LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

YOUSUF ADIL

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INDEPENDENT AUDITOR'S REPORT

To the members of Lahore Sialkot Motorway Infrastructure Management (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Lahore Sialkot Motorway Infrastructure Management (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, 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 loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

In connection with the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- 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 auditor's 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 auditor's 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 auditor's report is Mr. Shahzad Ali.

Yousuf Adil

Chartered Accountants

Place: Islamabad
Date: December 16, 2021

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	2020
		---------- Rupees ----------	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	**30,364,162,654**	32,770,587,724
Capital work-in-progress	5	**3,978,692,536**	2,854,856,027
Deferred tax asset	6	**-**	-
		34,342,855,190	35,625,443,751
CURRENT ASSETS			
Mobilization advance	7	**1,555,288,000**	2,614,228,305
Advances and other receivables	8	**257,458,078**	235,857,514
Advance Tax	9	**18,685,298**	26,746,982
Cash and bank balances	10	**26,059,464**	180,802,558
		1,857,490,840	3,057,635,359
TOTAL ASSETS		**36,200,346,030**	38,683,079,110
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	12	**24,827,417,593**	22,765,778,119
Advance against shares to be issued	13	**-**	2,061,639,474
Accumulated losses		**(5,362,287,678)**	(2,050,597,598)
		19,465,129,915	22,776,819,995
NON-CURRENT LIABILITIES			
Subordinated loans	14	**6,694,755,703**	5,843,316,388
Long term loans	15	**8,127,657,812**	8,660,502,598
		14,822,413,515	14,503,818,986
CURRENT LIABILITIES			
Trade and other payables	16	**1,227,144,724**	621,329,825
Current portion of long term loans	15.1	**685,657,876**	154,276,949
Interest payable on loan		**-**	626,833,355
		1,912,802,600	1,402,440,129
TOTAL EQUITY AND LIABILITIES		**36,200,346,030**	38,683,079,110
CONTINGENCIES AND COMMITMENTS	17		

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

CHIEF EXECUTIVE OFFICER **DIRECTOR**

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		---------- Rupees ----------	
Revenue	18	**794,422,810**	137,738,960
Cost of sales	19	**(2,965,242,588)**	(1,341,283,120)
Gross loss		**(2,170,819,778)**	(1,203,544,160)
Administrative expenses	20	**(68,580,609)**	(43,023,417)
Finance cost	21	**(1,076,486,766)**	(804,456,269)
Other income	22	**14,127,359**	5,700,164
Loss before taxation		**(3,301,759,794)**	(2,045,323,682)
Taxation	23	**(9,930,285)**	(6,617,748)
Loss for the year		**(3,311,690,080)**	(2,051,941,430)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	--------------**Rupees**--------------	
Loss for the year	**(3,311,690,080)**	(2,051,941,430)
Other comprehensive income	-	-
Total comprehensive loss	**(3,311,690,080)**	(2,051,941,430)

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
		--------------Rupees--------------	
CASH FLOW FROM OPERATING ACTIVITES			
Loss before taxation		**(3,301,759,794)**	(2,045,323,682)
Adjustments for:			
Depreciation		**2,407,444,714**	1,083,577,999
Finance Cost		**1,055,117,504**	804,456,269
Interest income	24	**(14,127,359)**	(5,700,164)
		146,675,065	(162,989,578)
Changes in			
Advances and Other Receivables		**(21,600,564)**	(54,632,490)
Trade and other payables		**627,184,161**	(4,280,337,944)
		605,583,598	(4,334,970,434)
Finance cost paid		**(765,711,288)**	(177,622,914)
Income taxes paid		**(1,868,601)**	(727,311)
Net cash generated from operating activities		**(15,321,226)**	(4,676,310,237)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(1,019,644)**	(797,610)
Payment for capital work-in-progress		**(64,896,204)**	(2,218,722,382)
Interest Income recieved		**14,127,359**	5,700,164
Net cash used in investing activities		**(51,788,489)**	(2,213,819,828)
CASH FLOW FROM FINANCING ACTIVITIES			
Advance against shares to be issued		**-**	2,061,639,474
Payments against long-term loan		**(578,186,429)**	-
Receipts against long-term loan		**-**	4,633,763,105
Receipts against subordinated loan		**490,553,051**	329,896,510
Net cash inflow from financing activities		**(87,633,378)**	7,025,299,089
Net increase in cash and cash equivalents		**(154,743,093)**	135,169,024
Cash and cash equivalents at the beginning of the year		**180,802,558**	45,633,534
Cash and cash equivalents at the end of the year		**26,059,465**	180,802,558

