

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HABIBABAD OPERATION AND MANAGEMENT
ENGINEERING COMPANY (PRIVATE) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (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, statement of comprehensive income, 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, other comprehensive loss, 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 (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.

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

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

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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 the Companies Act, 2017 (XIX of 2017) and for such internal control as the 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, the 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 the 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.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 Amin Ali.

Lahore
Dated: 02 OCT 2021


CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants
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HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non Current Assets			
Property and equipment	4	256,339,628	347,990,184
Intangible assets	5	33,643,620	44,750,920
		289,983,248	392,741,104
Current Assets			
Advances, prepayments and other receivables	6	20,410,358	91,502,319
Cash and bank balances	7	979,505,968	646,248,190
		999,916,326	737,750,509
		<u>1,289,899,574</u>	<u>1,130,491,613</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 2,500,000 (2020: 2,500,000) ordinary shares of Rs. 100 each		<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up capital: 1,751,000 (2020: 1,751,000) ordinary shares of Rs. 100 each fully paid in cash	8	<u>175,100,000</u> <u>(164,371,290)</u>	<u>175,100,000</u> <u>(104,327,829)</u>
Accumulated loss		10,728,710	70,772,171
Non Current Liabilities			
Deferred tax liability	9	-	-
Current Liabilities			
Trade and other payables	10	1,277,922,659	1,058,626,302
Provision for taxation	11	1,248,205	1,093,140
		1,279,170,864	1,059,719,442
Contingencies and Commitments			
	12	-	-
		<u>1,289,899,574</u>	<u>1,130,491,613</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR



HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2021

		2021	2020
	Note	Rupees	Rupees
Revenue	13	162,133,803	72,876,004
Direct cost	14	<u>(244,589,797)</u>	<u>(172,561,267)</u>
Gross Loss		(82,455,994)	(99,685,263)
Administrative expenses	15	<u>(19,791,196)</u>	<u>(21,098,755)</u>
Finance cost - bank charges		<u>(4,121)</u>	<u>(3,782)</u>
		<u>(19,795,317)</u>	<u>(21,102,537)</u>
Operating Loss		(102,251,311)	(120,787,800)
Other income	16	<u>43,456,055</u>	<u>52,372,385</u>
Loss before Taxation		(58,795,256)	(68,415,415)
Taxation	17	<u>(1,248,205)</u>	<u>(1,093,140)</u>
Net Loss for the Year		<u><u>(60,043,461)</u></u>	<u><u>(69,508,555)</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR



**HABIBABAD OPERATION AND MANAGEMENT ENGINEERING
COMPANY (PRIVATE) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020
	Rupees	Rupees
Net Loss for the Year	(60,043,461)	(69,508,555)
Other Comprehensive Loss		
<i>Items that will not be reclassified to profit or loss</i>	-	-
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-
Total Comprehensive Loss for the Year	<u>(60,043,461)</u>	<u>(69,508,555)</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR



HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

Particulars	Share Capital	Accumulated Loss	Total
	Rupees	Rupees	Rupees
Balance as at June 30, 2019	175,100,000	(34,819,274)	140,280,726
Net loss for the year	-	(69,508,555)	(69,508,555)
Other comprehensive loss for the year	-	-	-
Total comprehensive loss for the year	-	(69,508,555)	(69,508,555)
Balance as at June 30, 2020	175,100,000	(104,327,829)	70,772,171
Net loss for the year	-	(60,043,461)	(60,043,461)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(60,043,461)	(60,043,461)
Balance as at June 30, 2021	175,100,000	(164,371,290)	10,728,710

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR



HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(58,795,256)	(68,415,415)
Adjustment for:			
- Depreciation		91,886,912	91,908,432
- Amortization		11,107,300	11,107,300
- Post employment benefits		-	660,696
- Finance cost		4,121	3,782
		<u>102,998,333</u>	<u>103,680,210</u>
Operating Profit before Working Capital Changes		44,203,077	35,264,795
(Increase) / Decrease in current assets			
- Advance, prepayments and other receivables		71,091,961	(79,530,909)
Increase / (Decrease) in current liabilities:			
- Trade and other payables		219,296,357	534,321,348
		<u>290,388,318</u>	<u>454,790,439</u>
Cash Generated from operations		334,591,395	490,055,234
Finance cost paid		(4,121)	(3,782)
Post employment benefit paid		-	(1,112,739)
Income tax paid		(1,093,140)	(3,397,593)
		<u>(1,097,261)</u>	<u>(4,514,114)</u>
Net Cash Generated from Operating Activities		333,494,134	485,541,120
CASH FLOWS FROM INVESTING ACTIVITIES			
Property and equipment purchased		(236,356)	(182,021)
Net Cash Used in Investing Activities		(236,356)	(182,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
Net Increase in Cash and Cash Equivalents		333,257,778	485,359,099
Cash and cash equivalents at the beginning of the year		646,248,190	160,889,091
Cash and Cash Equivalents at the End of the Year	7	<u><u>979,505,968</u></u>	<u><u>646,248,190</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR



