

IBEX CONSTRUCTION (PRIVATE) LIMITED
INDEPENDENT AUDITORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

To the members of IBEX Construction (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of IBEX Construction (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2020 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, 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 June 30, 2020 and of the profit, total 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 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.

Material Uncertainty Relating to Going Concern

Note 1.4 to the financial statements indicates that as at reporting date, the Company has accumulated losses of Rs. 313.89 million (2019: Rs. 376.39 million) as against the issued, subscribed and paid up capital of Rs. 450 million (2019: Rs. 450 million). The current liabilities of the Company exceed its current assets by Rs. 328.17 million (2019: Rs. 353.88 million). The projects other than lakpass tunnel have been suspended since long. These events and conditions indicate the existence of material uncertainty that may cast significant doubt on company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditors' report is information included in the directors' report, but does not include the financial statements of the company and our auditors' 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 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 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.

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- 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.

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 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 Inam Ul Haque.


RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS

Place: Lahore

Date:

02 OCT 2020



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IBEX CONSTRUCTION (PRIVATE) LIMITED

Director's Report with Annual Account as on 30th June 2020

On the behalf of Board of Directors, I am pleased to present the 15th Annual Report of IBEX Construction Private Limited along with the Audited Financial Statements and Auditor's Report thereon for the year ended June 30, 2020.

The ECONOMY

Pakistan's economy faced unprecedented challenges during fiscal year 2020.

- Severe macroeconomic crisis.
- Sharp deterioration in Pakistan's net external terms of trade as a result of spike in recent years in world commodity prices of which Pakistan is a net importer.
- The intensification of an unprecedented domestic security challenge which has exacted a high cost from the economy, both in terms of direct costs, and as well as in terms of significant knock-on effect on investment inflows and market confidence.

Appropriations

The company is running in losses as there is unappropriated loss of Rs. **313,891,804** as on June 30, 2020, so there is no appropriation available.

Technology

The Company has already installed ETTM System (Electronic Traffic and Toll Management) which eliminates the significant risk in the toll collection as compared manually toll collection. There are 08-lanes which are being controlled through ETTM system. Management has now installed Closed Circuit Cameras to observe the traffic.

Operating Results of the Company

Operating results are as follows:-

Particulars	June 30, 2020 <Rupees>	June 30, 2019 <Rupees>
Gross Revenue	214,514,716	188,346,802
Operating Cost	118,118,916	99,438,980
Gross Profit / (Loss)	96,395,800	88,907,822
Administrative expenses	5,676,908	3,236,293
Operating Profit / (Loss)	90,718,892	85,671,529

Human Resource Management

Human resource of the company is given the highest value. Accordingly, the company's focus remains on employee development coupled with improving the ambience through regular reviews and refinements of processes and the work environment, thereby ensuring its dynamism and robustness and keeping the spirit of its key guiding principles and policies.

Statement of Internal Control

Internal Controls contribute to the effective management by the Both Company's Board of Directors and management. While the Board recognizes its responsibility as envisaged in the relevant regulations, the management of company ensures the establishment and maintenance of adequate and effective systems of internal controls in compliance with external laws and regulations and consistent with the Company's own internal policies. It is also responsible to assess the effectiveness of internal controls and report on them to the Board.

The management ensures the effectiveness and efficiency of the internal control system by identifying control objectives, devising and reviewing appropriate policies



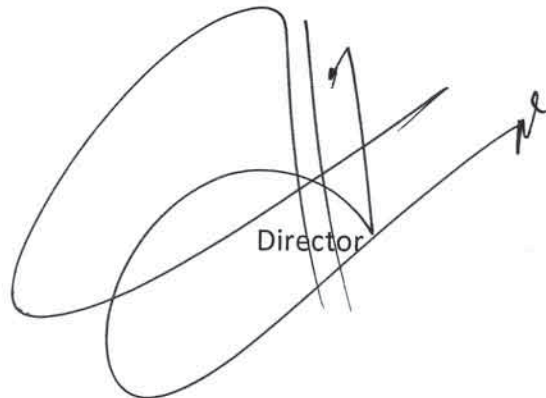
and procedures and establishing relevant control procedures. Significant policies and procedural manuals are already in place. Policies and procedures are periodically reviewed and revised and necessary amendments and updates introduced. The management is also cognizant of its responsibility of putting a system in place for the authentication of transactions, strengthening of control environment, and identifying the areas requiring improvements and devising appropriate remedial actions on a timely basis.

Acknowledgements

The Board of Directors would like to take this opportunity to express their deep appreciation of the commitment, loyalty and dedication of the employees.

