KPMG Taseer Hadi & Co.
Chartered Accountants

Equipment Management and Support Company (Private) Limited

Financial Statements
For the period ended 30 June 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of Equipment Management and Support Company (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Equipment Management and Support Company (Private) Limited (the Company), which comprise the statement of financial position as at 30 June 2018, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows for the period 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 explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the loss, the comprehensive income, changes in equity and its cash flows for the period 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 *Auditors' 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.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

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

c) investments made, expenditure incurred and guarantees extended during the period 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).

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Other Matter

The Company has not yet finalized Statement of Compliance with Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018. Our report is not qualified in respect of this matter.

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

16 October 2019

Equipment Management and Support Company (Private) Limited
Statement of Financial Position
As at 30 June 2018

	Note	2018 ---- Rupees ----
ASSETS		
Current assets		
Advance tax		**11,891**
Cash and bank balances	4	**5,700,594**
		5,712,485
Total assets		**5,712,485**
EQUITY AND LIABILITIES		
Equity		
Share capital	5	**100,000**
Revenue reserve		**(837,811)**
		(737,811)
Current liabilities		
Payable to holding company - net	6	**4,366,198**
Trade and other payables	7	**2,084,098**
		6,450,296
Total equity and liabilities		**5,712,485**
CONTINGENCIES AND COMMITMENTS	8	

The annexed notes 1 to 16 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Equipment Management and Support Company (Private) Limited
Statement of Profit or Loss
For the period ended 30 June 2018

	Note	For the period from 24 May 2017 to 30 June 2018 ---- Rupees ----
Revenue		**1,990,932**
Cost of services	9	**(1,148,909)**
Gross profit		**842,023**
Administrative and general expenses	10	**(1,414,244)**
Operating loss		**(572,221)**
Finance cost		**(60,986)**
Other Income		**34,308**
Loss before taxation		**(598,899)**
Taxation	11	**(238,912)**
Loss after taxation		**(837,811)**

The annexed notes 1 to 16 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Equipment Management and Support Company (Private) Limited

Statement of Comprehensive Income

For the period ended 30 June 2018

	For the period from 24 May 2017 to 30 June 2018
	---- Rupees ----
Loss after taxation	**(837,811)**
Other comprehensive income for the period	-
Total comprehensive income for the period - (loss)	**(837,811)**

The annexed notes 1 to 16 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Equipment Management and Support Company (Private) Limited
Statement of Cash Flows
For the period ended 30 June 2018

	For the period from 24 May 2017 to 30 June 2018
	---- Rupees ----
Cash flows from operating activities	
Loss before taxation	(598,899)
Adjustments for:	
Other income	(34,308)
Finance cost	60,986
	26,678
Changes in working capital:	
Increase in current assets:	
Advance tax	(11,891)
Increase in current liabilities	
Payable to holding company	4,366,198
Trade and other payables	1,845,186
	6,211,384
Finance cost	(60,986)
Other income	34,308
Net cash from operating activities	5,600,594
Cash flows from financing activities	
Proceeds from issuance of shares	100,000
Net cash from financing activities	100,000
Net increase in cash and cash equivalents	5,700,594
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	5,700,594

The annexed notes 1 to 16 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Equipment Management and Support Company (Private) Limited
Statement of Changes in Equity
For the period ended 30 June 2018

	Share capital	Revenue reserve - accumulated loss	Total
	------------------ Rupees ------------------		
Contribution by owners - recorded directly in equity			
Issuance of ordinary shares	100,000	-	100,000
Total comprehensive income for the period			
Loss for the period	-	(837,811)	(837,811)
	-	(837,811)	(837,811)
Balance as at 30 June 2018	100,000	(837,811)	(737,811)

The annexed notes 1 to 16 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

Equipment Management and Support Company (Private) Limited ("the Company") was incorporated as a private limited company on 24 May 2017 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The registered office of the Company is located at Headquarters Frontier Works Organization, 509, Kashmir Road, R.A Bazar, Rawalpindi. The Company is principally formed for the purpose of providing equipment management services to Frontier Works Organization and to act as an agent on behalf of FWO for execution of Equipment Hiring IN and Hiring OUT agreements.

The Company is wholly owned by Frontier Works Organization (FWO) (the Parent Company).

Corresponding figures have not been presented in these financial statements, since the Company was incorporated on 24 May 2017 and these financial statements cover the first financial period since the Company's incorporation.

1.2 Summary of significant transactions and events

During the year the Company has commenced its operations and has entered into agreement with Frontier Works Organization (FWO) dated 13 January 2018 to act as an agent of FWO for execution of hiring in and hiring out of equipment.

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 reporitng standards applicable in Pakistan comprise of:

- Revised Accounting and Financial Reporting Standard for the Small-Sized Entities (Revised AFRS for SSEs) issued by the Institute of Chartered Accountants of Pakistan 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 Revised AFRS for SSEs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

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

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2.3 Functional and presentation currency

Items included in these financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting and reporting standards 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 underlying 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.

