LAFCO (Private) Limited
Independent Auditors' Report and
Audited Annual 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 LAFCO (PRIVATE) LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of LAFCO (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 1.3 to the financial statements indicates that the Company has incurred loss in prior periods and, as on the reporting date, its equity is negative by Rs. 1,784.93 million (2020: Rs. 2,494.43 million). As per terms of the concession agreement the Company has to incur a major cost for restoration of the carriageway in 2024 and 2025. These events and conditions indicate the existence of material uncertainty which 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/ 527 7205
Kabul : 93 (799) 058 155

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Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

RSM

- 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 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: 07 OCT 2021

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LAFCO (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 19th Annual Report of LAFCO (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 2,984,924,544 as on June 30, 2021, but there is no appropriation made.

CEO Initial

Director Initial

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 46-lanes which are being controlled through ETTM system. Management has now installed Closed Circuit Cameras to observe the traffic.

Operating Results of the Company

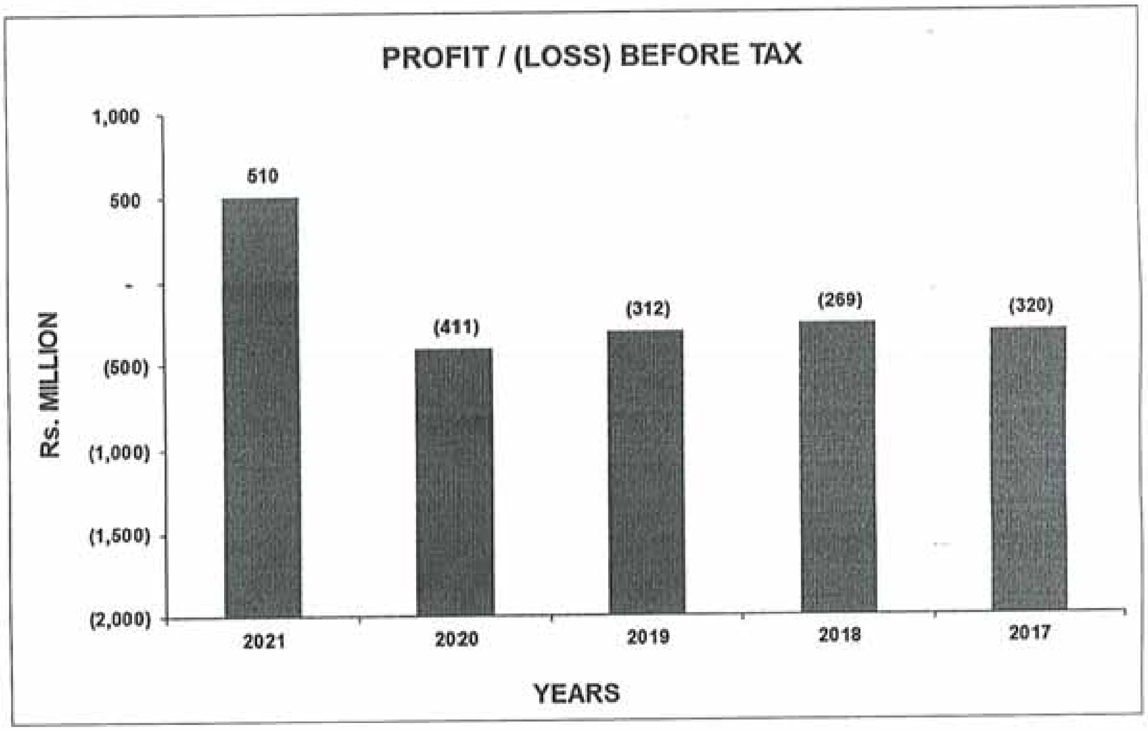
Operating results are as follows;

Particulars	**June 30, 2021** <Rupees>	**June 30, 2020** <Rupees>
Gross Revenue	**2,287,892,376**	**1,938,202,682**
Operating Cost	1,719,721,693	2,211,293,253
Gross Profit /(Loss)	**568,170,683**	**(273,090,571)**
Administrative expenses	45,449,807	46,087,043
Finance Cost	12,470,712	91,708,306
Operating Profit /(Loss)	**510,250,164**	**(410,885,920)**

CEO Initial

Director Initial

The following graph describes the five years summary of profit/ (Losses) before tax.



