IBEX CONSTRUCTION (PRIVATE) LIMITED

INDEPENDENT AUDITORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

RSM Avais Hyder Liaquat Nauman
Chartered Accountants

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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, 2021 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, 2021 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. 246.01 million (2020: Rs. 313.89 million) as against the issued, subscribed and paid up capital of Rs. 450 million (2020: Rs. 450 million). The current liabilities of the Company exceed its current assets by Rs. 209.9 million (2020: Rs. 326.1 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 the Company's ability to continue as a going concern. Our opinion is not modified with respect to this matter.

Other Offices at:
Karachi : 92 (21) 3565 5975-6
Faisalabad : 92 (41) 854 1165/ 854 1965
Islamabad : 92 (51) 2340490 & 93
Peshawar : 92 (91) 5278310/ 5277205
Kabul : 93 (799) 058155

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.

RSM

- 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

RSM AVAIS HYDER LIAQUAT NAUMAN
CHARTERED ACCOUNTANTS
Place: Lahore
Date: 7 OCT 2021

IBEX CONSTRUCTION (PRIVATE) LIMITED

Director's Report with Annual Account as on 30th June 2021

On the behalf of Board of Directors, I am pleased to present the 16th Annual Report of IBEX Construction Private Limited along with the Audited Financial Statements and Auditor's Report thereon for the year ended June 30, 2021.

The ECONOMY

Pakistan's economy faced unprecedented challenges during fiscal year 2021.

- 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. 246,**011,339** as on June 30, 2021, 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.

* CEO Initial

* Dir

Operating Results of the Company

Operating results are as follows:-

Particulars	June 30, 2021 <Rupees>	June 30, 2020 <Rupees>
Gross Revenue	**295,583,737**	**227,818,565**
Operating Cost	196,674,859	118,118,916
Gross Profit / (Loss)	**98,908,878**	**109,699,649**
Administrative expenses	3,272,761	5,676,908
Finance Cost	9,824	12,762,731
Operating Profit / (Loss)	**95,626,293**	**91,260,010**

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.

* CEO Initial

* Dir

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.

Chief Executive Officer

Director

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	33,802,250	34,299,441
Concession intangible assets	6	485,657,338	532,758,238
Other Intangible assets	7	21,465	23,850
Long term deposits	8	886,200	886,200
		520,367,253	567,967,729
CURRENT ASSETS			
Amount due from customer - net	9	-	-
Advances and other receivables	10	46,275,595	39,799,695
Cash and bank balances	11	69,427,348	101,065,447
		115,702,943	140,865,142
		636,070,196	708,832,871
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorized share capital	12	450,000,000	450,000,000
Issued, subscribed and paid up capital	12	450,000,000	450,000,000
(Accumulated loss)		(246,011,339)	(313,891,804)
		203,988,661	136,108,196
NON CURRENT LIABILITIES			
Deferred tax liability	13	93,063,027	105,754,766
Provision for restoration of the Lukpass Tunnel	14	13,417,527	-
		106,480,554	105,754,766
CURRENT LIABILITIES			
Trade and other payables	15	12,319,536	9,329,306
Accrued mark-up	16	275,000,000	436,392,508
Provision for taxation - Income tax		38,281,445	21,248,095
		325,600,981	466,969,909
COMMITMENTS	17	-	-
		636,070,196	708,832,871

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

CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Income from Lakpass Tunnel Project	18	106,098,370	96,395,800
Other income	19	6,228,035	13,303,849
		112,326,405	109,699,649
Administrative and general expenses	20	3,272,761	5,676,908
Provision for restoration of the Lukpass Tunnel		13,417,527	-
Finance cost	21	9,824	12,762,731
		16,700,112	18,439,639
Profit for the year before taxation		95,626,293	91,260,010
Provision for taxation	22	27,745,828	28,762,495
Profit for the year		67,880,465	62,497,515

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
Profit for the year	67,880,465	62,497,515
Other comprehensive income	-	-
Total comprehensive income for the year	67,880,465	62,497,515

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

CHIEF EXECUTIVE OFFICER **CHIEF FINANCIAL OFFICER** **DIRECTOR**

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid up capital	Accumulated loss	Total
	Rupees	Rupees	Rupees
Balance as at July 01, 2019	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 for the year	-	-	-
	-	62,497,515	62,497,515
Balance as at June 30, 2020	450,000,000	(313,891,804)	136,108,196
Total comprehensive income for the year			
Profit for the year	-	67,880,465	67,880,465
Other comprehensive income for the year	-	-	-
	-	67,880,465	67,880,465
Balance as at June 30, 2021	450,000,000	(246,011,339)	203,988,661

