

LAFCO (PRIVATE) LIMITED
INDEPENDENT AUDITORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF
LAFCO (PRIVATE) LIMITED
Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of LAFCO (Private) Limited, which comprise the statement of financial position as at June 30, 2025, and 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 material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of 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, 2025 and of the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty Relating to Going Concern

Note 1.3 to the financial statements indicates that the Company has incurred loss during the year of Rs. 181.21 million and, as at June 30, 2025, its equity is negative by Rs. 1,305.20 million (2024: Rs. 1,123.99 million). As per terms of the concession agreement the Company has to incur a major cost for restoration of the carriageway in 2027 and 2028. These events and conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, therefore, it may not be able to realize its asset and discharge its liabilities in the normal course of business. Our opinion is not modified with respect to this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and the State-Owned Enterprises (Governance and Operations) Act, 2023 (SOE Act 2023) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.



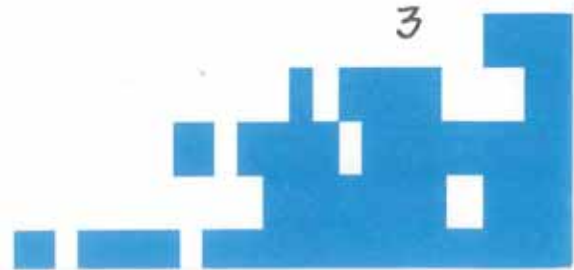
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

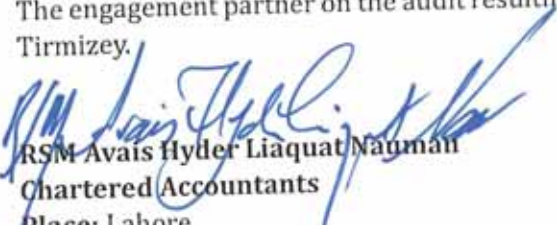



Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of 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 the SOE Act, 2023 are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

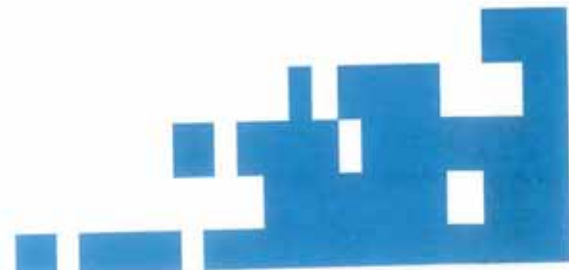
The engagement partner on the audit resulting in this independent auditors' report is Syed Ali Adnan Tirmizey.


RSM Avais Hyder Liaquat Nauman
Chartered Accountants

Place: Lahore

Date: November 13, 2025

UDIN: AR202510193hlnKWf4eY





LAFCO (PRIVATE) LIMITED

DIRECTOR'S REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to present the 23rd Annual Report of LAFCO (Private) Limited along with the Audited Financial Statements and Auditor's Report thereon for the Financial Year ended June 30, 2025.

Project Overview / State of Affairs

LAFCO (Private) Limited ('the Company') was incorporated in Pakistan on July 08, 2002 as a Private Limited Company under the repealed Companies Ordinance 1984 (now the Companies Act, 2017). The Registered Office of the Company is located at Old Toll Plaza Building, 11-KM Sheikhpura Road, Sharif Park, Kot Abdul Malik, Lahore in the Province of Punjab. The Company is currently engaged in only one project comprising the Construction and Operations of Lahore, Sheikhpura and Faisalabad Dual Carriage Way for the Concession Period of 25 years on Build, Operate & Transfer (BOT) basis under Concession Agreement with Government of Punjab ('the GoPb') signed on September 30, 2003. The Company cannot engage itself into any activities other than those agreed upon in the Concession Agreement. Significant terms of the Concession Agreement are as under: -