Human Resource Management

Human resource of the company is given the highest value. Accordingly, the company's focus remains on employee's 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

CEO Initial

Director Initial

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

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DIRECTOR

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

	Note	2021	2020
		Rupees	Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	32,046,860	34,909,065
Concession intangible assets	6	390,913,250	437,934,462
Other intangible asset	7	95,931	119,914
Right of use assets	8	41,498,765	47,222,733
Long term deposits	9	1,562,756	1,562,756
Deferred tax asset	10	500,000,000	-
		966,117,562	521,748,930
CURRENT ASSETS			
Loans and advances	11	346,263,232	670,412,067
Short term prepayments		1,700,335	1,222,975
Short term investment	12	335,000,000	335,000,000
Profit on short term investment		6,507,375	8,358,250
Income tax refunds due from Government		5,702,696	58,388,569
Cash and bank balances	13	1,733,464,403	744,846,063
		2,428,638,041	1,818,227,924
		3,394,755,603	2,339,976,854
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorized share capital	14	1,200,000,000	1,200,000,000
Issued, subscribed and paid up capital	14	1,200,000,000	1,200,000,000
Accumulated loss		(2,984,924,544)	(3,694,426,818)
		(1,784,924,544)	(2,494,426,818)
NON CURRENT LIABILITIES			
Lease liability	15	41,657,505	44,908,860
Provision for restoration of the carriageway	16	4,815,052,680	4,287,657,601
		4,856,710,185	4,332,566,461
CURRENT LIABILITIES			
Accrued and other liabilities	17	9,191,849	11,705,084
Current portion of long term financing		-	271,000,000
Current portion of lease liabilities	15	13,156,517	6,152,470
Provision for taxation - Income tax		300,621,596	212,979,657
		322,969,962	501,837,211
CONTINGENCIES	18	-	-
		3,394,755,603	2,339,976,854

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

CHIEF EXECUTIVE OFFICER   CHIEF FINANCIAL OFFICER   DIRECTOR

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

	Note	2021	2020
		Rupees	Rupees
Income from operations - Toll receipts		2,155,885,502	1,769,178,833
Other Income	19	132,006,874	169,023,849
		2,287,892,376	1,938,202,682
Operating expenses	20	1,192,326,614	957,355,652
Provision for restoration of the carriageway		527,395,079	1,253,937,600
Administrative and general expenses	21	45,449,807	46,087,044
Finance cost	22	12,470,712	91,708,306
		1,777,642,212	2,349,088,602
Profit / (Loss) for the year before taxation		510,250,164	(410,885,920)
Provision for taxation	23	(199,252,110)	155,691,436
Profit / (Loss) for the year		709,502,274	(566,577,356)

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

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

	2021	2020
	Rupees	Rupees
Profit / (Loss) for the year	709,502,274	(566,577,356)
Other comprehensive income for the year	-	-
Total comprehensive Income / (loss) for the year	709,502,274	(566,577,356)

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

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

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

	Issued, subscribed and paid up capital	Accumulated loss	Total
	-----------------------	Rupees	-----------------------
Balance as at July 01, 2019	1,200,000,000	(3,127,849,462)	(1,927,849,462)
Total comprehensive (loss) for the year			
(Loss) for the year	-	(566,577,356)	(566,577,356)
Other comprehensive income for the year	-	-	-
	-	(566,577,356)	(566,577,356)
Balance as at June 30, 2020	1,200,000,000	(3,694,426,818)	(2,494,426,818)
Total comprehensive Income for the year			
Profit for the year	-	709,502,274	709,502,274
Other comprehensive income for the year	-	-	-
	-	709,502,274	709,502,274
Balance as at June 30, 2021	1,200,000,000	(2,984,924,544)	(1,784,924,544)