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

IBEX CONSTRUCTION (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
a) Cash flows from operating activities		
Profit for the year before taxation	95,626,293	91,260,010
Adjustments for:		
Depreciation of property, plant and equipment	670,591	761,805
Amortization of:		
- Concession Intangible assets	47,100,900	47,905,065
- Other Intangible assets	2,385	2,650
Provision for staff retirement gratuity	-	315,853
Profit on bank deposits	(5,320,220)	(11,892,341)
Provision for restoration of the Lukpass Tunnel	13,417,527	-
Finance cost	9,824	12,749,745
	55,881,007	49,842,777
Operating cash flows before working capital changes	151,507,300	141,102,787
Working capital changes:		
(Increase) / decrease in current assets:		
Advances and other receivables	9,920,000	(1,996,418)
Increase in current liabilities:		
Trade and other payables	2,990,230	466,193
	12,910,230	(1,530,225)
Cash generated from operations	164,417,530	139,572,562
Income tax paid	(39,800,117)	(28,376,915)
Finance cost paid	(9,824)	-
Gratuity paid	-	(1,148,851)
Net cash generated from operating activities	124,607,589	110,046,796
b) Cash flows from investing activities		
Capital expenditure paid	(173,400)	-
Profit on bank deposits received	5,320,220	11,926,131
Net cash generated from investing activities	5,146,820	11,926,131
c) Cash flows from financing activities		
Repayment of long term loan	-	(90,000,000)
Repayment of mark up on long term loan	(161,392,508)	-
Net cash (used in) financing activities	(161,392,508)	(90,000,000)
Net (decrease) / increase in cash and cash equivalents during the year (a + b + c)	(31,638,099)	31,972,927
Cash and cash equivalents at the beginning of the year	101,065,447	69,092,520
Cash and cash equivalents at the end of the year	69,427,348	101,065,447

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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. Significant terms of the concession agreement to opearte and mange the Lukpass Tunnel are as under:

- The Company can levy, demand and collect tolls in accordance with the agreement.
- The Concession years may be extended by mutual written agreement.
- The Company shall make all suitable arrangements necessary for installations relating to operations and maintainence of the project.
- The Company shall keep proper books of records and accounts in accordance with generally accepted accounting principles and standard in Pakistan consistently applied.
- The Concession can be terminated on various grounds including default to lenders, failure to carry out periodic maintenance and structural overlays, liquidation of the Company, failure to keep proper books of account, charge of tolls in excess of agreement.
- If the Company defaults on its loans and is unable to rectify the same, then the Government may terminate the Concession and give possession of the Project to the lenders.
- At the end of the expiry year, the Company shall transfer to the Government, all immovable and moveable assets.
- Lenders rights & security will remain un-affected by the transfer to the Government.
- The Company shall design, engineer, finance, construct, equip, operate, miantain, and transfer the project in accordance with the agreement and all applicable laws of Pakistan.

1.4 As at reporting date, the Company has accumulated losses of Rs. 246.01 million (2020: Rs. 313.89 million) as against the issued, subscribed and paid up capital of Rs. 450 million (2020: Rs. 450 Million). The current liabilities of the Company exceeds its current assets by Rs. 209.9 million (2020: Rs. 326.1 million). The projects other than the lakpass 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 nqt be able to realize its assets and discharge its liabilities in normal course of business.

The Company is earning profits since last many years. 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 to continue as a going concern.

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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future periods.

* CEO Initial * CFO * Dir

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:

- 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 for restoration of Lukpass Tunnel.

3 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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, 2020 and therefore, have been applied in preparing these financial statements.

- **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 ammendments became applicable for annual periods beginning on or after 1 January 2020.
The application of these amendments has no impact on the Company's financial statements.

- **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 of 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 became effective for annual periods beginning on or after 1 January 2020.
The application of these amendments has no impact on the Company's financial statements.

3.2 Standards, amendments to standards and interpretations becoming effective in current period 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, 2020 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.

- **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

The ammendments are applicable for annual periods beginning on or after 1 January 2022. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

- **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 ammendments 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. Application of these amendments is not expected to have any significant impact on the Company's financial statements.

* CEO * CFO * Dir

- **IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**
  The IASB has issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements in the following ways:
  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

  The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. The management is in the process of assessing impact of these standards/amendmants on the financial statements of the company.