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Note	Issued, subscribed and paid-up capital	Advance against shares to be issued	Accumulated Losses	Total
		----------------------------	Rupees	--------------------------------	
Balance as at July 1, 2019		22,765,778,119	-	1,343,832	22,767,121,951
Receipts during the year			2,061,639,474		2,061,639,474
Shares issued during the year		-	-	-	-
Total comprehensive loss for the year		-	-	(2,051,941,430)	(2,051,941,430)
Balance as at June 30, 2020		**22,765,778,119**	**2,061,639,474**	**(2,050,597,598)**	**22,776,819,995**
Shares issued during the year	**12.1**	**2,061,639,474**	**(2,061,639,474)**	-	-
Total comprehensive loss for the year		-	-	**(3,311,690,080)**	**(3,311,690,080)**
Balance as at June 30, 2021		**24,827,417,593**	**-**	**(5,362,287,678)**	**19,465,129,915**

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

1. LEGAL STATUS AND NATURE OF BUSINESS

Lahore Sialkot Motorway Infrastructure Management (Private) Limited (the Company) was incorporated as a private limited company on October 04, 2016 under the Companies Ordinance, 1984 (repealed with the Companies Act, 2017). The registered office of the Company is located at Headquarters Frontier Works Organization, 509, Kashmir Road, R.A Bazar, Rawalpindi. The Company is principally formed for the purpose of the construction, collecting toll and operation & maintenance of 89.2 Km long 4-lane controlled access Lahore Sialkot Motorway (the Project) for the Concession period of 25 years on Build Operate Transfer (BOT) basis, pursuant to a Concession Agreement dated February 28, 2017, entered into between the National Highway Authority (NHA) and the Company. After the expiry of Concession period, it will transfer the Concession Asset to NHA.

To execute the Project, Frontier Works Organization (FWO), NHA and the Company have entered into Shareholders Agreement dated February 28, 2017. Under the Shareholders Agreement, FWO and NHA have agreed to fund the contributing equity (class A shares) and subscribe to the equity (class B shares) of the Company from time to time. The rights of said classes of shares are given in Note 12 to the financial statements. The funding amounts and mechanism of its utilization has been agreed among FWO, NHA and the Company, separately, through Equity Funding and Utilization (EFU) Agreement dated February 28, 2017. Under the EFU Agreement, NHA and FWO have undertaken to contribute the equity amounting to Rs.18,000 million and Rs. 6,812 million respectively while NHA shall also provide subordinate financing of Rs. 5,000 million.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as otherwise stated in respective policies and notes given hereunder.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting and reporting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods.

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

(a) Estimated useful life of property and equipment

The Company reviews the useful lives and residual values of property and equipment on a regular basis. Any change in estimate in future years might affect the carrying amounts of the respective items of property and equipments with corresponding effect on depreciation charge and impairment.

(b) Impairment of property and equipment

The carrying amounts of the Company's property and equipment are reviewed at financial year end to determine whether there is any indication of impairment.

(c) Taxation

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

(d) Impairment of financial assets

When measuring expected credit loss (ECL), the Company uses reasonable and supportable forward looking information, which is based on assumption for the future movement of different economic drivers and how the drivers affect each other. The Company uses estimates for the computation of loss rate.

2.5 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

Certain annual improvements have also been made to a number of IFRSs.

2.6 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'fixed assets' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

	Effective from Accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements.

3.1 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except capital work in progress which is stated at cost less impairment loss, if any. When parts of an item of property and equipment have different useful lives, they are recognized as separate items of property and equipment.

Depreciation is charged applying the straight line method on monthly basis at the rates specified in note 4 to these financial statements, so as to write off the depreciable amount of the assets over their estimated useful lives after taking into account their residual values. Full month's depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Company and the cost of item can be measured reliably. All repair and maintenance costs that do not meet the recognition criteria are charged for the period in which they are incurred.

Assets' residual values, if significant and their useful lives are reviewed at each balance sheet date and adjusted prospectively, if appropriate.

property and equipment is derecognized when disposed or when no future economic benefits are expected from its use or disposal. Gain or loss on disposal of assets, if any, are recognized in profit and loss account.

3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. Cost includes construction costs incurred on Lahore Sialkot Motorway, and borrowing costs relating to funds specifically borrowed for the Project.