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

* CHIEF EXECUTIVE OFFICER

* CHIEF FINANCIAL OFFICER

DIRECTOR

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

	2021	2020
	Rupees	Rupees
Cash flows from operating activities		
Profit / (Loss) for the year before taxation	510,250,164	(410,885,920)
Adjustments for non cash / non operating items:		
Depreciation	9,179,623	9,602,762
Amortization	47,045,195	47,051,190
Provision for restoration of the carriageway	527,395,079	1,253,937,600
Finance costs	12,470,712	91,708,306
Provision for gratuity	2,375,920	4,429,134
Profit on short term investment / deposit accounts	(102,441,650)	(113,625,094)
	496,024,879	1,293,103,898
Operating cash flows before working capital changes	1,006,275,043	882,217,978
Working capital changes:		
(Increase) / decrease in current assets:		
Loans and advances	499,403,046	26,286,456
Short term prepayments	(477,360)	350,593
Decrease in current liabilities:		
Accrued and other liabilities	(460,021)	(3,493,308)
	498,465,665	23,143,741
Net cash generated from operations	1,504,740,708	905,361,719
Income tax paid	(335,674,289)	(127,676,492)
Gratuity paid	(4,429,134)	(1,672,671)
Finance cost paid	(8,718,020)	(87,785,677)
Net cash generated from operating activities (A)	1,155,919,265	688,226,879
Cash flows from investing activities		
Capital expenditure paid	(593,450)	(923,626)
Profit received on bank deposits and short term investment	104,292,525	114,060,594
Net cash generated from investing activities (B)	103,699,075	113,136,968
Cash flows from financing activities		
Lease liabilities paid	-	(5,808,000)
Repayment of long term financing	(271,000,000)	(556,000,000)
Net cash (used in) financing activities (C)	(271,000,000)	(561,808,000)
Net increase in cash and cash equivalents during the year (A + B + C)	988,618,340	239,555,847
Cash and cash equivalents at the beginning of the year	744,846,063	505,290,216
Cash and cash equivalents at the end of the year	1,733,464,403	744,846,063

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

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

1 COMPANY AND ITS OPERATIONS

1.1 LAFCO (Private) Limited (the Company) was incorporated in Pakistan on 8th July, 2002 as a Private Limited Company under the repealed Companies Ordinance 1984. The registered Office of the Company is located at Old Toll Plaza Building, 11-KM Sheikhupura Road, Sharif Park, Kot Abdul Malik, Lahore in the province of Punjab. The Company is currently engaged in only one project comprising the construction and maintenance of Lahore, Sheikhupura and Faisalabad dual carriage way for the concession period of 25 years on Build Operate Transfer (BOT) basis under Concession Agreement with Government of Punjab (the Government) signed on September 30, 2003. The Company cannot engage itself into any activities other than those agreed upon in the concession agreement. Significant terms of the concession agreement are as under:

- The Company can levy tolls in accordance with the agreement.
- The Company shall maintain the road in excellent condition, in accordance with sound engineering practice, including periodic maintenance, heavy repairs, structural overlay, refurbishment and replacement of equipment.
- The Concession period may be extended by mutual written agreement.
- The Concession can be terminated on various grounds including default to lenders, failure to carry out periodic maintenance and structural overlays and 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 period, 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 must insure highway, toll plaza, signs, guard rails etc against loss from breakdown, damage or destruction from such risks as shall be prudent in accordance with industry practice.

1.2 The Company is a subsidiary of M/s Frontier Works Organization (FWO) ('the Parent').

1.3 The Company has incurred loss in prior periods and, as on the reporting date, its equity is negative by Rs. 1,784.93 million (2020: Rs. 2,494.43 million). As per terms of the concession agreement, the Company has to incur a major cost for restoration of the carriageway in 2024 and 2025 (Refer Note 16). These events and conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is not facing any financial or operational problem and is meeting all its liabilities on their due dates. The loss was incurred in prior years mainly due to the provision for restoration of the carriageway which is to be undertaken during the financial years 2024 and 2025. Profit for the year before provision for restoration comes to Rs. 1,236.9 million (2020: Rs. 687.36 million). The Company will be able to generate enough funds to meet its obligation of restoration of the carriageway and may also resort to the Parent in case of any shortage of funds, which shortage is highly unlikely though. 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 International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

CEO Initial   CFO   Director Initial

2.2 Functional and presentation currency

These financial statements have been presented in Pakistani Rupees 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, other than those specifically discussed in the accounting policies, are as

- Useful life and depreciation of property, plant and equipment.
- Useful life and amortization of intangibles.
- Leases
- Employees retirement benefits.
- Provision for taxation.
- Provision for restoration of carriageway.

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 amendments 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.

CEO CFO Director Initial

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.

- **IFRS 16 - Leases**

  The IASB has published 'Covid-19 - Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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

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

- **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;

CEO CFO Director Initial

- 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/amendments on the financial statements of the company.

- **IFRS 9 - Financial Instruments; IAS 39 - Financial Instruments: Recognition and Measurement; IFRS 7: Financial Instruments, Disclosures; IFRS 4: Insurance Contracts and IFRS 16: Leases**

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 beginning 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

4.1.1 Operating Fixed Assets

These are stated at cost less accumulated depreciation and accumulated impairement losses, if any, except for freehold land which is stated at cost less accumulated impairment losses, if any.