Judgments made by management in the application of the approved accounting and reporting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.5 Taxation

The Company takes into account the income tax laws applicable to the Company and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in these financial statements:

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balance with banks.

3.2 Trade and other payables

Liabilities for trade and other payables are initially carried at the fair value, subsequent to the initial recognition these are carried at amortized cost.

3.3 Revenue recognition

The Company recognises revenue from rendering of equipment management services. The Company is acting as an agent, accordingly the revenue is recognised on net basis. Revenue is measured at the commission rate agreed with the service provider and recognised when the related service has been provided.

3.4 Taxation

Taxation for the year comprises current tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

3.4.1 Current tax

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available.

3.4.2 Deferred tax

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 taxable profit. Deferred tax liabilities are 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 assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

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 reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

		Note	2018
			---- Rupees ----
4	**CASH AND BANK BALANCES**		
	Cash in hand		**52,225**
	Cash at bank		
	- saving account	4.1	**5,648,369**
			5,700,594

4.1 The balance in saving account carries markup ranging between 4% to 5.5% per annum.

		2018
5	**SHARE CAPITAL**	
	Authorized:	
	1,000 ordinary shares of Rs. 10 each	**100,000**
	Issued, subscribed and paid up:	
	1,000 ordinary shares of Rs. 100 each fully paid in cash	**100,000**
6	**PAYABLE TO HOLDING COMPANY - NET**	
	Collections received on behalf of FWO	**6,357,130**
	Less: Equipment management charges for the period	**(1,990,932)**
		4,366,198
7	**TRADE AND OTHER PAYABLES**	
	Other payables	**841,223**
	Withholding tax payable	**3,239**
	Accrued liabilities	**720,724**
	Audit fee payable	**280,000**
	Income tax payable	**238,912**
		2,084,098

8 **CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments at year end.

		For the period from 24 May 2017 to 30 June 2018
		---- Rupees ----
9	**COST OF SERVICES**	
	Salaries and benefits	**567,403**
	Management fee	**581,506**
		1,148,909

Equipment Management & Support Company (Private) Limited

Notes to the Financial Statements

For the period ended 30 June 2018

		Note	For the period from 24 May 2017 to 30 June 2018 ---- Rupees ----
10	**ADMINISTRATIVE AND GENERAL EXPENSES**		
	Auditors' remuneration	10.1	**560,000**
	Communication		**13,100**
	Legal and professional charges		**808,549**
	Office supplies		**8,900**
	Fee and subscriptions		**20,500**
	Travelling and conveyance		**3,195**
			1,414,244
10.1	**Auditors' remuneration**		
	Audit fee		**200,000**
	Certifications		**52,500**
	Tax services		**280,000**
	Out of pocket expenses		**27,500**
			560,000
11	**TAXATION**		
	Current		**238,912**
			238,912
	Relationship between profit for the year and tax charge		
	Loss before taxation		**(598,899)**
	Tax at applicable rate of 25%		**(149,725)**
	Effect on income taxed at different rate		**388,637**
			238,912

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12 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

FWO holds 100% shares of the Company. Therefore FWO including its subsidiaries and associates are the related parties of the Company. Other related parties include directors, key management personnel, entities over which directors are able to exercise significant influence. Below is the list of related parties with whom the Company has entered into transactions during the year:

Related Party	Basis of Relationship	Shareholding Percentage in The Company
Frontier Works Organization	Parent Company	99.50%
Motorway Operations and Rehabilitation Engineering (Private) Limited	Associate	Nil
Swat Expressway Planning Constructions and Operations (Private) Limited	Associate	Nil
Superhighway Construction Operation and Rehabilitation Engineering (Private) Limited	Associate	Nil
Karachi and Thatta Construction and Management (Private) Limited	Associate	Nil
Lahore Sialkot Motorway Infrastructure Management (Private) Limited	Associate	Nil

Details of transactions with these related parties are as follows:

	2018
	---- Rupees ----
Parent Company	
Receipt on account of share subscription money	100,000
Associates	
Collections against Vehicle Rental	
MORE (Private) Limited	410,000
SEPCO (Private) Limited	280,000
SCORE (Private) Limited	720,000
KATKAM (Private) Limited	135,000
LSMIM (Private) Limited	270,000

Equipment Management & Support Company (Private) Limited
Notes to the Financial Statements
For the period ended 30 June 2018

13 NUMBER OF EMPLOYEES

The Company's total number of employees as at period end and average number of employees during the year are 7.

14 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Chief executive and directors have not been paid any remuneration during the year. The Company does not have executives during the period.

15 GENERAL

15.1 Figures have been rounded off to the nearest rupee.

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 01 July, 2019 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR