupees	Rupees
Direct cost	91,344,127	91,344,127
Administrative expenses	1,725,057	1,581,840
	93,069,184	92,925,967

5.2 All the assets of the Company are pledged against long term financing as mentioned in note 11 to these financial statements.

Note 6
Intangible Assets

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

Year Ended June 30, 2017

Particulars	Cost			Rate	Amortization			Net Book Value as at June 30, 2017
	As at July 1, 2016	Additions	As at June 30, 2017		As at July 1, 2016	For the year	As at June 30, 2017	
	----Rupees----			%	----Rupees----			
Software	40,000,000	-	40,000,000	11	6,785,714	4,285,714	11,071,428	28,928,572
Right to use toll plaza	60,000,000	-	60,000,000	10	12,307,692	6,153,846	18,461,538	41,538,462
Total Rupees - 2017	100,000,000	-	100,000,000		19,093,406	10,439,560	29,532,966	70,467,034

Note 7
Short Term Prepayments and other Receivables

	2018 Rupees	2017 Rupees
Short term prepayments	1,185,205	2,162,252
Other receivables - related party	22,037,759	1,002,670
Accrued profit	885,460	586,338
	24,108,424	3,751,260

Note 8
Cash and Bank Balances

	Note	2018 Rupees	2017 Rupees
Cash in hand		5,590	46,021
Balance at banks - in saving accounts	8.1	133,421,557	179,453,204
		133,427,147	179,499,225

8.1 These carry mark-up at rates ranging from 3.78% to 4.85% (2017: 3.75% to 4.85%) per annum.

Note 9
Issued, Subscribed and Paid up Capital

Number of shares 2018	Number of shares 2017		2018 Rupees	2017 Rupees
1,751,000	1,751,000	Ordinary shares of Rs. 100 each fully paid in cash	175,100,000	175,100,000

9.1 Reconciliation of the number of shares outstanding as at the beginning and at the end of the year:

	2018	2017
Opening balance	175,100,000	175,100,000
Issued / cancelled during the year	-	-
Closing balance	175,100,000	175,100,000

9.2 As at the reporting date, Frontier Works Organization (FWO) held 1,750,994 (2017: 1,750,994) shares of the Company.

Note 10
Share Deposit Money

The balance in share deposit money account represents the excess subscription money received from directors and related parties for issuance of right shares. The entire amount has been repaid during the year.

	2018 Rupees	2017 Rupees
Opening balance	69,123,662	69,123,662
Share deposit money transferred to long term financing	(69,123,662)	-
Closing balance	-	69,123,662

Note 11
Long Term Financing

	2018 Rupees	2017 Rupees
Loan from Frontier Works Organization (FWO)	-	168,298,129
Less: Current portion	-	(168,298,129)
	-	-

11.1 As on June 04, 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 had lent amount necessary to finance the project in accordance with the concession agreement dated April 23, 2014 between the National Highway Authority (NHA) and the Company. The loan was 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 carried fixed interest @ 13% per annum. The entire loan has been repayed during the year.

Uvk

Note 12
Retirement Benefits Liability

	Note	2018 Rupees	2017 Rupees
Retirement benefits liability	12.1	1,350,365	-

12.1 Reconciliation of Retirement Benefits Liability

	2018	2017
Add: Provision for gratuity	1,626,505	-
Less: Payments made during the year	(276,140)	-
Closing balance as on June 30,	1,350,365	-

12.2 Non-workmen staff gratuity - unfunded

Latest actuarial valuation of the gratuity scheme was conducted as on June 30, 2018. Results of actuarial valuation are as under:

12.2.1 Movement in net liability for staff gratuity

	Note	2018 Rupees	2017 Rupees
Opening balance		-	-
Charge for the year - profit or loss account	12.2.2	1,473,174	-
Charge for the year - Other comprehensive income		153,331	-
Payments made / approved during the year		(276,140)	-
Closing balance	12.2.3	1,350,365	-

12.2.2 Charge for the year

The amounts recognised in profit or loss against defined benefit scheme are as follows:	2018 Rupees	2017 Rupees
Current service cost	1,416,700	-
Interest cost	56,474	-
	1,473,174	-

12.2.3 Staff gratuity

	Note	2018	2017
Present value of defined benefit obligation as at June 30,	12.2.4	1,350,365	-

12.2.4 Movement in present value of defined benefit obligation

	2018	2017
Opening balance	-	-
Current and past service cost	1,416,700	-
Interest cost	56,474	-
Benefits paid / approved	(276,140)	-
Actuarial loss recognized in other comprehensive income	153,331	-
Closing balance	1,350,365	-

12.2.5 Actuarial assumptions

	2018	2017
Discount rate of interest cost in P&L - per annum	7.75%	-
Discount rate for year end obligation - per annum	9.00%	-
Expected rate of increase in salary level - per annum	8.00%	-
Average duration of the defined benefit obligation	8 Years	-
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table with 1 year setback	
Actuarial valuation method		

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

	2018 Rupees	2017 Rupees
Present value of defined benefit obligation	1,350,365	-
Fair value of plan asset	-	-
Net liability	1,350,365	-

UhC

12.2.7 Estimated Charge for the year 2019-2020

	Rupees
Current and past service cost	153,405
Interest cost	173,734
	327,139

12.2.8 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:

	Rupees
Discount rate + 100 bps	1,508,109
Discount rate + 100 bps	1,759,227
Salary increase + 100 bps	1,759,227
Salary increase + 100 bps	1,506,020

Note 13
Deferred Tax Liability

	2018 Rupees	2017 Rupees
Taxable temporary differences		
- Accelerated tax depreciation	38,145,701	52,358,733
Deductible temporary differences		
- Staff retirement benefits	(451,109)	-
- Unused tax losses	(33,819,866)	(43,942,120)
	3,874,726	8,416,613

13.1 Reconciliation of deferred tax liabilities-net

	2018	2017
Opening balance	8,416,613	-
Tax (income) / expense during the year recognised in the profit or loss	(4,495,888)	8,416,613
Tax (income) / expense during the year recognised in other comprehensive income	(45,999)	-
Closing balance	3,874,726	8,416,613

Note 14
Trade and Other Payables

	Note	2018 Rupees	2017 Rupees
Accrued liabilities		571,288	931,649
Due to related parties	14.1	554,518,755	389,404,423
		555,090,043	390,336,072

14.1 Due to related parties

	2018	2017
National Highways Authority (NHA)	554,518,755	289,815,701
Frontier Works Organization (FWO)	-	99,588,722
	554,518,755	389,404,423

Note 15
Provision for Taxation

	2018 Rupees	2017 Rupees
Opening balance	6,685,703	5,843,628
Provision for the year	8,074,026	7,460,727
Prior year adjustment	-	(1,634,115)
	14,759,729	11,670,240
Adjustment / payments made during the year	(10,632,100)	(4,984,537)
	4,127,629	6,685,703

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

15.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2017 as tax returns were filed under the self assessment scheme.

Note 16
Contingencies and Commitments

There are no contingencies or commitments outstanding as at the reporting date (2017: Nil).

Note 17
Revenue

	Note	2018 Rupees	2017 Rupees
Gross revenue		645,922,095	577,839,110
Less: Share of national highway authority (NHA)	17.1	(264,703,054)	(185,089,964)
		381,219,041	392,749,146

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

Note 18
Direct Cost

	Note	2018 Rupees	2017 Rupees
Operation, management and maintenance cost	18.1	241,451,095	204,150,558
Insurance expense		1,814,404	1,560,091
Depreciation	5.1	91,344,127	91,344,127
Amortization	6	10,285,714	10,439,560
		344,895,340	307,494,336

18.1 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 19
Administrative expenses

	Note	2018 Rupees	2017 Rupees
Salaries, wages and benefits	19.1	15,283,827	11,066,227
Travelling and conveyance		493,740	238,750
Repairs and maintenance		1,467,644	2,844,500
Insurance		363,887	419,366
Utilities		236,702	483,170
Communication		22,352	21,119
Printing and stationery		202,764	272,586
Rent, rates and taxes		980,240	1,051,480
Entertainment		259,871	258,812
Depreciation	5.1	1,725,057	1,581,840
Legal and professional charges		1,145,900	1,187,220
Auditors' remuneration	19.2	150,000	177,500
Consultancy services		91,000	534,500
Miscellaneous		161,839	331,559
		22,584,823	20,468,629

19.1 This includes Rs. 1,909,624 (2017: Rs. 876,795) in respect of employee benefits.

19.2 Auditors' remuneration includes sales tax amounting to Rs. Nil (2017: 27,500).

Note 20
Finance Cost

	2018 Rupees	2017 Rupees
Mark-up on long term financing	18,564,334	29,171,701
Bank charges	3,330	3,344
	18,567,664	29,175,045

Note 21
Other Income

	2018 Rupees	2017 Rupees
Profit on deposit account with banks	9,001,256	8,275,495

Note 22
Taxation

	2018 Rupees	2017 Rupees
For the year		
- Current	8,074,026	7,460,727
- Prior year adjustment	-	(1,634,115)
- Deferred	(4,495,888)	8,416,613
	3,578,138	14,243,225

Note 23
Liabilities Arising from Financing Activities

	As at June 30, 2017	Non-cash changes	Cash flows (Net)	As at June 30, 2018
	Rupees			
Loan from Frontier Works Organization (FWO)	168,298,129	69,123,662	(237,421,791)	-