- **IFRS 9 - Financial Instruments; IAS 39 - Financial Instruments: Recognition and Measurement; IFRS 7: Financial Instruments,**
  The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2 with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods begining on after 1 january 2021, with earlier application permitted . The amendments are not expected to have any impact on the financial statements of the Company.

- **IAS 12 – Income Taxes**
  The IASB has published 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. Accordingly, the initial recognition exemption, provided in IAS 12.15(b) and IAS 12.24, does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.
  Application of these amendments is not expected to have any significant impact on the Company's financial statements.

3.4 Standards, amendments to standards and interpretations becoming effective in future period 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.

3.5 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

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 Intangible assets

4.2.1 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
The concession intangible asset is recognized at construction cost of the concession infrastructure less amortization and impairment , if any. 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.

* CEO initial   * CFO   * Dir

4.2.2 Other Intangible assets

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost, which comprises purchase price, non refundable purchase taxes and the directly attributable expenditures in relation to their implementation and customization. These are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangibles with finite useful lives are amortized over useful economic life at rates specified in Note 7 to these financial statement using reducing balance method and assessed for impairment whenever there is indication that the intangible asset may be impaired. In respect of additions and deletions of intangible assets during the period, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

4.3 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.

4.4 Financial Instruments

4.4.1 Financial assets

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 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.

X CEO Initial X CFO X Dir

4.4.2 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. Gains and losses are recognized in statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate of amortization process.

Derecognition

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

4.4.3 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.

4.4.4 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
- 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 year 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 year if the expected life of the instrument is less than 12 months). The maximum year considered when estimating ECLs is the maximum contractual year 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 of 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.

4.5 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.

4.6 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.

4.7 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.

x CFO Initial   x CFO   x Dir

4.8 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

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 year 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 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year 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 year in which they are incurred.

4.13 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 year.

4.14 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.

X CEO Initial X CFO X Dir

5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Furniture and fixtures	Machinery and equipment	Computer equipment	Office equipment	Vehicles	Total
	Rupees						
At July 01, 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
Year ended June 30, 2021							
Opening net book value	30,000,000	132,310	1,744,383	12,212	643,598	1,766,938	34,299,441
Additions	-	-	-	-	173,400	-	173,400
Depreciation charge	-	(19,846)	(261,658)	(3,664)	(120,383)	(265,040)	(670,591)
Closing net book value	30,000,000	112,464	1,482,725	8,548	696,615	1,501,898	33,802,250
As at June 30, 2021							
Cost	30,000,000	859,945	6,038,831	626,132	1,932,214	11,689,861	51,146,983
Accumulated depreciation	-	(747,481)	(4,556,106)	(617,584)	(1,235,599)	(10,187,963)	(17,344,733)
Net book value	30,000,000	112,464	1,482,725	8,548	696,615	1,501,898	33,802,250
Annual rate of depreciation	-	15%	15%	30%	15%	15%	

* CFO Initial

* CFO

* Dir

6	CONCESSION INTANGIBLE ASSETS	Note	2021	2020
			Rupees	Rupees
	Cost		1,036,219,797	1,036,219,797
	Accumulated amortization		(550,562,459)	(503,461,559)
	Written down value	6.1 & 6.2	485,657,338	532,758,238
6.1	Reconciliation of written down value			
	Opening balance		532,758,238	580,663,303
	Amortization charge for the year		(47,100,900)	(47,905,065)
			485,657,338	532,758,238

6.2 These are amortized over the concession agreement term of 22 years.

7	OTHER INTANGIBLE ASSETS	Note	2021	2020
			Rupees	Rupees
	Software			
	Cost		80,000	80,000
	Accumulated amortization		(58,535)	(56,150)
	Written down value	7.1	21,465	23,850
7.1	Reconciliation of written down value			
	Opening balance		23,850	26,500
	Amortization charge for the year		(2,385)	(2,650)
			21,465	23,850
	Amortization rate		10%	10%

8	LONG TERM DEPOSITS	Note	2021	2020
			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.

9	AMOUNT DUE FROM CUSTOMER - NET	Note	2021	2020
			Rupees	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 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	2021	2020
			Rupees	Rupees
	Considered good			
	To contractor - the parent	10.1	1,114,918	11,034,918
	Income tax		43,097,728	26,701,828
	Retention money		2,062,949	2,062,949
			46,275,595	39,799,695
	Considered doubtful			
	To contractor		1,687,073	1,687,073
	Provision for doubtful balance		(1,687,073)	(1,687,073)
			-	-
			46,275,595	39,799,695