HABIBABAD OPERATION AND MANAGEMENT ENGINEERING COMPANY (PRIVATE) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Note 1

The Company and Its Operations

Habibabad Operation and Management Engineering Company (Private) Limited (the Company) was incorporated on September 9, 2013 as a private limited company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a public sector company and a subsidiary of Frontier Works Organization (working under Ministry of Defense).

The principal activity of the Company is to develop, design, engineer, finance, construct, commission, manage, operate, maintain, insure and, on the transfer date, transfer a new four (4) lane flyover bridge at Habibabad (Wah Radha Ram) on National Highway N-5, and during the concession period, collect, receive and earn the toll revenue and other revenues generated from the said project, all on a build, operate and transfer basis (BOT basis) pursuant to the concession agreement executed between National Highway Authority and the Company on April 23, 2014.

At the end of the concession agreement, on April 23, 2024, the project will be handed over to NHA after completion of conditions stated in the said agreement within stipulated timelines as decided in agreement.

The registered office of the Company is situated at Gate no. 12, National Hockey Stadium, Gulberg-III, Lahore.

Note 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 applicable in Pakistan comprise of:

- International Financial Reporting Standard (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.

The Securities and Exchange Commission of Pakistan in pursuance of SRO No. 24 dated January 16, 2012 has given relaxation for the implementation of IFRIC 12 "Service Concession Arrangements" due to the practical difficulties being faced by companies in Pakistan.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except post employment benefits obligations that are recorded on present value basis.

2.3 Presentation and functional currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. Figures have been rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate primarily to:

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Note 2, Basis of Preparation- Contd...

Note 2.4 Use of Estimates and Judgments- Contd...

- Useful lives, residual values, depreciation method and fair value of property, plant and equipment – Note 4 and 16
- Useful lives, residual values and amortization method of intangible assets – Note 5 and 16
- Estimation of contingent liabilities - Note 13
- Current income tax expense and provision for current tax - Note 11 and 34

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards that are effective in the current year

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 1, 2020. These are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for companies having accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

Standard or Interpretation	Effective Date (Period beginning on or after)
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2022 & January 1, 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2023
IAS 12 Income Taxes [Amendments]	January 1, 2023
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

The Company has assessed that the impact of these amendments is not expected to be significant.

2.5.3 Application of waiver from requirement of IFRIC 12 "Service Concession Arrangements"

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

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; 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.

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Note 3

Significant Accounting Policies

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

3.1 Property and Equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and identified impairment loss, if any.

Depreciation is charged to statement of profit or loss account on straight line method so as to write off the cost of an asset over its estimated useful life at the rates given in Note 4. Depreciation on additions is charged from the month in which an asset is put to use while no depreciation is charged for the month in which an asset is disposed off.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss account during the period in which they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss account.

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Impairment losses are recognized in the statement of profit or loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss account.

3.2 Capital work in progress

These are stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

3.3 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably. Cost of intangible assets includes purchase cost and directly attributable expenses incidental to bring the intangible to its intended use.

Costs that are directly associated with identifiable intangible and have probable economic benefits beyond one year, are recognized as an intangible asset. However, costs associated with the maintenance of intangible are recognized as an expense. All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to statement of profit or loss account using the straight line method at the rates given in Note 5, so as to write off the cost of an intangible over its estimated useful life.

3.4 Cash and Cash Equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks.

3.5 Provisions

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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Note 3, Summary of Significant Accounting Policies - Contd...

3.6 Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost which approximate the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.7 Taxation

3.7.1 Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments.

Current tax for current and prior periods, to the extent unpaid, is recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.7.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse and is based on the tax rates and tax laws that have been enacted or have been notified for subsequent enactment by the reporting date.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Note 3, Summary of Significant Accounting Policies - Contd...