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Chief Executive Officer

A handwritten signature in black ink, featuring a large, stylized 'D' followed by a series of loops and a final horizontal stroke.

Director

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees	2018 Rupees
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	5	34,299,441	35,061,246	35,964,521
Concession intangible assets	6	532,758,238	580,663,303	628,568,370
Intangible assets	7	23,850	26,500	29,444
Long term deposits	8	886,200	886,200	10,174,147
Retention money		2,062,949	2,062,949	-
		570,030,678	618,700,198	674,736,482
CURRENT ASSETS				
Amount due from customer - net	9	-	-	10,964,037
Advances and other receivables	10	37,736,746	17,701,748	7,902,121
Accrued markup		-	33,790	2,114
Cash and bank balances	11	101,065,447	69,092,520	28,570,658
		138,802,193	86,828,058	47,438,930
		708,832,871	705,528,256	722,175,412
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVE				
Authorized share capital	12	450,000,000	450,000,000	450,000,000
Issued, subscribed and paid up capital	12	450,000,000	450,000,000	450,000,000
(Accumulated loss)		(313,891,804)	(376,389,319)	(426,334,420)
		136,108,196	73,610,681	23,665,580
NON CURRENT LIABILITIES				
Long term loan		-	90,000,000	180,000,000
Deferred tax liability	13	105,754,766	100,373,409	78,287,013
Staff retirement gratuity	14	-	832,998	1,377,817
		105,754,766	191,206,407	259,664,830
CURRENT LIABILITIES				
Trade and other payables	15	9,329,306	8,863,113	27,033,963
Accrued mark-up on long term loan		436,392,508	423,642,763	409,740,968
Provision for taxation - Income tax		21,248,095	8,205,292	2,070,071
		466,969,909	440,711,168	438,845,002
		708,832,871	705,528,256	722,175,412

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Income from			
Lakpass Tunnel Project	16	96,395,800	88,907,822
(ECHS) Project	17	-	-
Other income	18	13,303,849	9,253,670
		<u>109,699,649</u>	<u>98,161,492</u>
Administrative and general expenses	19	5,676,908	3,236,293
Finance cost	20	12,762,731	13,907,372
		<u>18,439,639</u>	<u>17,143,665</u>
Profit for the year before taxation		<u>91,260,010</u>	<u>81,017,827</u>
Provision for taxation	21	28,762,495	31,508,576
Profit for the year		<u><u>62,497,515</u></u>	<u><u>49,509,251</u></u>

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	Rupees	Rupees
Profit for the year	62,497,515	49,509,251
Other comprehensive income		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of staff retirement gratuity	-	435,849
Total comprehensive income for the year	62,497,515	49,945,100

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



CHIEF EXECUTIVE OFFICER


DIRECTOR
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IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed and paid up capital	(Accumulated loss)	Total
	Rupees	Rupees	Rupees
Balance as at July 01, 2018 as previously reported	450,000,000	(612,672,388)	(162,672,388)
Effect of correction of errors (Refer Note 6.3)	-	201,228,866	201,228,866
Balance as at July 01, 2018 as restated	450,000,000	(426,334,420)	23,665,580
Profit for the year	-	49,509,251	49,509,251
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of staff retirement gratuity	-	435,849	435,849
	-	49,945,100	49,945,100
Balance as at June 30, 2019 as restated	450,000,000	(376,389,319)	73,610,681
Total comprehensive income for the year			
Profit for the year	-	62,497,515	62,497,515
Other comprehensive income	-	-	-
	-	62,497,515	62,497,515
Balance as at June 30, 2020	450,000,000	(313,891,804)	136,108,196