3.3 Application of waiver from requirement of IFRIC 12 "Service Concession Arrangement"

In accordance with S.R.O 24(1)/2012, dated 16 January, 2012, the Company has availed exemption, granted by Securities and Exchange Commission of Pakistan (SECP), from requirements of IFRIC 12 while preparing these financial statements.

IFRIC 12 applies to public-to-private service concession arrangements if the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

Under the Company's Concession Agreement, IFRIC 12 would have required the Company not to recognize any infrastructure as part of its fixed assets. The Company would have to account for its cost on construction and modernization of Lahore Sialkot Motorway, disclosed in note 25 to the financial statements, as expenses in statement of profit or loss by reference to the stage of completion. The Company would also have been required to recognize revenue for these services at its fair value, normally calculated on the basis of cost and generally applicable margin on similar services, against an intangible asset, representing a right to charge toll from users of Lahore Sialkot motorway. Borrowing attributable to arrangement would also have been capitalized as part of intangible asset.

The Company would also have to bifurcate its revenue from toll collection between consideration for construction of Lahore Sialkot Motorway and operation services for Lahore-Sialkot Motorway.

The Company, however, has applied the waiver granted by SECP and is carrying its incurred cost of construction of Lahore Sialkot Motorway (including the related borrowing cost) as concession assets and fixed assets.

3.4 Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue and the associated cost incurred or to be incurred can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable.

The Company recognizes revenue when related performance obligation is satisfied by the Company that is when 'control' of the goods underlying the particular performance obligation is transferred to customers

3.5 Cash and cash equivalents

Cash and cash equivalents are carried at amortized cost. For the purpose of Cash Flow Statement, cash and cash equivalents comprise cash in hand and balance with the banks in saving accounts.

3.6 Taxation

Current

Taxation charged in the financial statements is based on taxable income at the current rates of taxation after taking into account tax rebates and tax credits available, if any, the minimum tax computed on the basis of turnover or alternative corporate tax, whichever is higher.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the rates that are expected to apply to the period when the temporary differences are expected to reverse, based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. At each balance sheet date, the Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Company recognizes the previously unrecognized deferred tax asset to the extent that it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized.

3.7 Long term loans / borrowings

Borrowings are recognized initially at fair value net off transaction cost incurred and are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of profit or loss when the liabilities are de-recognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on borrowings, and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least twelve months after the reporting date.

3.8 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are charged to profit or loss. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs is suspended in the period during which active development is delayed due to, other than temporary interruption. All other mark-up, interest and related charges are charged to the profit and loss account.

3.9 Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of profit or loss.

3.9.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets:

(i) *Debt instruments designated at amortized cost*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) *Debt instrument designated at other comprehensive income*

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

• the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition

Amortized cost and effective interest rate method:

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income' line item in profit or loss.

(iv) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss.

Impairment of financial assets:

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade debts. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument,
e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties

(iv) Write-off policy:

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets:

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.9.2 Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

(i) *Financial liabilities at FVTPL*

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognized in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognized in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss.

(ii) *Financial liabilities measured subsequently at amortized cost*

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities:

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.10 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are set off in the statement of financial position, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.11 Provident fund

The Company's employees are entitled to a provident fund scheme which is operated by its parent company. Contributions to the fund are made monthly by the Company and the employees at the rate of 8% of the basic salary. The Company's contributions are recognised as employee benefit expense when they are due. Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