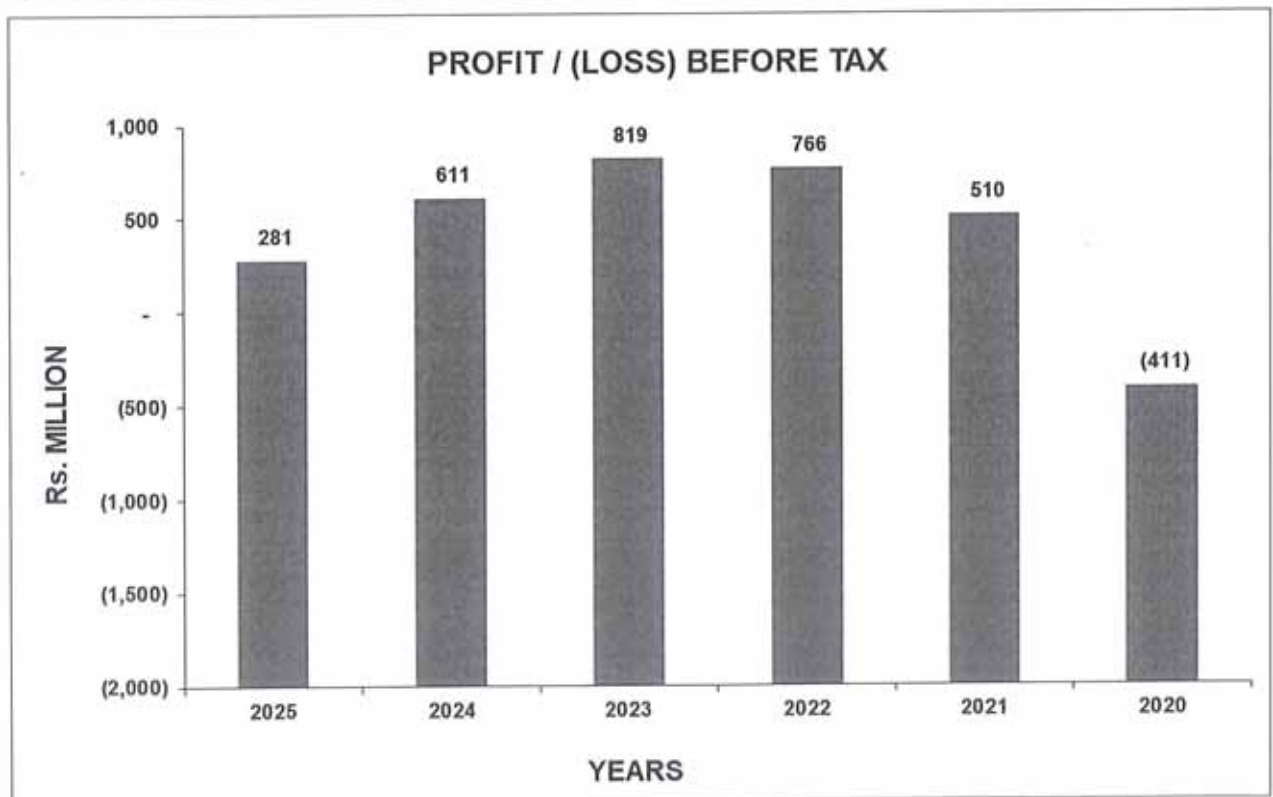
- The Company can levy tolls in accordance with the Concession Agreement.
- The Company shall maintain the road in excellent condition, in accordance with sound engineering practice, including periodic maintenance, heavy repairs, structural overlay, refurbishment and replacement of equipment.
- The Concession Period may be extended by mutual written agreement.
- The Concession can be terminated on various grounds.
- At the end of the Concession Period, the Company shall transfer to the GoPb, Right of Way (ROW) and related assets.
- The Company must insure highway, toll plaza, signs, guard rails etc against loss from breakdown, damage or destruction from such risks as shall be prudent in accordance with industry practice.
- There has been no change in the business of the company during the Financial Year ended June 30, 2025.

Financial Performance Summary

The key data on the Operating and Financial Performance of the Company for the Financial Year ended June 30, 2025 with comparative position of last six year's performance are as under: -

Particulars	30 June-25 Rs Mn	30 June-24 Rs Mn	30 June-23 Rs Mn	30 June-22 Rs Mn	30 June-21 Rs Mn	30 June-20 Rs Mn
Gross Revenue	3,025.42	2,844.33	2,785.46	2,701.80	2,287.89	1,938.20
Operating expenses	1,769.12	1,367.32	1,270.01	1,293.82	1,192.33	957.36
Provision for Restoration of Carriageway	893.74	789.02	626.94	575.25	527.40	1,253.94
Administrative expenses	80.84	76.77	68.82	64.07	45.45	46.09
Finance Cost	0.48	0.48	0.48	2.37	12.47	91.71
Profit / (Loss) before taxation	281.25	610.74	819.22	766.30	510.25	(410.89)
Taxation	462.45	539.87	560.47	434.99	(199.25)	155.69
Profit / (Loss) for the year	(181.20)	70.87	258.74	331.32	709.50	(566.58)

The following graph describes the six years summary of Profit / (Loss) before tax.