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

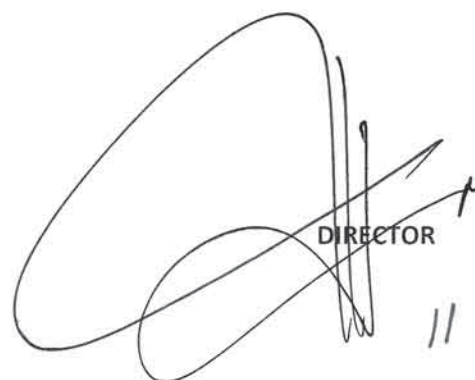
IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees Restated
a) Cash flows from operating activities		
Profit for the year before taxation	91,260,010	81,017,827
Adjustments for:		
Depreciation	48,666,870	81,554,032
Amortization	2,650	2,944
Gain on transfer of vehicle	-	(505)
Provision for staff retirement gratuity	315,853	(108,970)
Profit on bank deposits	(11,892,341)	(8,006,442)
Finance cost	12,749,745	13,901,795
	49,842,777	87,342,854
Operating cash flows before working capital changes	141,102,787	168,360,681
Working capital changes:		
(Increase) / decrease in current assets:		
Advances and other receivables	(1,996,418)	(7,827,604)
Prepayments	-	12,773
Increase in current liabilities:		
Trade and other payables	466,193	508,874
	(1,530,225)	(7,305,957)
Cash generated from operations	139,572,562	161,054,724
Income tax paid	(28,376,915)	(5,271,754)
Gratuity paid	(1,148,851)	-
Net cash generated from operating activities	110,046,796	155,782,970
b) Cash flows from investing activities		
Proceeds from disposal of vehicle	-	6,221
Profit on bank deposits received	11,926,131	7,974,766
Net cash generated from investing activities	11,926,131	7,980,987
c) Cash flows from financing activities		
Increase in retention money	-	(490,689)
Repayment of long term loan	(90,000,000)	(90,000,000)
Net cash (used in) financing activities	(90,000,000)	(90,490,689)
Net increase in cash and cash equivalents during the year (a + b + c)	31,972,927	73,273,268
Cash and cash equivalents at the beginning of the year	69,092,520	28,570,658
Cash and cash equivalents at the end of the year	101,065,447	101,843,926

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

IBEX CONSTRUCTION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1 CORPORATE AND GENERAL INFORMATION

- 1.1** IBEX Construction (Private) Limited (the Company) is a Private Limited Company incorporated in Pakistan on January 04, 2006, under the repealed Companies Ordinance, 1984. The Company is principally involved in the business to develop, construct, build, erect, demolish, alter, modify or do any work on Build Operate Transfer (BOT) basis in connection with housing schemes, buildings, roads, bridges, tunnels, power plants, irrigation, improvements and power supply works or any other structural or architectural work for such purpose. The registered office of the Company is situated at Old Toll Plaza Building, 11-KM Shiekhupura Road, Sharif Park, Kot Abdul Malik, Lahore in the Province of Punjab.
- 1.2** The Company is a wholly owned subsidiary of M/s Frontier Works Organization (FWO) ('the Parent').
- 1.3** The Company operates Lukpass Tunnel Project relating to operations and management of Lakpass Tunnel which is situated at National Highway N25 about 27 kilometers from Quetta, in the province of Balochistan and two other projects relating to the construction, improvements and recarpeting of roads at the Engineers Cooperative Housing Society (ECHS project) and Westridge Residential Area (WRA project) in Rawalpindi, in the province of Punjab. The operations of other projects have been suspended since long.
- 1.4** As at reporting date, the Company has accumulated losses of Rs. 313.89 million (2019: Rs. 376.39 million) as against the issued, subscribed and paid up capital of Rs. 450 million (2019: Rs. 450 Million). The current liabilities of the Company exceeds its current assets by Rs. 328.17 million (2019: Rs. 353.88 million). The projects other than the lakhpass tunnel have been suspended since long. These events and conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, therefore, the Company may not be able to realize its assets and discharge its liabilities in normal course of business.

The mangement has formulated a plan to control cost without adversely affecting efficiency and is implementing the same, which has resulted in profits in the current and prior periods. The Parent has also undertaken to support the Company in operating and managing its projects and to provide financial assistance if needed by the Company. Considering these factors, the management is confident that the Company will be able

1.5 Impact of COVID-19 on the financial statements

The management has evaluated and concluded that there are no material implication of Covid-19 on the financial statements of the Company

2 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:

- International Financial Reporting Standards (IFRS Standards) issued by the Interantional Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.1 Basis of measurement

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

2.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupee which is the Company's functional and presentation currency.

2.3 Use of estimate and judgement

The preparation of financial statements in conformity with approved accounting standards requires the 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 and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values 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. Revision 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 revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Staff retirement benefits
- Provision for current and deferred taxation
- Residual values, rates of depreciation and useful lives of depreciable assets
- Useful life and amortization rate of intangible assets
- Provisions

3 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

IBEX CONSTRUCTION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.1 Standards, amendments to standards and interpretations becoming effective in current year

The following standards, amendments to standards and interpretations have been effective and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2019 and therefore, have been applied in preparing these financial statements.

i. IFRS 16 – Leases

The Company has adopted IFRS 16 from July 01, 2019. The standard replaces IAS 17 'Leases' and for lessees, eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The application of IFRS 16 has no impact on the Company's financial statements.

ii. Annual Improvements to IFRS Standards 2015–2017 Cycle

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs. These amendments are applicable for annual reporting periods beginning on or after January 01, 2019:

- **IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements**— The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 – Income Taxes** — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- **IAS 23 – Borrowing Costs** — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The application of these amendments has no impact on the Company's financial statements.

iii. IAS 19 – Employee Benefits

Amendments, applicable for annual reporting periods beginning on or after January 01, 2019, relate to plan amendment, curtailment or settlement detailed as below:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The application of these amendments has no impact on the Company's financial statements.

iv. IAS 28 – Investments in Associates and Joint Ventures

Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements), applicable for periods beginning on or after January 01, 2018, clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Further, amendments applicable for periods beginning on or after January 01, 2019 have been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate.