Depreciation is charged to profit and loss at rates specified in Note 5 to these financial statement using the reducing balance method.

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.

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4.1.2 Capital work in progress

Capital work-in-process represents expenditure on fixed assets in the course of construction. Transfers are made to relevant fixed assets category as and when assets are available for use. Capital work-in-process is stated at cost.

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 Arrangement.

The concession intangible asset is recognised 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 of completion of the concession infrastructure.

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 Leases

4.4.1 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee, lease term;
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

4.4.2 Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, if there is a significant event or significant change in circumstances.

4.4.3 Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay to a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

4.4.4 Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use asset is depreciated over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the Right-of-use asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use asset is subject to impairment or adjusted for any remeasurement of the related lease liability.

4.5 Financial Instruments

4.5.1 Measurement of financial asset

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:

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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.

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.

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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 realise 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
- 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 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.

4.5.5 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.

4.6 Cash and cash equivalents

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

4.7 Staff retirement benefits

Gratuity Scheme

The Company operates an approved defined contribution funded gratuity scheme for permanent employees. Under the scheme, based on the graduated scale, the contributions are calculated with reference to last drawn salary of the employees and are paid over to the Employees Gratuity Fund Trust.

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4.8 Provisions

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

4.9 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 providing toll collection and related services 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, AVI tags and smart cards.
- Profit on bank deposits is recognized on time proportionate basis.

4.10 Taxation

4.10.1 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.

4.10.2 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 and carry forward of 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.

4.11 Related party transaction

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. Transactions other than at arms length are approved by the Board on proper justification.Remuneration paid to a director and three exectives during the year was Rs. 11 million (2020: Rs. 9 million).They are also provided company maintained cars and mobile facility.

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5 PROPERTY AND EQUIPMENT	Freehold land	Building on freehold land	Site equipment	Electric equipment	Furniture and fittings	Office equipment	Vehicles	Total
	Rupees							
As at July 01, 2019								
Cost	5,554,702	5,709,780	4,847,012	21,837,801	4,909,181	22,664,671	55,144,393	120,667,540
Accumulated depreciation	-	(3,374,801)	(3,620,254)	(11,916,755)	(2,778,697)	(11,605,149)	(49,507,652)	(82,803,308)
Net book value	5,554,702	2,334,979	1,226,758	9,921,046	2,130,484	11,059,522	5,636,741	37,864,232
Year ended June 30, 2020								
Opening net book value	5,554,702	2,334,979	1,226,758	9,921,046	2,130,484	11,059,522	5,636,741	37,864,232
Additions	-	-	60,000	-	-	863,626	-	923,626
Depreciation charged	-	(233,498)	(165,599)	(992,105)	(213,048)	(1,147,195)	(1,127,348)	(3,878,793)
Closing net book value	5,554,702	2,101,481	1,121,159	8,928,941	1,917,436	10,775,953	4,509,393	34,909,065
As at June 30, 2020								
Cost	5,554,702	5,709,780	4,907,012	21,837,801	4,909,181	23,528,297	55,144,393	121,591,166
Accumulated depreciation	-	(3,608,299)	(3,785,853)	(12,908,860)	(2,991,745)	(12,752,344)	(50,635,000)	(86,682,101)
Net book value	5,554,702	2,101,481	1,121,159	8,928,941	1,917,436	10,775,953	4,509,393	34,909,065
Year ended June 30, 2021								
Opening net book value	5,554,702	2,101,481	1,121,159	8,928,941	1,917,436	10,775,953	4,509,393	34,909,065
Additions	-	-	-	76,441	-	517,009	-	593,450
Depreciation charged	-	(210,148)	(144,354)	(893,531)	(191,744)	(1,114,000)	(901,878)	(3,455,655)
Closing net book value	5,554,702	1,891,333	976,805	8,111,851	1,725,692	10,178,962	3,607,515	32,046,860
As at June 30, 2021								
Cost	5,554,702	5,709,780	4,907,012	21,914,242	4,909,181	24,045,306	55,144,393	122,184,616
Accumulated depreciation	-	(3,818,447)	(3,930,207)	(13,802,391)	(3,183,489)	(13,866,344)	(51,536,878)	(90,137,756)
Net book value	5,554,702	1,891,333	976,805	8,111,851	1,725,692	10,178,962	3,607,515	32,046,860
Annual rate of depreciation	-	10%	10% - 20%	10%	10%	10%	20%	