4 PROPERTY AND EQUIPMENT

	Building	Structures	Road Infrastructure	Vehicles	Office Equipment	IT Equipment	Total
	Rupees						
Year ended June 30, 2020							
Opening net book value	-	-	-	277,495	82,593	313,565	673,653
Additions	-	-	-	-	682,950	114,660	797,610
Transfer from capital work-in-progress	114,735,560	13,417,419,410	19,316,914,082	854,301,857	-	149,323,551	33,852,694,460
Depreciation charge	(1,738,418)	(203,294,233)	(804,871,420)	(57,008,956)	(107,526)	(16,557,446)	(1,083,577,999)
	112,997,142	13,214,125,177	18,512,042,662	797,570,396	658,017	133,194,330	32,770,587,724
At June 30, 2020							
Cost	114,735,560	13,417,419,410	19,316,914,082	854,654,605	799,579	149,976,073	33,854,499,309
Accumulated depreciation	(1,738,418)	(203,294,233)	(804,871,420)	(57,084,209)	(141,562)	(16,781,743)	(1,083,911,585)
	112,997,142	13,214,125,177	18,512,042,662	797,570,396	658,017	133,194,330	32,770,587,724
Year ended June 30, 2021							
Opening net book value	**112,997,142**	**13,214,125,177**	**18,512,042,662**	**797,570,396**	**658,017**	**133,194,330**	**32,770,587,724**
Additions	**-**	**-**	**-**	**-**	**864,144**	**155,500**	**1,019,644**
Transfer from capital work-in-progress	-	-	-	-	-	-	-
Depreciation charge	**(5,215,253)**	**(609,882,700)**	**(1,571,822,274)**	**(170,904,770)**	**(214,150)**	**(49,405,567)**	**(2,407,444,714)**
	107,781,889	**12,604,242,477**	**16,940,220,388**	**626,665,626**	**1,308,011**	**83,944,263**	**30,364,162,654**
At June 30, 2021							
Cost	**114,735,560**	**13,417,419,410**	**19,316,914,082**	**854,654,605**	**1,663,723**	**150,131,573**	**33,855,518,953**
Accumulated depreciation	**(6,953,671)**	**(813,176,933)**	**(2,376,693,694)**	**(227,988,979)**	**(355,712)**	**(66,187,310)**	**(3,491,356,299)**
	107,781,889	**12,604,242,477**	**16,940,220,388**	**626,665,626**	**1,308,011**	**83,944,263**	**30,364,162,654**
Annual rate of depreciation	**4.5%**	**4.5%**	**4.76% - 12.5%**	**20%**	**20%**	**33%**	

4.1 The depreciation charge has been allocated as follows:

	Note	2021	2020
		Rupees	
Cost of Sales	19	**2,407,057,370**	1,083,283,120
Administrative expenses	20	**387,344**	294,879
		2,407,444,714	1,083,577,999

		Note	2021	2020
			---------------- Rupees ------------	
5	**CAPITAL WORK-IN-PROGRESS**			
	Concession work-in-progress	5.1	**3,966,973,939**	2,849,764,515
	Consultancy charges		**11,718,597**	5,091,512
		5.2	**3,978,692,536**	2,854,856,027

		2021	2020
5.1	**Break up of concession work-in-progress**		
	Earth works	**87,181,544**	50,235,232
	Sub base and base course	**255,885,179**	137,364,276
	Surfaces and pavement works	**917,150,316**	693,789,713
	Structural works	**1,421,244,192**	970,841,314
	Road furniture and road safety	**458,869,297**	375,255,353
	Electrical works	**273,358,459**	211,030,000
	Operation, management facility	**241,086,974**	172,020,000
	Intelligent transport	**156,204,834**	107,160,000
	General and miscellaneous items	**155,993,144**	132,068,628
		3,966,973,939	2,849,764,515

		Concession work in progress	Consultancy charges	Total
5.2	**Movement in capital work in progress**			
		-------------------Rupees-------------------		
	As at June 30, 2020	**2,849,764,515**	**5,091,512**	**2,854,856,027**
	Additions during the year	**1,117,209,424**	**6,627,085**	**1,123,836,509**
	Transfers to property and equipment	-	-	-
	As at June 30, 2021	**3,966,973,939**	**11,718,597**	**3,978,692,536**

	Concession work in progress	Markup on loan	Consultancy charges	Total
As at July 01, 2019	25,815,889,593	814,346,292	144,505,376	26,774,741,261
Additions during the year	9,255,927,057	640,925,609	35,956,560	9,932,809,226
Transfers to property and equipment	(32,222,052,135)	(1,455,271,901)	(175,370,424)	(33,852,694,460)
As at June 30, 2020	2,849,764,515	-	5,091,512	2,854,856,027

		2021	2020
		---------------- Rupees ------------	
6	**DEFERRRED TAX ASSET/ (LIABILITY)**		
	The net balance of deferred tax asset is in respect of the following temporary differences:		
	- Accelerated depreciation	**(893,962,699)**	(696,278,313)
	- Pre-commencement expenditure	-	740,082
	- Tax losses	**893,962,699**	695,538,231
		-	-

In view of uncertainity of taxable profits in the foreseeable future against which the tax losses could be utilized, the Company has not recognized net deffered tax asset of Rs. 1,551 million (2020: Rs. 594 million)

	Note	2021	2020
		---------------- Rupees ------------	

6.1 Movement in deffered tax asset

	Note	2021	2020
Openning Balance		-	4,551,664
Charged to statement of profit or loss		-	(4,551,664)
		-	-

7 MOBILIZATION ADVANCE

	Note	2021	2020
Opening balance		**2,614,228,305**	8,242,052,854
Settlement during the year		**(1,058,940,305)**	(5,627,824,549)
	7.1	**1,555,288,000**	2,614,228,305

7.1 This represents 30% mobilization advance extended to Frontier Works Organization (FWO) under the "Engineering, Procurement and Construction" (EPC) contract between FWO and the Company for implementing the Project. It shall be amortized against interim payment certificates from FWO throughout the progress of the construction work. The total value of EPC contract is Rs. 41,087 million.