The application of these amendments has no impact on the Company's financial statements.

v. IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

IFRIC 23 is effective for annual reporting periods beginning on or after January 01, 2019.

The application of these amendments has no impact on the Company's financial statements.

IBEX CONSTRUCTION (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.2 Standards, amendments to standards and interpretations becoming effective in the current year but not relevant

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2019 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.

3.3 Standards, amendments to standards and interpretations becoming effective in future periods

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates. Application of these standards, amendments to standards and interpretations do not have any impact on the Company's financial statements.

i. IFRS 7 — Financial Instruments: Disclosures, IFRS 9 — Financial Instruments and IAS 39 — Financial Instruments: Recognition and Measurement

The amendments deal with 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as IASB's first reaction to the potential effects the IBOR reform on financial reporting. It deals with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements. The amendments are effective for annual periods beginning on or after 1 January 2020.

ii. IFRS 16 - Leases

The IASB has published 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)' amending the standard to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Concurrently, the IASB also published a proposed Taxonomy Update to reflect this amendment.

The amendments are applicable for annual periods beginning on or after 1 June 2020.

iii. Annual Improvements to IFRS Standards 2018–2020 Cycle

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to the following Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

- IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 Leases - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments are applicable for annual periods beginning on or after 1 January 2022.

iv. IAS 16 – Property, Plant and Equipment

The IASB has published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

The standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are applicable for annual periods beginning on or after 1 January 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

3.3 Standards, amendments to standards and interpretations becoming effective in future periods but not relevant

There are certain new standards, amendments to standards and interpretations that are effective from different future periods but are considered not to be relevant to the Company's operations, therefore, not disclosed in these financial statements.

3.4 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for purpose of applicability in Pakistan:

IFRS 1 - First-time adoption of International Financial Reporting Standards

IFRS 17 - Insurance Contracts

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4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except freehold land, which is stated at cost less impairment in value, if any.

Depreciation is charged to statement of profit or loss using reducing balance method at the rates specified in relevant note to the financial statements. Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged for the month in which an asset is disposed off. Assets residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each reporting date.

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred, while major renewals and improvements are capitalized. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

4.2 Concession intangible assets

Concession intangible assets correspond to the right of the concession holder to bill users of a public service in return for construction services provided by it to the concession grantor under public service contracts in accordance with IFRS 12 - Service Concession Arrangement.

This concession holder right is equal to the fair value of the construction of the concession infrastructure recognized during the construction period. It is amortized over the Concession Agreement term in accordance with an appropriate method reflecting the rate of consumption of the concession asset's economic benefits as from the date the infrastructure is brought in to service.

4.3 Intangible assets

These are stated at cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are amortized using reducing balance method at the rate specified in relevant note to the financial statement.

Amortization on additions during the year is charged from the month in which an asset is acquired or capitalized while no amortization is

All costs / expenditure connected with software implementation are collected in computer softwares under implementation. These are carried at cost less impairment in value, if any and are transferred to specific assets as and when assets are available for intended use.

4.4 Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized, as an expense in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a pre tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets for which the estimate of future cash flows have not been adjusted. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized previously. Reversal of an impairment loss is recognized immediately in the statement of profit or loss.

4.5 Financial Instruments

4.5.1 Financial assets

Initial measurement

The Company classifies its financial assets into following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus transaction costs that are directly attributable to its acquisition, except FVTPL which is measured at fair value.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as follows:

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the

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statement of profit or loss. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income and are never reclassified to the statement of profit or loss. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest markup or dividend income, are recognized in the statement of profit or loss.

Financial assets measured at amortized cost

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

Non-derivative financial assets

All non-derivative financial assets are initially recognized on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalents.

Derecognition

The Company derecognizes the financial assets when the contractual rights to the cash flows from the assets expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retain substantially all of the risks and rewards of ownership and does not retain control over the transferred assets.

4.5.2 Financial liabilities

Initial recognition

Financial liabilities are classified in the following categories:

- fair value through profit or loss; and
- other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in case of other financial liabilities also include directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost using the effective interest rate method. Gain and losses are recognized in statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

Derecognition

The Company derecognizes financial liabilities when and only when the Company's obligations are discharged, cancelled or expire.