Note 24
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			2018 Rupees	2017 Rupees
Related party	**Relationship**	**Nature of transaction**		
National Highway Authority	Principal	Share of revenue	264,703,054	185,089,964
Frontier Works Organization	Parent Company	Direct cost	241,451,095	204,150,558
		Repayment of loan	237,421,791	111,284,473
		Mark-up on loan	18,564,334	29,175,045
		Advance paid	22,037,759	-
Outstanding balance as at the year end				
National Highway Authority	Principal	Share of revenue payable	554,518,755	289,815,701
Frontier Works Organization	Parent Company	Advance paid / receivable against expenses	22,037,759	1,002,670
		Loan outstanding	-	168,298,129
		Accrued interest on loan	-	51,139,396
		Operation, management and maintenance cost payable	-	99,588,722

24.1 Following are the related parties with whom the Company has entered into transactions or have arrangement / agreement in place.

Sr. No.	Company Name	Basis or association	Aggregate % of Shareholding
1	Frontier Works Organization (FWO)	Holding company	99.9%
2	Directors	Directorship	0.1%

Note 25
Financial Risk Management

25.1 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 financial performance.

Note 25, Financial Risk Management - Contd...

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.

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

Floating rate instruments

	2018	2017
Financial assets	Rupees	Rupees
Bank balances - savings accounts - (local currency)	133,421,557	179,453,204

Cash flow sensitivity analysis for fixed rate instruments

If interest rate at the reporting date, fluctuate by 1% higher / lower with all other variables held constant, surplus before taxation for the year would have been Rs. 1.33 million (2017: Rs. 1.79 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 reporting 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 and other receivables.

	2018	2017
	Rupees	Rupees
Other receivables	22,037,759	3,751,260
Bank balances	133,421,557	179,453,204
	155,459,316	183,204,464

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		Rating		
	Short term	**Long term**	**Agency**	**2018**	**2017**
				Rupees	Rupees
MCB Bank Limited	A1+	AAA	PACRA	133,060,665	174,222,043
Habib Bank Limited	A-1+	AAA	JCR-VIS	360,893	5,231,161
				133,421,558	179,453,204

(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, 2018

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

Unk

Note 25, Financial Risk Management- Contd...

Contractual maturities of financial liabilities as at June 30, 2017

	Carrying Amount	Within 1 year	Within 2-5 years	Above 5 years
	--------------Rupees-------------			
Long term financing	168,298,129	186,862,463	-	-
Trade and other payables	390,336,072	390,336,072	-	-
	558,634,201	577,198,535	-	-

25.2 Fair values of financial assets and liabilities

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

25.3 Financial instruments by categories

Financial assets as at June 30, 2018	Cash and cash equivalent	Loan and advances	Held for maturity	Total
	--------------Rupees-------------			
Other receivables	-	24,108,424	-	24,108,424
Cash and bank balances	133,427,147	-	-	133,427,147
	133,427,147	24,108,424	-	157,535,571

Financial assets as at June 30, 2017	Cash and cash equivalent	Loan and advances	Held for maturity	Total
	--------------Rupees-------------			
Other receivables	-	3,751,260	-	3,751,260
Cash and bank balances	179,499,225	-	-	179,499,225
	179,499,225	3,751,260	-	183,250,485

	2018	2017
Financial liabilities	Rupees	Rupees
Long term financing	-	168,298,129
Trade and other payables	555,090,043	390,336,072
	555,090,043	558,634,201

Note 26
Remuneration of Chief Executive, Directors and Executives

Aggregate amounts charged in the financial statements for the year as remuneration and benefits to Chief Executive, directors and other executives of the Company are as follows:

	Chief Executive Officer		Directors		Executive	
	2018	2017	2018	2017	2018	2017
	Rupees		Rupees		Rupees	
Rememuration	-	-	-	-	4,631,268	4,313,319
Bonus	347,111	272,673	1,909,275	1,176,945	1,075,327	717,680
Honorarium	120,000	120,000	589,666	439,333	-	-
Other Allowances	-	-	-	-	254,790	-
	467,111	392,673	2,498,941	1,616,278	5,961,385	5,030,999
Number of persons	1	1	7	7	2	2

Note 26, Remuneration of Chief Executive, Directors and Executives - Contd...

26.1 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year. Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017 (Previously, basic salary limit for executive was Rs. 500,000).

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

Note 27
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.

As at the reporting date, the Company was not geared. For the year 2017,

	2017
	Rupees
Total borrowings	168,298,129
Equity	249,385,041
Total capital employed	417,683,170
Gearing ratio	40.29%

Note 28
Number of Employee

	2018	**2017**
	Numbers	Numbers
Contractual employees as at June 30,	9	9
Average contractual employees during the year	9	9

Note 29
Authorization of Financial Statements

These financial statements were approved and authorized for issue on 05 OCT 2018 by the Board of Directors of the Company.

Note 30
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.

CHIEF EXECUTIVE OFFICER **DIRECTOR**