3.8 Revenue recognition

Revenue is recognised at a point in time, when (or as) the Company satisfies performance obligations by providing services (toll collection services). Any services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate elements.

Revenue is to be recognised in accordance with aforementioned principles of IFRS 15 by applying the following steps:

- i) Identify the contract with the party
- ii) Identify the performance obligation in the contract
- iii) Determine the transaction price of the contract
- iv) Allocate the transaction price to each of the separate performance obligations in the contract
- v) Recognize the revenue when (or as) the Company satisfies a performance obligation

Furthermore, directly attributable expenses are adjusted against the revenue of the Company, recognised as per the above mentioned principles.

Profit on bank deposits is recorded on accrual basis.

3.9 Borrowing cost

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

3.10 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.11 Related party transactions

Related parties comprise the parent Company, associated companies / undertakings, directors of the Company and their close relatives and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to these financial statements.

3.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.12.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

a) Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

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Note 3, Summary of Significant Accounting Policies - Contd...

Note 3.12.1, Financial assets - Contd...

b) Initial recognition and measurement

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition except for trade receivable. Trade receivables are initially measured at the transaction price.

c) Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method. The amortized cost is reduced by impairment losses, if any.

d) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss account.

e) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.12.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss account. Difference between carrying amount and consideration paid is recognized in the statement of profit or loss account when the liabilities are derecognized.

3.12.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

etc.

Note 4

Property and Equipment

Year Ended June 30, 2021

Particulars	Cost		Rate	Depreciation		Net Book Value as at June 30, 2021
	As at July 01, 2020	Additions		As at July 01, 2020	For the Year	
	-----Rupees-----		%	-----Rupees-----		Rupees
Flyover (Habibabad)	822,097,141	-	11	477,729,784	90,430,686	253,936,671
Office equipment	4,811,582	48,000	20	1,723,609	938,782	2,197,191
Vehicles	5,985,632	136,000	20	5,985,632	9,734	126,266
Electric and gas appliances	2,661,577	52,356	20	2,126,723	507,710	79,500
Total Rupees - 2021	835,555,932	236,356		487,565,748	91,886,912	256,339,628

4.1 Property and Equipment includes fully depreciated assets relating to office equipment, vehicle and electric and gas appliances having cost of Rs. 6,280,241.

Year Ended June 30, 2020

Particulars	Cost		Rate	Depreciation		Net Book Value as at June 30, 2020
	As at July 01, 2019	Additions		As at July 01, 2019	For the year	
	-----Rupees-----		%	-----Rupees-----		Rupees
Flyover (Habibabad)	822,097,141	-	11	387,299,098	90,430,686	344,367,357
Office equipment	4,717,341	94,241	20	764,329	959,280	3,087,973
Vehicles	5,985,632	-	20	5,985,632	-	-
Electric and gas appliances	2,573,797	87,780	20	1,608,257	518,466	534,854
Total Rupees - 2020	835,373,911	182,021		395,657,316	91,908,432	347,990,184

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Notes to and forming part of the Financial Statements

Note 4, Property and Equipment- Contd...

4.2 Apportionment of depreciation charge for the year

	Note	2021 Rupees	2020 Rupees
Direct cost	14	90,430,686	90,430,686
Administrative expenses	15	1,456,226	1,477,746
		<u>91,886,912</u>	<u>91,908,432</u>

Note 5

Intangible Assets

Year Ended June 30, 2021

Particulars	Cost		Rate %	Amortization		Net Book Value as at June 30, 2021
	As at July 01, 2020	Additions		As at July 01, 2020	For the year	
	Rupees			Rupees		
Software	46,430,000	-	11	25,217,542	5,107,300	16,105,158
Right to use toll plaza	60,000,000	-	10	36,461,538	6,000,000	17,538,462
Total Rupees - 2021	<u>106,430,000</u>	<u>-</u>		<u>61,679,080</u>	<u>11,107,300</u>	<u>33,643,620</u>

Year Ended June 30, 2020

Particulars	Cost		Rate %	Amortization		Net Book Value as at June 30, 2020
	As at July 01, 2019	Additions		As at July 01, 2019	For the year	
	Rupees			Rupees		
Software	46,430,000	-	11	20,110,242	5,107,300	21,212,458
Right to use toll plaza	60,000,000	-	10	30,461,538	6,000,000	23,538,462
Total Rupees - 2020	<u>106,430,000</u>	<u>-</u>		<u>50,571,780</u>	<u>11,107,300</u>	<u>44,750,920</u>