8 ADVANCES AND OTHER RECEIVABLES

	Note	2021	2020
		---------------- Rupees ------------	
Receivable from FWO		**26,074,555**	18,410,930
Receivable from NHA	8.1	**228,199,641**	217,076,584
Prepayments		**2,761,182**	-
Advance against goods		**142,500**	105,000
Building rent advance		**280,200**	265,000
		257,458,078	235,857,514

8.1 Its represents amount paid by the Company to independent auditors and independent engineer on behalf of NHA. As per the concession agreement, NHA bears 50% fees of independent auditors and independent engineer. The maximum amount due at the end of any month during the year was Rs. 228 million (2020: Rs. 217 million)

9 TAX REFUNDABLE FROM GOVERNMENT

	Note	2021	2020
		---------------- Rupees ------------	
Balance at the beginning of the year		**26,746,982**	28,085,758
Tax withheld during the year	9.1	**1,868,601**	727,308
Provision for taxation	23	**(9,930,285)**	(2,066,084)
Balance at the end the year		**18,685,298**	26,746,982

9.1 This represents tax deducted on bank profits.

10 CASH AND BANK BALANCES

	Note	2021	2020
Cash in hand		**137,553**	19,079
Cash at bank			
- Saving accounts	**10.1**	**25,921,911**	180,783,479
		26,059,464	180,802,558

10.1 These carries interest rates ranging from 3.89% to 5.60% (2020: 4% to 6%) per annum.

11 AUTHORIZED SHARE CAPITAL

	Note	2021	2020
		---------------- Rupees ------------	
Authorized share capital	12.1	**24,500,000,000**	24,500,000,000
		24,500,000,000	24,500,000,000

12 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2021	2020		2021	2020
----------------No of Shares-------------		Fully paid ordinary shares of Rs. 100 each - in cash	---------------Rupees-------------	
248,274,176	227,657,781		**24,827,417,593**	22,765,778,119

12.1 The movement in issued, subscribed and paid up capital is as follows:

	2021	2020	2021	2020
	No. of shares		------------Rupees-----------	
At July 1	227,657,781	227,657,781	22,765,778,119	22,765,778,119
Ordinary shares of Rs. 100 each paid in cash Issued during the year	20,616,395	-	2,061,639,474	-
At June 30	248,274,176	227,657,781	24,827,417,593	22,765,778,119

Class A 68,274,176 ordinary shares of Rs. 100 each fully paid in cash. These shares have been issued in favor of FWO (68,274,176 shares) and Directors of the Company (1 each to 5 directors).

Class B 180,000,000 ordinary shares of Rs. 100 each fully paid in cash. These shares have been issued in favor of NHA.

According to clause 3 of the Shareholder's Agreement, Class A shares are issued or to be issued to shareholders of the Company except NHA which according to clause 3 of Shareholder's Agreement is exclusively entitled for class B shares having following restrictions:

a) Class B shares shall not carry any voting rights .

b) Class B shareholder (NHA) shall not be responsible for non performance by the Company under any circumstances.

c) Base case IRR shall not be paid, accrued, and/or applied to class B shares.

d) Class B shareholder (NHA) shall only be issued such dividends in respect of Class B shares that the NHA is entitled to in terms of the Concession Agreement from income generated by the Concessionaire pursuant to exercise of its Development Rights in accordance with the Concession Agreement, always subject to the Applicable Laws.

13 ADVANCE AGAINST SHARES TO BE ISSUED

	Note	2021	2020
		-------------- Rupees -----------	
Balance at the beginning of the year		2,061,639,474	-
Shares issued during the year		(2,061,639,474)	-
Receipts during the year		-	2,061,639,474
Balance at the end of the year		-	2,061,639,474

14 SUBORDINATED LOANS

	Note	2021	2020
Opening Balance	14.1	5,843,316,388	5,513,419,878
Additions during the year:		-	-
- From FWO	14.2	490,553,051	-
- From NHA		-	-
Interest Accured on loan	14.3	360,886,264	329,896,510
Closing Balance		6,694,755,703	5,843,316,388

14.1 It represents subordinated loan received from NHA at effective interest rate of 5.90% per annum. As per the terms of agreement, grace period of 10 years is allowed for repayment of principal and interest from draw down date. Bi-annual repayments will start from year 12 from the effective date (i.e February 28, 2017) and the loan will be discharged in 25 years.