Appropriations

The Company is running in Losses as there is unappropriated Loss of Rs 2,505,195,274/- as on June 30, 2025, thus there was no appropriation made.

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LAFCO (PRIVATE) LIMITED

Board of Directors and Key Managerial Personnel

The number of board meeting held during the year ended as on June 30, 2025 and attended by the Board of Directors of the Company as follows: -

Ser #	Name of Director	Designation	Total Meeting Attended
1	Muhammad Jamal Maroof	Executive Director - CEO	5
2	Abdul Sami	Non-Executive Director – Chairman	-
3	Fazal E Rahim Afridi	Non-Executive Director	5
4	Syed Waqar Hasnain	Non-Executive Director	5
5	Mian Khalid Rauf	Non-Executive Director	3
6	Zahid Rafiq	Non-Executive Director	5
7	Abdul Karim Qureshi	Non-Executive Director	5

As on June 30, 2025, following are the Key Managerial Personnel (KMPs) of the Company:

Ser #	Name of Director	Designation
1	Amjad Farooq Amjad	Chief Operating Officer
2	Jahangir Saleem	Chief Financial Officer & Company Secretary

Remuneration Policy of Non-Executive Directors

The fee of the Non-Executive and Independent Directors for attending the Board and Committee meetings of the Company is determined by the Board from time to time. Remuneration paid to the Non-Executive and Independent Directors, whose details are included in Note # 4.10 of the Financial Statement.

Audit Reports and External Auditors

Audit Reports

The Auditors' Report is enclosed with the Financial Statements in this Annual Report.

Statutory Auditors

The Auditors M/s RSM Avais Hyder Liaquat Nauman Chartered Accountants, Lahore will retire at the conclusion of the upcoming Annual General Meeting of the Company and the Board of Directors have recommended the re-appointment of M/s RSM Avais Hyder Liaquat Nauman Chartered Accountants, as Statutory Auditors of the Company for Financial Year 2025-26.

The Report of the Statutory Auditors along with notes to schedules is enclosed to this report. M/s RSM Avais Hyder Liaquat Nauman Chartered Accountants, has been a satisfactory firm under the Quality Control Review (QCR) Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics,



LAFCO (PRIVATE) LIMITED

as adopted by ICAP. M/s RSM Avasi Hyder Liaquat Nauman Chartered Accountants, have indicated their willingness to continue as Auditors.

Material Changes and Commitments

No material changes in the Financials or Commitments during the year ended June 30, 2025.

Deposits

As on June 30, 2025, the Company has not accepted any deposits from the public.

Dividend

The Board of Directors of the Company have not recommended any dividend on equity shares of the Company during the Financial Year ended June 30, 2025.

Loans, Guarantees, Securities and Investments

The Company has not made any Investment, given Guarantee and Securities during the Financial Year ended June 30, 2025.

Subsidiary/ Joint Venture/ Associate Companies

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

Share Capital

The Authorized Share Capital of the Company is Rs 1,200,000,000/- divided into 120,000,000/- number of equity shares of Rs 10/- each and Paid-up Share Capital of Rs 1,200,000,000/- divided into 120,000,000/- number of equity shares of Rs 10/- each.

Secretarial Standards


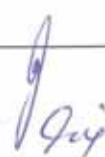

The Company has complied with the applicable provisions of Secretarial Standards issued by SECP.

Related Party Transactions

All related party transactions are carried out on arm's length basis which were reviewed and approved by the Board of Directors of the Company. Company has fully complied with the best practices on transfer pricing as contained in the Act and Rules. Related Party Transactions whose details are included in Note 22 of the Financial Statement.

Technology

The Company has already installed ETTM System (Electronic Traffic and Toll Management) which eliminates the significant risk in the toll collection as compared manually toll collection. There are 46-lanes which are being controlled through ETTM system. Management has now installed Closed Circuit Cameras to observe the traffic.

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LAFCO (PRIVATE) LIMITED

Human Resource Management

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

Statement of Internal Control

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

Financial Risk Management

The Board of Directors does not foresee any major threat / risk to the business of the Company. Details of the Company's Financial Risk Management policies and objectives in respect of its use of financial instruments are included in Note 23 to the Financial Statements together with a description of its exposure, including its exposure to market risk, credit risk and liquidity risk.