10.1 The maximum aggregate amount outstanding during the year was Rs. 38.78 million (2020: Rs.11.03 million).

11	CASH AND BANK BALANCES	Note	2021	2020
			Rupees	Rupees
	Cash in hand		20,475	20,013
	Cash at bank			
	in current accounts		5,968,965	6,187,005
	in saving accounts	11.1	63,437,908	94,858,429
			69,406,873	101,045,434
			69,427,348	101,065,447

11.1 These are subject to effective profit rate ranging from 3.92% to 5.70% per annum (2020: 7.04 to 11.25% per annum).

* CEO Initial

* CFO

* Dir

12	SHARE CAPITAL AND RESERVE	Note	2021 Rupees	2020 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	12.3	450,000,000	450,000,000

12.3 44,999,996 (2020 : 44,999,996) shares are held by the Parent M/S Frontier Works Organization.

13	DEFERRED TAX LIABILITY	Note	2021 Rupees	2020 Rupees
	Opening balance		105,754,766	100,373,409
	Reverseal / provision for the year		(12,691,739)	5,381,357
	Closing balance	13.1	93,063,027	105,754,766

13.1 It comprises of taxable temporary differences of accelarated tax depreciation.

14	PROVISION FOR RESTORATION OF THE LUKPASS TUNNEL	Note	2021 Rupees	2020 Rupees
	Opening balance		-	-
	Provision for the year		13,417,527	-
	Closing balance	14.1	13,417,527	-

14.1 As per Concession Agreement, the next structural overlay is to be undertaken during the financial year 2028. The Company is recognizing provision in accordance with the requirements of IFRIC 12 - Service Concession Arrangements on the basis of estimated expected cost of the overlay.

15	TRADE AND OTHER PAYABLES	Note	2021 Rupees	2020 Rupees
	Due to related parites	15.1	7,349,463	6,644,473
	Accrued liability		331,200	540,342
	Retention money payable		4,547,625	2,067,801
	Payable to provident fund		91,248	22,352
	Witholding tax payable		-	54,338
			12,319,536	9,329,306

15.1 These represent payable against expenses incurred by related parties on behalf of the Company.

16	ACCRUED MARK-UP	Note	2021 Rupees	2020 Rupees
	Payable to parent			
	Accrued mark-up	16.1	275,000,000	436,392,508

16.1 It represents mark up on long term loan of Rs. 180 million which was obtained from the parent for construction of Lakpass Tunnel Project. The loan was subject to mark-up and has been fully paid off in prior year.

17 **COMMITMENTS**

Commitments under contract for repairs and maintenance services as at June 30, 2021 were Rs. 1.86 million (2020 : Nil)

18	INCOME FROM LAKPASS TUNNEL PROJECT	Note	2021 Rupees	2020 Rupees
	Income from operations - toll receipts		289,355,702	214,514,716
	Less: Direct expenses			
	Toll management fee	18.1	76,088,187	56,408,423
	Amortization of concession intangible assets	6.1	47,100,900	47,905,067
	Repairs and maintenance		57,599,943	11,698,819
	Other expenses		2,468,302	2,106,607
			(183,257,332)	(118,118,916)
			106,098,370	96,395,800

18.1 This management fee is being paid to the Parent as per Operation and Management Agreement (OMA) signed between the Company and the Parent.

19	OTHER INCOME	2021 Rupees	2020 Rupees
	Profit on bank deposits	5,320,220	11,892,341
	Rent of billboard	400,000	417,813
	Others	507,815	993,695
		6,228,035	13,303,849

* CEO Initial   * CFO   * Dcb

20	ADMINISTRATIVE AND GENERAL EXPENSES	Note	2021 Rupees	2020 Rupees
	Staff salaries	20.1	1,222,152	3,950,088
	Travelling and conveyance		10,720	27,000
	Utilities		228,491	191,277
	Printing and stationery		134,430	12,950
	Rent, rates and taxes		-	122,478
	Audit fee	20.2	699,300	456,080
	Depreciation	5	670,591	761,804
	Amortization	7.1	2,385	2,650
	Legal and professional		275,000	60,000
	Fee and subscription		9,692	6,429
	Miscellaneous		20,000	86,152
			3,272,761	5,676,908

20.1 It includes an amount of Nil (2020: Rs. 286,874/-) relating to gratuity expense.

20.2 **AUDIT FEE**

	2021	2020
Annual audit fee	308,700	280,720
Half year audit fee	154,350	175,360
Statement of compliance fee	236,250	-
	699,300	456,080