5.1 Amortization of intangible assets is charged to Direct Cost (Note 14)

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Note 6

Advances, Prepayments and Other Receivables

	2021	2020
	Rupees	Rupees
Advance to Frontier Works Organization (FWO)	-	76,856,563
Advance income tax	18,237,055	13,202,776
Advance to employees	8,000	-
Prepayments	1,582,861	1,442,980
Accrued profit on savings account	582,442	-
	<u>20,410,358</u>	<u>91,502,319</u>

Note 7

Cash and Bank Balances

	Note	2021	2020
		Rupees	Rupees
Cash in hand		2,758	9,005
Cash at banks - In savings accounts	7.1	<u>979,503,210</u>	<u>646,239,185</u>
		<u>979,505,968</u>	<u>646,248,190</u>

7.1 These carry mark-up at rates ranging from 6.1% to 6.5% (2020: 6.55% to 11.50%) per annum.

7.2 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows.

Note 8

Issued, Subscribed and Paid up Capital

2021	2020	2021	2020
No. of Shares		Rupees	Rupees
<u>1,751,000</u>	<u>1,751,000</u>	<u>175,100,000</u>	<u>175,100,000</u>

8.1 No shares were issued or cancelled during the year (2020: Nil).

8.2 As at the reporting date, Frontier Works Organization held 1,750,996 (2020: 1,750,996) shares of the Company.

8.3 There are no agreements with shareholders for any specific voting rights, board selection, rights of first refusal and block voting etc.

8.4 All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

Note 9

Deferred Tax Liability

	Note	2021	2020
		Rupees	Rupees
(Deductible) / Taxable temporary differences on:			
- Accelerated tax depreciation		(24,562,315)	(8,565,861)
- Minimum tax		(12,564,759)	-
- Unused tax losses		(19,752,639)	(14,300,802)
		(56,879,713)	(22,866,663)
Less: Deferred tax asset not recognized	9.1	<u>56,879,713</u>	<u>22,866,663</u>
		<u>-</u>	<u>-</u>

9.1 During the year deferred tax asset related to unused tax losses, accelerated tax depreciation and minimum tax of Rs. 56.879 million has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future; taxable profits may not be available against which the temporary differences can be utilized. Further deferred tax asset on minimum taxes available for carry forward under the Income Tax Ordinance, 2001 ("ITO") has not been recognized and these minimum taxes will expire as follows:

Accounting year to which minimum tax relates	Amount of minimum tax	Accounting year in which minimum tax will expire
	Rupees	
2018	8,074,026	2024
2019	3,397,593	2025
2020	1,093,140	2026

9.2 The amount of unused income tax losses carried forward, as per assessed income tax returns, is Rs. 68.112 million (2020: Rs. 49.313 million). These represent depreciation and amortization losses which can be carried forward to indefinite number of years.

Note 10

Trade and Other Payables

	Note	2021 Rupees	2020 Rupees
Accrued liabilities		288,628	583,468
Employee provident fund payable		581,644	204,796
Withholding tax payable		23,815	59,815
Due to related parties	10.1	1,277,028,572	1,057,778,223
		<u>1,277,922,659</u>	<u>1,058,626,302</u>

10.1 This represents the amount payable to National Highway Authority (NHA). The amounts payable to NHA have been calculated on year wise basis using the percentages defined in the concession agreement, as given below:

Year	Revenue / Fixed Amount Rupees	Calculated as per concession agreement Rupees
2015	198,158,333	198,158,333
2015	303,976,280	4,866,725
2016	531,729,430	42,260,770
2017	579,276,870	137,903,346
2018	645,922,095	265,118,346
2019	630,228,850	360,434,668
2020	607,300,030	534,424,027
2021	691,302,420	608,346,130
		2,151,512,345
Total paid		(874,459,373)
Closing balance		<u>1,277,052,972</u>

Note 11

Provision for Taxation

	2021 Rupees	2020 Rupees
Opening balance	1,093,140	3,397,593
Provision for the year	1,248,205	1,093,140
	2,341,345	4,490,733
Adjustment / payments made during the year	(1,093,140)	(3,397,593)
	<u>1,248,205</u>	<u>1,093,140</u>

11.1 The provision for current year tax represents tax on taxable income at the rate of 1.5% as minimum turnover tax.

Note 12

Contingencies and Commitments

12.1 Contingencies

There are no material contingencies outstanding as at the reporting date (2020:Nil).