14.2 During the year, Rs 490.533 million was received from FWO as subordinate loan at 6-Months KIBOR prevaling on the day before disbursment +.74% . The subordinated loan is repayable from funds available after meeting senior lenders repayment

14.3 It represents Rs. 349.63 million (2020: 329.89 million) due to NHA and Rs. 11.28 million (2020: Nill) due to FWO.

15 LONG TERM LOANS

	Note	2021	2020
		-------------- Rupees -----------	
Conventional	15.3	4,773,879,331	4,755,932,500
Musharaka	15.4	4,039,436,356	4,058,847,048
		8,813,315,688	8,814,779,548
Less: Current portion	15.1	(685,657,876)	(154,276,949)
	15.2	8,127,657,812	8,660,502,599

		2021	2020
		Rupees	
15.1	**Current portion**		
	Conventional	371,398,016	83,566,680
	Musharaka	314,259,860	70,710,269
		685,657,876	154,276,949
15.2	**Non Current Portion**		
	Conventional	4,388,935,214	4,672,365,819
	Musharaka	3,738,722,598	3,988,136,779
		8,127,657,812	8,660,502,599

15.3 It represents loan obtained from Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited and Bank of Khyber having Interest at the base rate (KIBOR) plus 0.74% payable semi annually. Grace period for the loan is two years and principal repayment will be made after that in 16 semi annual installments.

15.4 It represents islamic loan obtained from Bank Alfalah Limited, Habib Metropolitan Bank Limited and Bank of Khyber having interest at the base rate (KIBOR) plus 0.74% payable semi annually. Grace period for the loan is two years and principal repayment will be made after that in 16 semi annual installments.

15.5 Long term loans are secured against equity shares issued to FWO.

16	TRADE AND OTHER PAYABLES	Note	2021	2020
			Rupees	
	Payable to FWO against IPCs		-	142,614,997
	Payable to FWO against project cost		799,185,000	258,000,000
	Other payables to FWO		42,967,114	33,559,981
	EOBI payable		11,050	11,050
	Retention money payable	16.1	374,637,509	154,919,551
	Audit fee payable		421,080	751,080
	Other payables	16.2	9,922,971	31,473,166
			1,227,144,724	621,329,825

16.1	RETENTION MONEY PAYABLE	2021	2020
		Rupees	
	Openning balance	154,919,551	-
	Amount deducted during the year	198,348,697	328,169,923
	Amount released during the year	-	(230,812,841)
	Interest accured during the year	21,369,261	57,562,469
	Closing balance	374,637,509	154,919,551

16.2 This include payable to independent engineer and other payables

17 CONTINGENCIES AND COMMITMENTS

17.1 There are no contigenciens as at year ended june 30, 2021 (2020: Nill)

17.2 The Company has commitment against remaining amount of Rs. 3,641 million (2020: 3,498 million) related to construction contract with FWO.

18	REVENUE	Note	2021	2020
			Rupees	
	Toll revenue- KSK		334,793,995	61,943,210
	Toll revenue-Muridke		65,929,650	12,796,590
	Toll revenue-Narowal		10,250,960	2,223,140
	Toll revenue- Gujranwala		28,838,440	6,434,550
	Toll revenue- Passrur		88,617,850	8,764,210
	Toll revenue- Daska		106,427,270	22,613,420
	Toll revenue- Sambrial		159,564,645	22,963,840
	Total Revenue		794,422,810	137,738,960
19	**COST OF SALES**			
	Project cost	19.1	541,185,000	258,000,000
	Insurance related to project operation phase		17,000,218	-
	Depreciation	4.1	2,407,057,370	1,083,283,120
			2,965,242,588	1,341,283,120

19.1 Project cost

This includes Operating , main carriageway and service lane routine maintenece cost of the Lahore-Sialkot Motorway. The Company has an Operations, management and maintenance agreement with FWO under which FWO provides such facilities for the motorway.