4.5.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

4.5.4 Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and

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- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.6 Related party transactions

Transactions with related parties are carried out on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price methods which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer un-related to the seller.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts.

4.8 Loans, advances and other receivables

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

4.9 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 in the future for goods and services received, whether or not billed to the Company.

4.10 Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For this purpose, the Company:

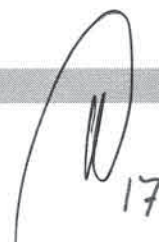
- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration, if any, and the time value of money;
- allocates the transaction price to the separate performance obligations, if applicable, on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer of control of the goods or services promised to the customer.

Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company generates its revenue principally by toll collection which generally include a single performance obligation. Revenue is recognized on the following basis:

- Toll collection income is recognized at a point in time on issuance of toll tickets and smart cards.
- Revenue from rendering of project services is recognised when the company satisfies the performance obligation over time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.
- Profit on bank deposits is recognized on time proportionate basis.

4.11 Taxation



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4.11.1 Current tax

Provision of current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits and tax rebates available under the law.

4.11.2 Deferred tax

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognized for all deductible temporary differences, carry forward tax losses and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited in the income statement, except in case of items credited or charged to equity in which case it is included in equity.

4.12 Staff retirement benefits

The Company operates a defined benefit plan - unfunded gratuity scheme covering all permanent employees. Provision is made annually to cover the period of service completed with reference to the latest month gross salary of employees.

4.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.14 Foreign currency transactions

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used. Gains and losses arising on retranslation are included in profit or loss for the period.

4.15 Provisions

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the extent of obligation. However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.



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5	PROPERTY, PLANT AND EQUIPMENT	Freehold land	Furniture and fixtures	Machinery and equipment	Computer equipment	Office equipment	Vehicles	Total
Rupees								
At July 01, 2018								
Cost	30,000,000	859,945	6,038,831	626,132	1,758,814	11,714,181	50,997,903	
Accumulated depreciation	-	(676,819)	(3,624,459)	(601,209)	(868,019)	(9,262,876)	(15,033,382)	
Net book value	30,000,000	183,126	2,414,372	24,923	890,795	2,451,305	35,964,521	
Year ended June 30, 2019								
Opening net book value		183,126	2,414,372	24,923	890,795	2,451,305	35,964,521	
Disposals								
Cost	-	-	-	-	-	(24,320)	(24,320)	
Accumulated depreciation	-	-	-	-	-	18,604	18,604	
Depreciation charge	-	(27,469)	(362,156)	(7,478)	(133,618)	(5,716)	(5,716)	
Closing net book value	-	155,657	2,052,216	17,445	757,177	2,078,751	35,061,246	
At June 30, 2019								
Cost	30,000,000	859,945	6,038,831	626,132	1,758,814	11,689,861	50,973,583	
Accumulated depreciation	-	(704,288)	(3,986,615)	(608,687)	(1,001,637)	(9,611,110)	(15,912,337)	
Net book value	30,000,000	155,657	2,052,216	17,445	757,177	2,078,751	35,061,246	
Year ended June 30, 2020								
Opening net book value	30,000,000	155,657	2,052,216	17,445	757,177	2,078,751	35,061,246	
Depreciation charge	-	(23,347)	(307,833)	(5,233)	(113,579)	(311,813)	(761,805)	
Closing net book value	30,000,000	132,310	1,744,383	12,212	643,598	1,766,938	34,299,441	
As at June 30, 2020								
Cost	30,000,000	859,945	6,038,831	626,132	1,758,814	11,689,861	50,973,583	
Accumulated depreciation	-	(727,635)	(4,294,448)	(613,920)	(1,115,216)	(9,922,923)	(16,674,142)	
Net book value	30,000,000	132,310	1,744,383	12,212	643,598	1,766,938	34,299,441	
Annual rate of depreciation	-	15%	15%	30%	15%	15%	/	