12.2 Commitments

The Company entered into an Operational, Management and Maintenance (OM&M) contract with Frontier Works Organization on August 8th, 2014. By virtue of this agreement, the Company will be required to pay direct costs related to Operations, Management and Maintenance (OM&M) as per specified percentage of toll revenue or fixed amount as mentioned in agreement whichever is higher. The detail of minimum commitment is mentioned in following table:

	2022 Rupees	2023 Rupees	2024 Rupees	Total Rupees
Toll Revenue				
Projected toll revenue	1,113,000,000	1,169,000,000	1,405,000,000	3,687,000,000
Projected collection loss	(22,260,000)	(23,380,000)	(28,100,000)	(73,740,000)
Total	1,090,740,000	1,145,620,000	1,376,900,000	3,613,260,000
Percentage of Toll Revenue	9.25%	9.25%	9.25%	9.25%
Minimum payable by the Company	100,893,450	105,969,850	127,363,250	334,226,550

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Note 13
Revenue

		2021	2020
	Note	Rupees	Rupees
Gross revenue		691,069,275	607,300,030
Less: Share of National Highway Authority (NHA)	13.1	(528,935,472)	(534,424,026)
		<u>162,133,803</u>	<u>72,876,004</u>

13.1 National Highway Authority (NHA) is entitled to a certain percentage of revenue generated from the flyover as defined in the Concession Agreement as detailed in note 10.1.

Note 14
Direct Cost

		2021	2020
	Note	Rupees	Rupees
Operation, management and maintenance cost	14.1 & 14.2	135,040,679	69,771,770
Insurance expense		1,058,602	1,251,511
Repairs and maintenance		6,952,530	-
Depreciation	4.1	90,430,686	90,430,686
Amortization	5.1	11,107,300	11,107,300
		<u>244,589,797</u>	<u>172,561,267</u>

14.1 This represents operation, management and maintenance (OM&M) cost as per OM&M contract between the Company and Frontier Works Organization (FWO), dated August 8, 2014 for provision of operations, management, maintenance, administration and other services as described under the agreement. FWO shall be entitled to a monthly compensation, which shall be the fixed amount as per contract or percentage of toll revenue whichever is higher.

14.2 This includes additional management fee of Rs. 50.00 million that has been charged by Frontier Works Organization (FWO) during the year.

Note 15
Administrative Expenses

		2021	2020
	Note	Rupees	Rupees
Salaries, wages and benefits	15.1	11,395,571	12,663,923
Travelling and conveyance		393,080	422,300
Repairs and maintenance		1,711,194	1,492,790
Insurance		833,625	957,231
Utilities		209,442	220,999
Communication		31,704	57,969
Printing and stationery		232,041	135,293
Rent, rates and taxes		968,610	915,129
Entertainment		484,824	402,940
Legal and professional charges		1,222,523	1,141,125
Auditors' remuneration		175,000	150,000
Consultancy services		296,780	581,640
Miscellaneous		380,576	479,670
Depreciation	4.1	1,456,226	1,477,746
		<u>19,791,196</u>	<u>21,098,755</u>

15.1 This includes Rs. 305,464 (2020: Rs. 865,492) in respect of post employment benefits.

Note 16
Other Income

		2021	2020
	Note	Rupees	Rupees
Profit on bank accounts	16.1	42,013,136	51,204,132
Miscellaneous income		1,206,919	1,168,253
Balances written back		236,000	-
		<u>43,456,055</u>	<u>52,372,385</u>

16.1 This represents profit on Term Deposit Receipts and profit on balances kept by the Company in deposit accounts with banks.

Note 17
Taxation

		2021	2020
	Note	Rupees	Rupees
Charge for the year	17.1	<u>1,248,205</u>	<u>1,093,140</u>

17.1 Charged for the year has been based on minimum tax @ 1.5% on turnover of the Company.

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Note 18

Transaction with Related Parties

Related parties consist of shareholders, directors and key management personnel of the Company. Transactions with related parties are as under:

Transactions during the year				2021 Rupees	2020 Rupees
Related party	Relationship	Aggregate % of Shareholding	Nature of transaction		
National Highway Authority	Principal		Share of revenue	528,935,472	534,424,026
Frontier Works Organization	Parent Company	99.99%	Direct cost Advance paid	135,040,679 -	69,771,770 76,856,563
Outstanding balance as at the year end					
National Highway Authority	Principal		Share of revenue payable	1,277,028,572	1,057,778,223
Frontier Works Organization	Parent Company		Receivable	-	76,856,563

Note 19

Financial Risk Management

The Board of Directors have the 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. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management is carried out by the management of the Company. The management provides principles and guidelines for overall risk management, as well as policies covering specific areas.