20 ADIMINISTRATIVE EXPENSES

	Note	2021	2020
		Rupees	
Salaries and benefits	20.1	14,388,185	10,874,376
Plantation cost		12,480,000	-
Depreciation	4.1	387,344	294,879
Auditor's remuneration	20.2	512,160	421,080
Bank charges		20,235	8,397
Vehicle rentals		1,980,000	1,699,100
Rentals		1,963,387	1,391,250
Communication		164,711	106,760
Repair and maintenance		1,034,354	667,709
Legal and professional charges		31,073,875	24,918,765
Office supplies		900,835	422,180
Office refreshment		504,037	189,859
Vehicle running		1,663,627	1,200,603
Travelling & conveyance		744,174	513,501
Miscellaneous	20.3	763,685	314,958
		68,580,609	43,023,417

20.1 This includes provident fund expense amounting to Rs. 396,892 (2020: 318,800).

20.2 Auditor's remuneration

	2021	2020
Statutory audit fee	473,880	382,800
Out of pocket expenses	38,280	38,280
	512,160	421,080

20.3 This includes utilities, advertisement expenses and software charges

21 FINANCE COST

	2021	2020
Commitment charges	-	1,601,365
Financing fees	3,955,000	-
Interest Expense on loan	1,051,162,504	795,870,951
Interest expense on retention money	21,369,262	6,983,953
	1,076,486,766	804,456,269

22 OTHER INCOME

This represents interest on saving bank accounts of the Company.

23 TAXATION

	2021	2020
Current	9,930,285	2,066,084
Deferred	-	4,551,664
	9,930,285	6,617,748

Current tax

	2021	2020
For the year	9,930,285	2,066,084
	9,930,285	2,066,084

Relationship between tax expense and accounting profit

	2021	2020
Profit before taxation	(3,301,759,794)	(2,045,323,682)
Tax rate	29%	29%
Tax as per accounting income	-	-
Minimum tax on turnover	9,930,285	2,066,084
	9,930,285	2,066,084

24 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

FWO holds 100% Class A shares of the Company. Therefore FWO including its subsidiaries and associates are the related parties of the Company. Other related parties include directors, key management personnel, entities over which directors are able to exercise significant influence and NHA being the significant Class B shareholder. Balances payable/ receivable from related parties at the end of year have been disclosed in their respective notes. Transactions with related parties are shown below:

	2021	2020
	---------------- Rupees	------------
Transactions with Frontier Works Organisation (FWO)		
Payment to FWO against IPCs of EPC Contract	**64,896,204**	4,793,534,445
Settlement with mobilization advance against CWIP additions	**1,058,940,305**	5,627,824,549
Interest charged on retention money payable to FWO	**21,369,261**	6,983,953
Retention money deducted during the year	**198,348,697**	328,169,923
Retention money released during the year	-	(230,812,841)
Payment on account of Provident fund	-	318,800
Subordinate loan received	**490,553,051**	-
Interest charged on Subordinate loan	**11,280,608**	-
Received for Advance against shares to be issued	-	2,061,639,474
Shares issued during the year	**2,061,639,474**	-
Transactions with NHA:		
Interest charged on Subordinate loan	**19,740,000**	19,740,000
Charged on account of consultancy charges	**11,123,057**	35,959,560
Transactions with Associates:		
Transactions with EMASCO (Pvt) Limited		
Rental paid for vehicles	**1,980,000**	1,413,000

24.1 EMASCO (Private) limited is subsidiary of FWO.

25 EXEMPTION FROM APPLICABILITY OF IFRIC 12 "SERVICE CONCESSION ARRANGEMENTS"

The SECP vide its SRO No. 24 (1) / 2012 dated January 16, 2012 has granted waiver in respect of application of IFRIC 12 to all Companies. However, the SECP made it mandatory to disclose the impact on the results of application of IFRIC-12. The Company has not applied IFRIC 12 "Service Concession Agreements" in preparation of these financial statements.

If the Company were to follow IFRIC-12, the effect on the financial statements would be as follows:

	2021	2020
	---------------- Rupees	----------------
Impact on Statement of Financial Position		
Derecognition of Property and Equipment – carrying amount	**(29,735,865,942)**	(31,972,062,941)
Derecognition of Capital work-in-progress – carrying amount	**(3,978,692,536)**	(2,854,856,027)
Recognition of intangible assets (Concession Right) – carrying amount	**34,977,182,557**	35,353,272,984
	1,262,624,079	526,354,016
Decrease in accumulated losses	**1,262,624,079**	526,354,016
Impact on Statement of Profit or Loss		
Derecognition of depreciation expenses charged on fixed assets	**2,236,196,999**	1,026,329,662
Recognition of amortisation expense charged on intangible assets	**(1,499,926,936)**	(499,975,645)
Decrease in loss for the year	**736,270,063**	526,354,016

26 NUMBER OF EMPLOYEES

The number of total employees at the end of the year were 14 (2020: 14) whereas the average number of employees during the year were 14 (2020: 14)

27 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

No honorarium or remuneration has been paid to directors during the year, whereas, the chief executive officer is being paid by parent company (FWO).