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NOTES TO THE FINANCIAL STATEMENTS
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6	CONCESSION INTANGIBLE ASSETS	Note	2020	2019
			Rupees	Rupees
	Cost		1,036,219,797	1,036,219,797
	Accumulated amortization		(503,461,559)	(455,556,494)
	Written down value		532,758,238	580,663,303
6.1	Reconciliation of written down value			
	Opening balance		580,663,303	628,568,370
	Amortization charge for the year		(47,905,065)	(47,905,067)
			532,758,238	580,663,303
6.2	These are amortized over the concession agreement term of 22 years.			
6.3	The company was incorrectly amortizing a portion of concession intangible assets over less than the term of the concession agreement. The error has been corrected retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and IAS 1 'Presentation of Financial Statements'. Impact of correction of error on prior periods is discussed below;			
			2019	2018
			Rupees	Rupees
	Impact on statement of financial position			
	Increase in concession intangible assets		312,267,285	279,515,879
	Increase in deferred tax liability		105,754,766	78,287,013
	Decrease in accumulated loss		206,512,519	201,228,866
	Impact on statement of profit or loss			
	Decrease in direct expenses		5,283,653	-
	Increase in deferred tax provision		22,086,397	-
	Decrease in profit for the year		16,802,744	-
7	INTANGIBLE ASSETS	Note	2020	2019
			Rupees	Rupees
	Software			
	Cost		80,000	80,000
	Accumulated amortization		(56,150)	(53,500)
	Written down value	7.1	23,850	26,500
7.1	Reconciliation of written down value			
	Opening balance		26,500	29,444
	Amortization charge for the year		(2,650)	(2,944)
			23,850	26,500
	Amortization rate		10%	10%
8	LONG TERM DEPOSITS	Note	2020	2019
			Rupees	Rupees
	Against utilities		386,200	386,200
	Call deposit	8.1	500,000	500,000
			886,200	886,200
8.1	This is paid to Military Engineering Services (MES) to enlist the Company with MES.			

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

9	AMOUNT DUE FROM CUSTOMER - NET	Note	2020 Rupees	2019 Rupees
	Unsecured - Considered doubtful			
	Un-billed contract cost	9.1	25,261,112	25,261,112
	Retention money receivable		14,449,997	14,449,997
	Advance from customer		(18,189,035)	(18,189,035)
			21,522,074	21,522,074
	Less: Provision for doubtful balances		(21,522,074)	(21,522,074)
			-	-
9.1	The Company entered into a contract with Engineering Cooperative Housing Society (the society) on June 20, 2008 for the construction of roads and development of sector M and commercial section of the Society. The society has refused to make the payment against the Interim Payment Certificates and suspended the contract due to various matters. A civil suit against the society has been filed for seeking an arbitration. However, the matter is still pending at court.			
10	ADVANCES AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
	Advances - Considered good			
	To contractors	10.1	11,034,918	9,037,404
	For expenses		-	1,096
	Income tax		26,701,828	8,663,248
			37,736,746	17,701,748
	Considered doubtful			
	To contractor		1,687,073	1,687,073
	Provision for doubtful balance		(1,687,073)	(1,687,073)
			-	-
			37,736,746	17,701,748
10.1	It includes an amount of Rs.11 million (2019: Rs. 8.9 million) due from the Parent. The maximum aggregate amount outstanding during the period / year was Rs.11 million (2019: Rs.13.2 million).			
11	CASH AND BANK BALANCES	Note	2020 Rupees	2019 Rupees
	Cash in hand		20,013	17,034
	Cash at bank			
	in current account		6,187,005	6,253,114
	in saving account	11.1	94,858,429	62,822,372
			101,045,434	69,075,486
			101,065,447	69,092,520
11.1	These are subject to effective profit rate ranging from 7.04% to 11.25% per annum (2019: 3.46 to 8.16% per annum).			
12	SHARE CAPITAL AND RESERVE	Note	2020 Rupees	2019 Rupees
12.1	Authorized share capital			
	45,000,000 ordinary shares of Rs.10/- each		450,000,000	450,000,000
12.2	Issued, subscribed and paid-up			
	45,000,000 ordinary shares of Rs.10/- each fully paid in cash	11.3	450,000,000	450,000,000
12.3	44,999,995 shares (2019 : 44,999,995) shares are held by the Parent M/S Frontier Works Organization.			