Qualification, Reservation or Adverse Remarks in the Auditor's Report

There are no Qualification, reservation or adverse remarks in the Auditor's Report for the Financial Year ended June 30, 2025.

Particulars of Employees

As on June 30, 2025, the Company has 41 Employees whose details are included in Note 21 of the Financial Statement.

Acknowledgements

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

For and on behalf of the Board of Directors


Chief Executive Officer


Chief Financial Officer


Director

LAFCO (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	34,306,719	34,248,562
Concession intangible assets	6	447,047,706	249,849,614
Other intangible asset	7	39,294	49,117
Long term deposits	8	939,056	846,156
Deferred tax asset	9	500,000,000	500,000,000
		<u>982,332,775</u>	<u>784,993,449</u>
CURRENT ASSETS			
Advances and deposits	10	2,412,097,231	3,532,218,803
Short term prepayments		7,041,732	6,484,185
Short term investment	11	335,000,000	335,000,000
Profit on short term investment		9,505,625	37,387,959
Income tax refunds due from Government		34,025,918	8,046,176
Cash and bank balances	12	3,091,878,880	1,543,504,031
		<u>5,889,549,386</u>	<u>5,462,641,154</u>
		<u>6,871,882,161</u>	<u>6,247,634,603</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Authorized share capital	13	1,200,000,000	1,200,000,000
Issued, subscribed and paid up capital	13	1,200,000,000	1,200,000,000
Accumulated loss		(2,505,195,274)	(2,323,990,877)
		<u>(1,305,195,274)</u>	<u>(1,123,990,877)</u>
NON CURRENT LIABILITIES			
Provision for restoration of the carriageway	14	7,700,000,000	6,806,258,877
CURRENT LIABILITIES			
Accrued and other liabilities	15	14,672,669	25,560,933
Provision for taxation - Income tax		462,404,766	539,805,670
		<u>477,077,435</u>	<u>565,366,603</u>
		<u>6,871,882,161</u>	<u>6,247,634,603</u>
CONTINGENCIES	16	-	-

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

LAFCO (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
Income from operations - Toll receipts		2,675,523,137	2,424,023,753
Other Income	17	349,898,543	420,306,822
		<u>3,025,421,680</u>	<u>2,844,330,575</u>
Operating expenses	18	(1,769,116,798)	(1,367,321,040)
Provision for restoration of the carriageway	14	(893,741,123)	(789,016,913)
Administrative and general expenses	19	(80,837,662)	(76,773,506)
Finance Charges		(478,967)	(481,056)
		<u>(2,744,174,550)</u>	<u>(2,233,592,515)</u>
Profit for the year before taxation		281,247,130	610,738,060
Provision for taxation	20	(462,451,527)	(539,865,363)
Profit for the year		<u>(181,204,397)</u>	<u>70,872,697</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>(181,204,397)</u></u>	<u><u>70,872,697</u></u>

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

LAFCO (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2025

	Issued, subscribed and paid up capital	Accumulated loss	Total
	-----Rupees-----		
Balance as at July 01, 2023	1,200,000,000	(2,394,863,574)	(1,194,863,574)
Total comprehensive income for the year			
Profit for the year	-	70,872,697	70,872,697
Other comprehensive income for the year	-	-	-
	-	70,872,697	70,872,697
Balance as at June 30, 2024	1,200,000,000	(2,323,990,877)	(1,123,990,877)
Total comprehensive income for the year			
Profit for the year	-	(181,204,397)	(181,204,397)
Other comprehensive income for the year	-	-	-
	-	(181,204,397)	(181,204,397)
Balance as at June 30, 2025	1,200,000,000	(2,505,195,274)	(1,305,195,274)