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		Note	2021 Rupees	2020 Rupees
6	**CONCESSION INTANGIBLE ASSETS**			
	Cost		1,009,526,805	1,009,526,805
	Accumulated amortization		(618,613,555)	(571,592,343)
	Written down value	6.1	390,913,250	437,934,462
6.1	Reconciliation of written down value			
	Opening balance		437,934,462	484,955,674
	Amortization charge for the year		(47,021,212)	(47,021,212)
			390,913,250	437,934,462

6.2 These are amortized over the concession agreement term of 21.5 years.

		Note	2021 Rupees	2020 Rupees
7	**OTHER INTANGIBLE ASSET**			
	Computer Software			
	Cost		915,000	915,000
	Accumulated amortization		(819,069)	(795,086)
		7.1	95,931	119,914
7.1	**Reconciliation of written down value**			
	Opening balance		119,914	149,892
	Amortization charged during the year		(23,983)	(29,978)
			95,931	119,914
	Amortization rate		20%	20%
8	**RIGHT OF USE ASSETS**			
	Land and building			
	Cost		52,946,701	52,946,701
	Accumulated depreciation		(11,447,936)	(5,723,968)
		8.1	41,498,765	47,222,733
8.1	Reconciliation of written down value			
	Opening balance		47,222,733	-
	Right of use assets recognized on initial application of IFRS 16		-	52,946,701
	Depreciation charged during the year		(5,723,968)	(5,723,968)
			41,498,765	47,222,733
	Lease term		9.25 years	9.25 years

8.2 These represent premises acquired for offices under lease agreement from the Parent. The right to terminate lease by serving a 3 month notice is available to the Company, however, the Company is reasonably certain not to exercise this right during the lease term.

		Note	2021 Rupees	2020 Rupees
9	**LONG TERM DEPOSITS**			
	Considered good			
	Against rented premises		820,000	820,000
	For petrol, oil and lubricants		200,000	200,000
	Against Utilities		542,756	542,756
			1,562,756	1,562,756

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		Note	2021 Rupees	2020 Rupees
10	**DEFERRED TAX ASSET**			
	Opening balance		-	-
	Recognized in statement of profit or loss		500,000,000	-
	Closing balance		500,000,000	-

As a matter of prudence, the management has recognized deferred tax asset of Rs. 500 million (2020: Nil due to uncertain future results) out of total deferred tax asset of Rs. 1,441 million (2020: Rs.1,288 million) on the basis of high probability of availability of future taxable profits against which deductible temporary differences will be utilized. Total deferred tax asset comprises of:

	2021 Rupees	2020 Rupees
Deductible temporary differences		
Provision for restoration of the carriageway	1,396,365,277	1,243,420,704
Lease liability	3,861,424	1,113,193
Operating fixed assets and intangibles	40,301,213	43,881,724
	1,440,527,914	1,288,415,621

		Note	2021 Rupees	2020 Rupees
11	**LOANS AND ADVANCES**			
	Considered good			
	Advances			
	To the parent - Frontier work organization	11.1	33,075,183	526,100,628
	For expenses		2,700,000	9,077,601
	Income tax		310,488,049	135,233,838
			346,263,232	670,412,067

11.1 The advance is adjustable against the toll management fee. Maximum aggregate outstanding balances at the end of any month during the year was Rs. 679,000,000/- (2020: Rs. 680,623,601/-).

		Note	2021	2020
12	**SHORT TERM INVESTMENT**			
	Term deposit - at amortized cost	12.1	335,000,000	335,000,000

12.1 This is held with a Bank carrying return at the average rate of 7.77% per annum (2020: 8.82% per annum) and is due to mature on April, 2022 (2020: April, 2021). Term deposit has been given as security against performance guarantee in favor of Secretary Communications & Works Department, Government of Punjab (Refer Note 18.1).