21	FINANCE COST	Note	2021 Rupees	2020 Rupees
	Mark-up on long term loan	16.1	-	12,749,745
	Bank charges		9,824	12,986
			9,824	12,762,731

22	PROVISION FOR TAXATION	2021 Rupees	2020 Rupees
	Current tax		
	For the year	38,281,445	21,248,095
	For prior year	2,156,122	2,133,043
	Deferred tax	(12,691,739)	5,381,357
		27,745,828	28,762,495

22.1 **Relationship between accounting profit and tax expense**

	2021	2020
Profit for the year before taxation	95,626,293	91,260,010
Tax on accounting profit at the applicable tax rate of 29%	27,731,625	26,465,403
Tax effect of :		
Expenses that are inadmissible in determining taxable profit	17,745,507	14,205,758
Expenses that are admissible in determining taxable profit	(5,049,365)	(10,325,198)
Minimum tax credits	(2,146,322)	(9,097,868)
Prior year tax expense	2,156,122	2,133,043
Deferred tax	(12,691,739)	5,381,357
	27,745,828	28,762,495

23 **NUMBER OF EMPLOYEES**

Total number of employees at year end and average number of employees for the year were 3 (2020: 4).

24 **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	2021 Rupees	2020 Rupees
Frontier Works Organisation - (Parent by virtue of 99.99% shareholding)	Repayment of long term loan	-	90,000,000
	Repayment of mark up	161,392,508	-
	Markup charged on long term loan	-	12,749,745
	Toll management fee	76,088,187	56,408,423
LAFCO (Private) Limited - (Associate Company being subsidiary of parent)	Share of common expenses paid.	-	7,841
	Amount paid on behalf of Associated Company	430,000	-
	Amount received back from Associated Company	430,000	-

* CEO Initial   * CFO   * Dir

25 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.

25.1 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2021 Rupees	2020 Rupees
Financial assets at amortised cost :			
Long term deposits	8	886,200	886,200
Retention money receivable		2,062,949	2,062,949
Cash and bank balances	11	69,427,348	101,065,447
		72,376,497	104,014,596
Financial liabilities at amortised cost :			
Trade and other payables	15	12,228,288	9,252,616
Accrued mark-up		275,000,000	436,392,508
		287,228,288	445,645,124

25.2 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 :

25.2.1 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 Company manages its credit risk through dealing with parties having good credit rating and financial stability. The maximum exposure to credit risk at the reporting date is as follows:

	2021 Rupees	2020 Rupees
Long term deposits	886,200	886,200
Retention money receivable	2,062,949	2,062,949
Bank balances	69,406,873	101,045,434
	72,356,022	103,994,583

Adequate provision has been made against doubtful balances. Due to Company's longstanding relations with 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. Based on the past experience and taking into consideration, the financial position, and previous record of recoveries, the Company believes that above balances do not require any impairment. The credit risk exposure is limited in respect of bank balances as bank balances are placed with local banks having good credit rating.

25.2.2 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, 2021 and 2020.

	2021		
	Carrying Amount	Contractual Cash Flows	Within One Year
	Rupees		
Trade and other payables	12,228,288	12,228,288	12,228,288
Accrued mark-up	275,000,000	275,000,000	275,000,000
	287,228,288	287,228,288	287,228,288

	2020		
	Carrying Amount	Contractual Cash Flows	Within One Year
	Rupees		
Trade and other payables	9,252,616	9,252,616	9,252,616
Accrued mark-up	436,392,508	436,392,508	436,392,508
	445,645,124	445,645,124	445,645,124

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.71.49 million (2020: Rs. 103.13 million) as at the reporting date and financial support from Parent to manage the liquidity risk.

* CEO Initial   * CFO   * Dir

25.2.3 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 year. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

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.

25.2.4 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.

25.3 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. 246.01 million (2020: Rs. 313.89 million) as at reporting date. The Company's plan to manage the capital risk is discussed in Note 1.4.

26 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 7 OCT 2021.

27 GENERAL

27.1 REARRANGEMENT

Following prior year figures have been rearranged for better presentation.

- Retention money of Rs 2.06 million was grouped in non current assets on the face of statement of financial position. This is now grouped under the head of advances and other receivables.
- Repairs and maintenance expenses of Rs. 11.70 million were included in 'other toll collection' expenses in direct expenses under the head of income from Lukpass Tunnel Project. This is disclosed as a seperate line item under the same head.

27.2 Figures have been rounded off to the nearest Rupees.

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CHIEF EXECUTIVE OFFICER

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CHIEF FINANCIAL OFFICER

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DIRECTOR