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 react to changes in market conditions and the Company's activities.

19.1 Credit Risk

Credit risk represents the risk that one party to a financial instrument will cause a financial deficit for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, and other receivables.

	2021 Rupees	2020 Rupees
Bank balances	979,503,210	646,239,185

The Company believes that it is not exposed to credit risk as advances are due from related party which will be adjusted against certain percentage of revenue / fixed amount payable to that related party in future as per agreement with the related party.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

	Rating Long term	Rating Agency	2021 Rupees	2020 Rupees
MCB Bank Limited	AAA	PACRA	978,307,692	641,908,612
Habib Bank Limited	AAA	JCR-VIS	1,195,518	4,330,573
			979,503,210	646,239,185

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Note 19, Financial Risk Management- Continued...

19.2 Liquidity Risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Company. The company holds Rs. 979.50 million (2020: Rs. 646.24 million) in its bank accounts as on the reporting date. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

Contractual maturities of financial liabilities as at June 30, 2021

Carrying Amount	Within 1 year	1-2 Years	2-5 Years	Above 5 years
-----Rupees-----				
Trade and other payables	1,277,317,200	1,277,317,200	-	-

Contractual maturities of financial liabilities as at June 30, 2020

Carrying Amount	Within 1 year	1-2 Years	2-5 Years	Above 5 years
Trade and other payables	1,058,361,691	1,058,361,691	-	-

19.3 Market risk

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

(a) 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent of deposits with banks only as reported below:

	2021	2020
Financial assets	Rupees	Rupees
Bank balances - savings accounts - local currency	979,503,210	646,239,185

Cash flow sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profits for the year by Rs.9.79 million (2020: Rs. 6.46 million).

(c) Price Risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. As at June 30, 2021 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

The fair values of all financial assets and liabilities are not considered to be significantly different from their carrying values. The Company classifies the financial instruments measured in the statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

Level 1	Quoted
Level 2	Valuation techniques (market observable)
Level 3	Valuation techniques (non market observable)

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Note 19, Financial Risk Management- Continued...

19.4 Financial Instruments by categories

Financial assets as at June 30, 2021

	At fair value through profit or loss	At amortized Cost	At fair value through other comprehensive income	Total
	-----Rupees-----			
Advances, prepayments and other receivables	-	2,165,303	-	2,165,303
Cash and bank balances	-	979,505,968	-	979,505,968
	-	981,671,271	-	981,671,271

Financial assets as at June 30, 2020

	At fair value through profit or loss	At amortized Cost	At fair value through other comprehensive income	Total
	-----Rupees-----			
Advances, prepayments and other receivables	-	76,856,563	-	76,856,563
Cash and bank balances	-	646,248,190	-	646,248,190
	-	723,104,753	-	723,104,753

Financial liabilities as at June 30

	Amortized Cost
	2021 2020
	-----Rupees-----
Trade and other payables	1,277,317,200 1,058,361,691

19.4.1 There are no other categories of financial assets and financial liabilities as at reporting date (2020: Nil).

Note 20

Remuneration of Chief Executive Officers, Directors and Executives

	2021	2020
	Chief Executive	
	-----Rupees-----	
Remuneration	2,934,365	2,854,166
Gratuity	-	365,425
Provident fund	95,200	33,200
Bonus	130,000	495,000
Other Allowances	50,800	23,280
	3,210,365	3,771,071
Number of persons	1	1

20.1 An executive is defined as an employee, other than chief executive and directors, whose basic salary exceeds 1.2 million in a financial year. There is no executive in the company.

20.2 No remuneration or meeting fee has been paid to any director of the Company.

20.3 The Company has provided a vehicle to chief executive for personal use.

Note 21

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure and keeping its finance cost low.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital employed. Total capital is calculated as equity, as shown in the statement of financial position, plus total borrowings.

However as on the reporting date, the Company is not geared (2020: Not geared).

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Note 22

Number of Employees

	2021 Numbers	2020 Numbers
Number of contractual employees as at June 30,	9	10
Average number of employees during the year	9	10

Note 23

Authorization of Financial Statements

These financial statements were approved and authorized for issuance on **02 OCT 2021** by the Board of Directors of the Company.

Note 24

General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material re-arrangements / reclassifications have been made in these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