		Note	2021 Rupees	2020 Rupees
13	**CASH AND BANK BALANCES**			
	Cash in hand		627,002	611,068
	Cash at bank			
	in saving accounts	13.1	1,732,834,861	744,232,455
	in current account		2,540	2,540
			1,732,837,401	744,234,995
			1,733,464,403	744,846,063

13.1 Average rate of mark-up charged during the year was 5.25% per annum (2020: 10.71% per annum).

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		Note	2021	2020
			Rupees	Rupees
14	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**			
14.1	**Authorized share capital**			
	120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000
14.2	**Issued, subscribed and paid-up**			
	120,000,000 ordinary shares of Rs. 10/- each fully paid in cash		1,200,000,000	1,200,000,000
14.3	**Detail of share holdings is as follows:**		Number of shares	
	Frontier Works Organization - (the Parent)		77,999,996	77,999,996
	Khalid Rauf & Company (Private) Limited - (Associated company)		23,999,999	23,999,999
	Habib Rafiq (Private) Limited		11,999,999	11,999,999
	Sachal Engineering Works (Private) Limited		5,999,999	5,999,999
	Directors		7	7
			120,000,000	120,000,000
15	**LEASE LIABILITY**			
	Opening balance		51,061,330	-
	Lease liability recognized on initial application of IFRS 16		-	52,946,701
	Finance cost on lease liability		3,752,692	3,922,629
	Payment made during the year		-	(5,808,000)
	Closing balance	15.1	54,814,022	51,061,330
	Less: Current portion shown under current liabilities		(13,156,517)	(6,152,470)
			41,657,505	44,908,860

15.1 It represents land and building under lease (Refer Note 8.2). Lease liability has been recognized at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 7.83% per annum.

		Note	2021	2020
			Rupees	Rupees
16	**PROVISION FOR RESTORATION OF THE CARRIAGEWAY**			
	Opening balance		4,287,657,601	3,033,720,001
	Provision for the year	16.1	527,395,079	1,253,937,600
	Closing balance		4,815,052,680	4,287,657,601

16.1 As per the Concession Agreement, the next structural overlay is to be undertaken during the financial years 2024 and 2025. The Company is recognizing provision in accordance with the requirements of IFRIC 12 - Service Concession Arrangements based on the expected cost of the overlay.

The expected cost of the second overlay is re-assessed by an independent technical consultant during the year and the revised expected cost of the overlay in 2024 / 2025 is estimated at Rs. 6.7 billion in view of the current condition of the carriageway and the work required to be done in 2024 / 2025 to restore the same.

The change in estimate is recognized prospectively in accordance with the requirements of IAS 8 - 'Accounting Policies, Change in Accounting Estimates and Errors'.

As a result, provision for restoration of the carriageway for the year and negative equity as at the year end are decreased by Rs. 866.09 million and profit for the year is increased by Rs. 866.09 million. It will also result in an overall decrease in provision for restoration by Rs. 3,260.04 million in future years.

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		Note	2021 Rupees	2020 Rupees
17	**ACCRUED AND OTHER LIABILITIES**			
	Accrued liabilities		2,620,435	3,019,034
	Withholding income tax payable		2,759,356	2,855,669
	Retention money payable		716,312	716,312
	Payable to gratuity fund	17.1	2,375,920	4,429,134
	Other payable		719,826	684,935
			9,191,849	11,705,084
17.1	**Payable to gratuity fund**			
	Opening balance		4,429,134	1,672,671
	Add: provision for the year		2,375,920	4,429,134
	Less: payments made during the year		(4,429,134)	(1,672,671)
	Closing balance		2,375,920	4,429,134

18 CONTINGENCIES

18.1 Bank guarantee of Rs. 335 million (2020: Rs. 335 million) has been issued in favour of Communication & Works Department, Government of Punjab, for performance as per terms of the Concession Agreement.(Refer Note 1.1).

18.2 Demand of income tax of Rs. 80.354 million was raised by the tax department under section 122(4) read with section 122(5) of the Income Tax Ordinance, 2001. Tax demand of Rs. 24.36 million was reversed by the Deputy Commissioner and the matter related to tax demand of Rs. 55.994 million (2020: Rs. 55.994 million) under section 113C of the Income Tax Ordinance, 2001 was deferred for the reason that a petition by the Company, challenging the applicability of section 113C of the Income Tax Ordinance, 2001 on the Company, is pending before the Honourable High Court, Lahore. The Management is hopeful of favourable outcome.

18.3 Demand of Alternate Corporate Tax (ACT) under section 113(C) of the Income Tax Ordinance 2001, amounting to Rs. 68.52 million for the tax year 2014 has not been acknowledged in view of pending writ petition in the Honorable Lahore High Court. The Company is claiming that ACT is not applicable on it. The Company deposited a post dated cheque amounting to Rs. 55.70 million with the court.