	Directors		Executives	
	2021	2020	2021	2020
	------------------	------Rupees	------	------------------
Managerial remuneration	-	-	**2,888,000**	2,772,167
Number of persons	**4**	4	**1**	1

28 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

28.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits, trade debts, other receivables, short term loans and advances and bank balances. The Company's credit risk exposures are categorized under the following headings:

28.1.1 Counterparties

The Company conducts transactions with the following major types of counterparties:

Banks

The Company limits its exposure to credit risk by maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

		------Rating-----	
	Rating Agency	**Short term**	**Long term**
Bank			
Bank Alfalah Limited	PACRA	**A1+**	**AA+**

The Company's credit risk exposures are categorized under the following headings:

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
	---------------- **Rupees**	----------------
Advances and other receivables	**254,274,196**	235,487,514
Bank balances	**25,921,911**	180,783,479
	280,196,107	416,640,993

28.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates.

	Carrying Amount	Contractual cash flows Within 1 year	1 to 5 years	More than 5 years
	------------------------------------ (Pak Rupees) ------------------------------------			
June 30, 2021				
Long Term Loan - Conventional	**4,773,879,331**	**371,398,015**	**2,575,952,448**	**1,826,528,868**
Long Term Loan - Musharka	**4,039,436,356**	**314,259,859**	**2,179,652,071**	**1,545,524,426**
Subordinated loans	**6,694,755,703**	-	-	**6,694,755,703**
Trade and other payables	**1,227,144,724**	**1,227,144,724**	-	-
	16,735,216,114	**1,912,802,598**	**4,755,604,519**	**10,066,808,997**

	Carrying Amount	Contractual cash flows Within 1 year	1 to 5 years	More than 5 years
June 30, 2020	------------------------------------ (Pak Rupees) ------------------------------------			
Long Term Loan - Conventional	4,755,932,500	298,452,429	2,650,257,572	1,807,222,499
Long Term Loan - Musharka	4,058,847,048	252,536,670	2,242,525,638	1,563,784,740
Subordinated loans	5,843,316,388	-	-	5,843,316,388
Trade and other payables	621,318,775	621,318,775	-	-
Interest payable on loan	626,833,355	626,833,355	-	-
	15,906,248,066	1,799,141,229	4,892,783,210	9,214,323,627

28.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on the risk. The Company is not exposed to currency risk, whereas, it is exposed to interest rate risk as explained below.

28.3.1 Interest rate risk

The markup rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market markup rates. Sensitivity to markup rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

At the reporting date, the Company's variable rate instruments were:

	Note	2021	2020
		----------- Rupees -----------	
Financial liabilities			
Long Term Loan - Conventional		**4,759,190,471**	4,672,365,819
Long Term Loan - Musharka		**4,054,125,216**	3,988,136,779
Subordinated loans		**490,553,051**	-
Retention Money		**374,637,509**	154,919,551
		9,678,506,248	8,815,422,149

The interest rates for the financial assets and financial liabilities are mentioned in respective notes to the financial statements.

28.3.2 Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company's income of the value of its holding of financial instruments. There is no foreign currency risk as the Company has no foreign currency transaction nor any foreign currency bank account.

28.4 Fair value of financial instruments

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

Financial instruments measured at fair value using a valuation technique

The various fair value levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers made among various levels of fair value hierarchy during the year.

28.5 Capital 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 a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year.

29 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

The Company is observing developments related to Covid-19 - Corona Virus and evaluating the extent to which this may affect Company's operations in the short and long term. With high level of uncertainty surrounding the situation and potential additional initiatives by authorities, it is very difficult to predict the full financial impact that said situation may have on the Company. However, the management believes that Company will be able to address the challenges posed by Covid-19 through proactive cost control measures and shareholders support, where required. Based on this, management concludes that going concern assumption of the Company is appropriate.

30 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on November 26, 2021 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER	DIRECTOR