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

LAFCO (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
Cash flows from operating activities			
Profit for the year before taxation		281,247,130	610,738,060
Adjustments for non cash / non operating items:			
Depreciation of property and equipment	19	4,622,843	4,735,169
Amortization of intangible assets	18 & 19	114,869,731	47,033,491
Provision for restoration of the carriageway	14	893,741,123	789,016,913
Finance costs		478,967	481,056
Gain on sale of fixed assets	17	-	(61,029)
Profit on short term investment	17	(61,514,375)	(69,080,212)
Profit on deposits	17	(246,501,196)	(284,266,780)
		705,697,093	487,858,608
Operating cash flows before working capital changes		986,944,223	1,098,596,668
Working capital changes:			
(Increase) / Decrease in current assets:			
Advances and deposits		915,058,732	(2,494,039,767)
Short term prepayments		(557,547)	(627,506)
Increase / (Decrease) in current liabilities:			
Accrued and other liabilities		(10,888,264)	13,082,947
		903,612,921	(2,481,584,326)
Net cash generated from / (used in) operations		1,890,557,144	(1,382,987,658)
Income tax paid		(360,769,333)	(602,842,697)
Gratuity paid		-	(3,338,054)
Finance cost paid		(478,967)	(481,056)
Net cash generated from / (used in) operating activities (A)		1,529,308,844	(1,989,649,465)
Cash flows from investing activities			
Capital expenditure paid		(4,681,000)	(399,937)
Additions to concession intangible assets		(312,058,000)	-
Payment of security deposit		(92,900)	(83,400)
Proceeds from disposal of fixed assets		-	175,000
Profit received on deposits accounts		335,897,905	333,462,783
Net cash generated from investing activities (B)		19,066,005	333,154,446
Net increase / (decrease) in			
Cash and cash equivalents during the year (A + B)		1,548,374,849	(1,656,495,019)
Cash and cash equivalents at the beginning of the year		1,543,504,031	3,199,999,050
Cash and cash equivalents at the end of the year		3,091,878,880	1,543,504,031

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


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

1 COMPANY AND ITS OPERATIONS

1.1 LAFCO (Private) Limited (the Company) was incorporated in Pakistan on 8th July, 2002 as a Private Limited Company under the repealed Companies Ordinance 1984 (now the Companies Act, 2017). The registered Office of the Company is located at Old Toll Plaza Building, 11-KM Sheikhpura Road, Sharif Park, Kot Abdul Malik, Lahore in the province of Punjab. The Company is currently engaged in only one project comprising the construction and maintenance of Lahore, Sheikhpura and Faisalabad dual carriage way for the concession period of 25 years on Build Operate Transfer (BOT) basis under Concession Agreement with Government of Punjab (the Government) signed on September 30, 2003. The Company cannot engage itself into any activities other than those agreed upon in the concession agreement. Significant terms of the concession agreement are as under:

- The Company can levy tolls in accordance with the agreement.
- The Company shall maintain the road in excellent condition, in accordance with sound engineering practice, which includes periodic maintenance, heavy repairs, structural overlay, refurbishment and replacement of equipment.
- The Concession period may be extended by mutual written agreement.
- The Concession can be terminated on various grounds including default to lenders, failure to carry out periodic maintenance and structural overlays and charge of tolls in excess of agreement.
- If the Company defaults on its loans and is unable to rectify the same, then the Government may terminate the Concession and give possession of the Project to the lenders.
- Lenders rights & security will remain un-affected by the transfer to the Government.
- At the end of the expiry period, the Company shall transfer to the Government, all immovable and moveable assets.
- The Company must insure highway, toll plaza, signs, guard rails etc against loss from breakdown, damage or destruction from such risks as shall be prudent in accordance with industry practice.

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

1.3 The Company incurred loss during the year of Rs. 181.2 million and, as on the reporting date, its equity is negative by Rs. 1,305.2 million (2024: Rs. 1,123.99 million). As per terms of the concession agreement, the Company has to incur a major cost for restoration of the carriageway in 2027 and 2028 (Refer Note 14). These events and conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, therefore, it may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company is not facing any financial or operational problem and is meeting all its liabilities on their due dates. The loss has been incurred mainly due to the provision for restoration of the carriageway. Profit for the year before provision for restoration comes to Rs. 712.54 million (2024: Rs. 859.89 million). The Company will be able to generate enough funds to meet its obligation of restoration of the carriageway and may also resort to the Parent in case of any shortage of funds, which shortage is highly unlikely though. Considering these factors, the management is confident that the Company will be able to continue as a going concern.



2 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:

- International Financial Reporting Standards (IFRS) 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, 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.

2.3 Functional and presentation currency

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

2.4 Key judgements and estimates

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

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

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies, other than those specifically discussed in the accounting policies, are as follows:

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

LAFCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

3 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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

The following standards, amendments to standards and interpretations have been published and are mandatory for financial statements of the Company for the periods beginning on or after July 01, 2024 and therefore, have been applied in preparing these financial statements.