18.4 Demand of Income Tax of Rs. 298.07 million in respect of tax year 2016 subsequently raised by the Tax Department under section 122 (1) of the Income Tax Ordinance 2001 not acknowledged in view of pending appeal. The demand was created by disallowing depreciation on carriage way and contain other expenses. The Company has subsequently filed appeal before Commissioner Inland Revenue (Appeals), Islamabad which is pending for fixation. Meanwhile, stay against recovery was granted by Appellate Tribunal till the final outcome of the Appeal. The management is hopeful of favourable outcome.

		Note	2021 Rupees	2020 Rupees
19	**OTHER INCOME**			
	Profit on short term investment		31,582,125	34,835,869
	Profit on deposit accounts		70,859,525	113,625,094
	Other income issuance of NOCs		29,565,224	20,562,886
			132,006,874	169,023,849

CEO CFO Director initial

		Note	2021	2020
			Rupees	Rupees
20	**OPERATING EXPENSES**			
	Toll management fee	20.1	894,692,174	734,049,104
	Maintenance and supervision		200,822,493	119,297,190
	Amortization of concession intangible assets	6	47,021,212	47,021,212
	Other toll collection expenses		15,654,659	26,711,425
	Afforestation		9,467,460	9,623,198
	Vigilance and cleaning		6,408,385	6,742,409
	Depreciation of right of use asset	8	5,723,968	5,723,968
	Cash Management Division (CMD) commission		2,500,828	2,072,725
	Insurance		1,610,755	663,565
	Other site expenses		8,424,680	5,450,856
			1,192,326,614	957,355,652

20.1 This represents Operation and Management (O&M) service charges, as per Operation and Management Agreement (OMA) signed between the Company and its parent, Frontier Works Organization.

		Note	2021	2020
			Rupees	Rupees
21	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries and allowances	21.1	20,726,012	29,772,394
	Legal and professional charges		2,898,500	1,615,000
	Depreciation of property and equipment	5	3,455,655	3,878,793
	Vehicle running and maintenance		3,537,172	2,623,391
	Insurance		3,236,401	1,465,334
	Utilities		2,163,949	1,125,808
	Entertainment		2,139,964	1,747,662
	Auditors' remuneration	21.2	1,135,500	699,803
	Printing and stationery		701,284	628,332
	Repairs and maintenance		1,416,284	359,978
	Communication		560,213	498,692
	Travelling and conveyance		586,735	783,400
	Advertisement		290,000	170,000
	Amortization of the intangible asset	7	23,983	29,978
	Fee and subscription		19,826	21,268
	Rent, rates and taxes		400,117	77,090
	Miscellaneous expenses		2,158,212	590,121
			45,449,807	46,087,044

21.1 This includes staff retirement benefits amounting to Rs. 2,375,920/- (2020: Rs.4,429,134/-).

		Note	2021	2020
			Rupees	Rupees
21.2	**Auditors' remuneration**			
	Audit fee		656,250	553,273
	Review of statement of compliance		341,250	-
	Certification fee		138,000	146,530
			1,135,500	699,803

CEO

CFO

Director Initial

		Note	2021 Rupees	2020 Rupees
22	**FINANCE COST**			
	Mark-up on long term financing		8,183,866	86,060,284
	Finance cost on lease liability		3,752,692	3,922,629
	Bank charges and commission		534,154	1,725,393
			12,470,712	91,708,306
23	**PROVISION FOR TAXATION**			
	Current tax			
	For the year		300,621,596	212,979,657
	For prior years		126,294	(57,288,221)
	Deferred tax	10	(500,000,000)	-
			(199,252,110)	155,691,436
23.1	**Relationship between accounting loss and tax expense**			
	Profit / (Loss) for the year before taxation		510,250,164	(410,885,920)
	Tax on accounting profit / (loss) at the applicable tax rate of 29%		147,972,548	(119,156,917)
	Tax effect of :			
	Expenses that are inadmissible in determining taxable profit		140,629,972	381,209,112
	Expenses that are admissible in determining taxable profit		12,019,076	(22,034,128)
	Prior year tax		126,294	(57,288,221)
	Unadjusted losses - brought forward		-	(1,804,655)
	Deferred tax		(500,000,000)	-
	Minimum tax credits		-	(25,233,755)
			(199,252,110)	155,691,436
24	**NUMBER OF EMPLOYEES**			
	Total number of employees at year end		39	50
	Average number of employees for the year		45	49

25 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of the Parent, Associated Companies, Chief Executive Officer and Directors. Contribution to the staff gratuity fund and payment made during the year is disclosed in Note 16.1. Detail of other transactions with related parties, which are not specifically disclosed elsewhere in these financial statements, are as follows:

Name and relationship	Nature of transactions	2021 Rupees	2020 Rupees
Frontier WorksOrganization (the Parent - 64.99% shareholding)	Toll receipts share paid/adjusted	894,692,174	734,049,104
	Payment made	428,041,206	709,002,634
	Payment of electricity share	26,374,477	6,855,287
Khalid Rauf & Co. (Pvt.) Ltd. (Associate - 19.99% shareholding)	Payment for road repair and maintenance	185,985,564	114,404,110
	Payment for retention money	-	742,134

CEO CFO Dir Initial

Name and relationship	Nature of transactions	2021 Rupees	2020 Rupees
IBEX Construction (Pvt.) Ltd. (Associated company by virtue of common Parent)	Repayment of liability	-	7,841
	Payment made on behalf of the Company	430,000	-
	Amount paid to associated company	430,000	-

26 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.

26.1 FINANCIAL INSTRUMENTS BY CATEGORY

	2021 Rupees	2020 Rupees
Financial assets at amortized cost :		
Long term deposits	1,562,756	1,562,756
Short term investment	335,000,000	335,000,000
Profit on short term investment	6,507,375	8,358,250
Cash and bank balances	1,733,464,403	744,846,063
	2,076,534,534	1,089,767,069
Financial liabilities at amortized cost :		
Long term financing	-	271,000,000
Lease liability	54,814,022	51,061,330
Provision for restoration of the carriageway	4,815,052,680	4,287,657,601
Accrued and other liabilities	4,056,573	4,420,281
	4,873,923,275	4,614,139,212

26.2 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

26.2.1 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss that would be recognized 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 standing. The maximum exposure to credit risk at the reporting date is as follows:

	Note	2021 Rupees	2020 Rupees
Long term deposits		1,562,756	1,562,756
Short term investment		335,000,000	335,000,000
Profit on short term investment		6,507,375	8,358,250
Cash at bank		1,732,837,401	744,234,995
		2,075,907,532	1,089,156,001

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 short term investment, profit on short term investment and bank balances as these are placed with / receivable from local banks having good credit rating.

CEO CFO Director Initial

26.2.2 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 statement of financial position liquidity ratios through working capital management. Following are the contractual maturities of financial liabilities.

	2021				
	Carrying amount	Contractual cash flows	Upto one year	One to five years	More than five years
	---Rupees---				
Financial Liabilities					
Lease liability	54,814,022	69,949,111	13,416,480	35,877,009	20,655,622
Provision for restoration of the carriageway	4,815,052,680	4,815,052,680	-	4,815,052,680	-
Accrued and other liabilities	4,056,573	4,056,573	4,056,573	-	-
	4,873,923,275	4,889,058,364	17,473,053	4,850,929,689	20,655,622

	2020				
	Carrying amount	Contractual cash flows	Upto one year	One to five years	More than five years
	--- Rupees ---				
Financial Liabilities					
Long term financing	271,000,000	271,000,000	271,000,000	-	-
Lease liability	51,061,330	51,061,330	6,152,470	32,670,150	12,238,710
Provision for restoration of the carriageway	4,287,657,601	4,287,657,601	-	4,287,657,601	-
Accrued and other liabilities	4,420,281	4,420,281	4,420,281	-	-
	4,614,139,212	4,614,139,212	281,572,751	4,320,327,751	12,238,710

The Company has liquid assets of Rs. 2,074.97 million (2020: Rs. 1,088.2 million) as at the reporting date and financial support from the Parent to manage the liquidity risk.

26.2.3 MARKET RISK

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.

Majority of interest rate risk arises from long term financing. 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.

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

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.

CEO CFO Director Initial

26.2.4 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.

26.3 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 financing from / to Frontier Works Organization (FWO).

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 statement of financial position plus net debt.

The Company is exposed to capital risk as it has negative equity of Rs. 1,785 million (2020: Rs. 2,494 million), as at the year end due to provision of Rs. 4,815 million (2020: Rs. 4,288 million) in respect of restoration of the carriage way which is to be undertaken during the financial year 2024 and 2025 as per terms of the concession agreement (Refer Note 16). The Company will manage the capital risk through external generation of funds and injection of funds as equity on loan from the Parent in the coming years, if needed.

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on 07 OCT 2021.

28 GENERAL

Figures have been rounded off to the nearest Rupee.

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