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13	DEFERRED TAX LIABILITY	Note	2020 Rupees	2019 Rupees
	Opening balance		100,373,409	78,287,013
	Recognized in statement of profit or loss		5,381,357	22,086,397
	Closing balance	13.1	105,754,766	100,373,409
			2020 Rupees	2019 Rupees
13.1	It compromises of the following;			
	Taxable temporary differences in respect of;			
	Accelerated tax depreciation		105,754,766	114,254,049
	Deductible temporary differences in respect of;			
	Staff retirement gratuity		-	(406,047)
	Unabsorbed depreciation and losses		-	(4,376,725)
	Minimum tax available for carry forward		-	(9,097,868)
			105,754,766	100,373,409
14	STAFF RETIREMENT GRATUITY		2020 Rupees	2019 Rupees
	Opening balance		832,998	1,377,817
	Provision recognized in statement of profit or loss		315,853	-
	Paid / adjusted during the year		(1,148,851)	(544,819)
	Closing balance		-	832,998
14.1	During the year, the Company has decided to cease the staff retirement gratuity and establish a recognised provident fund for all permanent employees of the Company.			
15	TRADE AND OTHER PAYABLES	Note	2020 Rupees	2019 Rupees
	Due to related parties	13.1	6,644,473	5,396,483
	Accrued liability		540,342	1,054,554
	Retention money payable		2,067,801	2,412,076
	Payable to provident fund		22,352	-
	Withholding tax payable		54,338	-
			9,329,306	8,863,113
15.1	These represent payable against expenses incurred on behalf of the Company			
16	INCOME FROM LAKPASS TUNNEL PROJECT	Note	2020 Rupees	2019 Rupees
	Income from operations - toll receipts		214,514,716	188,346,802
	Less: Direct expenses			
	Toll management fee	16.1	56,408,423	49,509,092
	Amortization	6.1	47,905,067	47,905,067
	Other toll collection expenses		13,805,426	2,024,821
			(118,118,916)	(99,438,980)
			96,395,800	88,907,822
16.1	This management fee is being paid to the payment as per Operation and Management Agreement (OMA) signed between the Company and the Parent.			

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

17 INCOME FROM ECHS PROJECT

	Recognized in prior years	Recognized during the year	Recognized to date
	-----Rupees-----		
Up to June 30, 2019			
Revenue	206,416,276	-	206,416,276
Cost	(189,912,321)	-	(189,912,321)
Net Income	16,503,955	-	16,503,955
Up to June 30, 2020			
Revenue	206,416,276	-	206,416,276
Cost	(189,912,321)	-	(189,912,321)
Net Income	16,503,955	-	16,503,955

18 OTHER INCOME

	2020	2019
	Rupees	Rupees
Profit on bank deposits	11,892,341	2,306,187
Rent of billboard	417,813	579,830
Others	993,695	246,714
	13,303,849	3,132,731

19 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2020	2019
		Rupees	Rupees
Staff salaries	19.1	3,950,088	736,365
Travelling and conveyance		27,000	146,100
Communication		6,406	-
Advertisement		11,040	-
Entertainment		42,000	40,000
Utilities		191,277	211,883
Vehicle running and maintenance		-	20,925
Printing and stationery		12,950	22,599
Insurance		-	12,773
Rent, rates and taxes		122,478	111,140
Audit fee		456,080	370,700
Depreciation	5	761,804	897,559
Amortization	7.1	2,650	2,944
Legal and professional		60,000	560,000
Repairs and maintenance		-	67,140
Fee and subscription		6,429	14,139
Miscellaneous		26,706	22,026
		5,676,908	3,236,293

19.1 It includes an amount of Rs.286,874/- (2019: Nil) relating to gratuity expense.

20 FINANCE COST

	2020	2019
	Rupees	Rupees
Mark-up on long term loan	12,749,745	13,901,795
Bank charges	12,986	5,577
	12,762,731	13,907,372

21 PROVISION FOR TAXATION

	2020	2019
	Rupees	Rupees
Current tax		
For the year	21,248,095	8,205,292
Prior year	2,133,043	1,216,887
Deferred tax	5,381,357	22,086,397
	28,762,495	31,508,576

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

21.1 Relationship between accounting profit and tax expense

Profit before provision for taxation	91,260,010	-
Tax on accounting profit at the applicable tax rate of 29%	26,465,403	-
Tax effect of :		
Expenses that are inadmissible in determining taxable profit	14,205,758	-
Expenses that are admissible in determining taxable profit	(10,325,198)	-
Minimum tax credits	(9,097,868)	-
Prior year tax expense	2,133,043	-
Deferred tax	5,381,357	-
	<u>28,762,495</u>	<u>-</u>

21.1.1 Relationship between accounting profit and tax expense for the prior year has not been presented as the income of the Company was subject to alternate corporate tax under section 113C of the Income Tax Ordinance, 2001.

22 NUMBER OF EMPLOYEES

Total number of employees at year end and average number of employees for the year were 4 (2019 : 4).

23 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of Holding Company, Associated Companies, Chief Executive Officer and Directors. Detail of transactions with related parties, which are not specifically disclosed in these financial statements, are as follows:

Name and relationship	Transactions	2020 Rupees	2019 Rupees
Frontier Works Organisation - (Parent by virtue of 99.99% shareholding)	Repayment of long term loan	90,000,000	90,000,000
	Markup charged on long term loan	12,749,745	13,901,795
	Toll maintenance charges	-	8,000,000
	Toll management fee	56,408,423	49,509,092
LAFCO (Private) Limited - (Associate Company being subsidiary of parent)	Share of common expenses paid.	787	-
	Transfer of gratuity	-	108,970

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through the mix of equity, debt and working capital management with a view to maintain an appropriate mix between various sources of finance to minimize risk. The overall risk management is carried out by the finance department under oversight of the Board of Directors in line with the policies approved by the Board.

24.1 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2020 Rupees	2019 Rupees
Financial assets at amortised cost :			
Long term deposits	8	886,200	886,200
Retention money		2,062,949	2,062,949
Amount due from customer	9	-	-
Accrued markup		-	33,790
Cash and bank balances	11	101,065,447	69,092,520
		<u>104,014,596</u>	<u>72,075,459</u>
Financial liabilities at amortised cost :			
Long term loan		-	90,000,000
Trade and other payables	15	9,329,306	8,863,113
Accrued mark-up on long term loan		436,392,508	423,642,763
		<u>445,721,814</u>	<u>522,505,876</u>

24.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose to a variety of financial risks (credit risk, liquidity risk and market risk). Risks measured and managed by the Company are explained below :

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24.2.1 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2020	2019
	Rupees	Rupees
Long term deposits	886,200	886,200
Retention money	2,062,949	2,062,949
Amount due from customer	-	-
Accrued markup	-	33,790
Bank balances	101,045,434	69,075,486
	<u>103,994,583</u>	<u>72,058,425</u>

Adequate provision has been made against doubtful balances. Due to Company's long standing relations with other counterparties and after giving due consideration to their financial standing, the management does not expect non performance by these counter parties on their obligations to the Company.

The credit risk exposure is limited in respect of bank balances as these are placed with local banks having good credit rating.

24.2.2 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities as at June 30, 2020 and 2019.

	2020		
	Carrying Amount	Contractual Cash Flows	Within One Year
	Rupees		
Trade and other payables	9,329,306	9,329,306	9,329,306
Accrued mark-up on long term loan	436,392,508	436,392,508	436,392,508
	<u>445,721,814</u>	<u>445,721,814</u>	<u>445,721,814</u>

	2019		
	Carrying Amount	Contractual Cash Flows	Within One Year
	Rupees		
Long term loan	90,000,000	90,000,000	90,000,000
Trade and other payables	8,863,113	8,863,113	8,863,113
Accrued mark-up on long term loan	423,642,763	423,642,763	423,642,763
	<u>522,505,876</u>	<u>522,505,876</u>	<u>522,505,876</u>

The contractual cash flows relating to mark up have been determined on the basis of mark-up rates applicable as at the year end on long term financing. The Company has liquid assets of Rs.103.13 million (2019: Rs. 71.19 million) as at the balance sheet date and financial support from Parent to manage the liquidity risk.

24.2.3 MARKET RISK

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to any significant interest rate risk. The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

Sensitivity to interest rate risk arises from mismatches of financial assets and financial liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit and loss account.

Currency risk

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

Equity price risk

Trading and investing in quoted equity securities give rise to equity price risk. The Company is not exposed to equity price risk.

24.2.4 FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

24.3 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may obtain / repay long term financing from / to the Parent.

The Company manages its capital by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount by issue of new shares. The Company also monitors capital using a gearing ratio, which is net debt less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt. The Company is significantly exposed to capital risk.

The Company is exposed to capital risk as it has accumulated losses of Rs. 313.89 million (2019: Rs. 376.39 million) and long term loan of Nil (2019: Rs. 90 million) as at the year end. To manage this risk, the management has formulated a plan to control cost without adversely affecting efficiency and is implementing the same, which has resulted in profits in the current and prior periods. The Parent has also undertaken to support the Company in operating and managing its projects and to provide financial assistance if needed by the Company.

25 DATE OF AUTHORIZATION FOR ISSUE

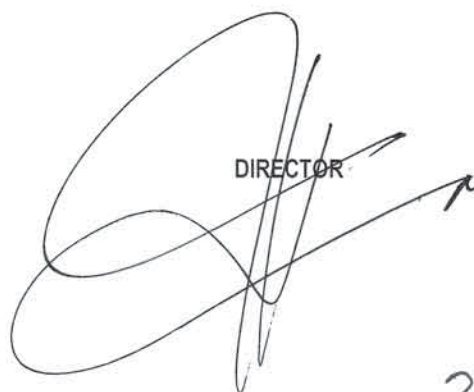
These financial statements have been authorized for issue by the Board of Directors of the Company on 10 2 OCT 2020.

26 GENERAL

Figures have been rounded off to the nearest Rupees.



CHIEF EXECUTIVE OFFICER



DIRECTOR