1. IAS 1 – Presentation of Financial Statements

The IASB has issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The IASB has further modified the requirements introduced by 'Classification of Liabilities as Current or Non-current' on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

These amendments are to be applied retrospectively in accordance with IAS 8. Application of these amendments have no significant impact on the Company's financial statements.

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

There are certain new standards, amendments to standards and interpretations that became effective during the year and are mandatory for accounting periods of the Company beginning on or after July 01, 2024 but are considered not to be relevant to the Company's operations and are, therefore, not disclosed in these financial statements.



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

The following standards, amendments to standards and interpretations have been published and are mandatory for the Company's accounting periods beginning on or after the effective dates specified therein.

I. IFRS 7 — Financial Instruments: Disclosures and IFRS 9 — Financial Instruments

- A** The IASB has issued 'Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)' to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 'Financial Instruments'. The amendments are as under:

Derecognition of a financial liability settled through electronic transfer

- The amendments to the application guidance of IFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

- Classification of financial assets:

Contractual terms that are consistent with a basic lending arrangement

- The amendments to the application guidance of IFRS 9 provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. To illustrate the changes to the application guidance, the amendments add examples of financial assets that have, or do not have, contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets with non-recourse features

- The amendments enhance the description of the term 'non-recourse'. Under the amendments, a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.

Contractually linked instruments

- The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments and provide an example. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.

- Disclosures:

Investments in equity instruments designated at fair value through other comprehensive income

- The requirements in IFRS 7 are amended for disclosures that an entity provides in respect of these investments. In particular, an entity would be required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period.

Contractual terms that could change the timing or amount of contractual cash flows

- The amendments require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortised cost or fair value through other comprehensive income and each class of financial liability measured at amortised cost.

Application of these amendments have no significant impact on the Company's financial

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

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

3.5 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are not yet notified by the SECP for the purpose of applicability in Pakistan:

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

IFRS 18 - Presentation and Disclosures in Financial Statements

IFRS 19 - Subsidiaries without Public Accountability: Disclosures

4 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies that are material to the company are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

4.1 Property and equipment

4.1.1 Operating fixed assets

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

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

Depreciation on additions is charged from the month in which the asset is available for use while no depreciation is charged for the month in which an asset is disposed off. Assets residual values, useful lives and depreciation rates are reviewed, and adjusted, if appropriate at each reporting date.

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



4.1.2 Capital work in progress

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

4.2 Intangible assets

4.2.1 Concession intangible assets

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

The concession intangible asset is recognised at construction cost of the concession infrastructure less amortization and impairment, if any. It is amortized over the Concession Agreement term in accordance with an appropriate method reflecting the rate of consumption of the concession asset's economic benefits as from the date of completion of the concession infrastructure.

4.2.2 Other intangible assets

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

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

4.3 Impairment of non-financial assets

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

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



4.4 Financial instruments

4.4.1 Measurement of financial asset

Initial measurement

The Company classifies its financial assets into following three categories:

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

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

Subsequent measurement

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

Debt Investments at FVOCI

These assets are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI

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

Financial assets at FVTPL

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

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

Non-derivative financial assets

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

Derecognition

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

4.4.2 Financial liabilities

Initial recognition

Financial liabilities are classified in the following categories:

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

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

Subsequent measurement

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

Fair value through profit or loss

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

Other financial liabilities

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

Derecognition

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

4.4.3 Offsetting of financial assets and financial liabilities

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

4.4.4 Impairment of financial assets

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

4.4.5 Loans, advances and other receivables

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

4.5 Cash and cash equivalents

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

4.6 Defined contribution plan - provident fund

The Company operates a provident fund for all its permanent employees. Equal monthly contributions are made to the fund both by the Company and the employees. All permanent employees are eligible to opt for provident fund. Obligation for contributions to defined contribution plan is recognised as an expense in the statement of profit or loss as and when incurred.

4.7 Provisions

Provisions are recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of



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FOR THE YEAR ENDED JUNE 30, 2025

economics benefits will be required to settle the obligation and a reliable estimate can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

4.8 Revenue recognition

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

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

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

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

- Toll collection income is recognized at a point in time on issuance of toll tickets, AVI tags and smart cards.
- Profit on bank deposits is recognized on time proportionate basis.

4.9 Taxation

4.9.1 Current tax

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

4.9.2 Deferred tax

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

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

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

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

4.10 Related party transaction

Transactions with related parties are carried out on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price methods which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer un-related to the seller. Transactions other than at arms length are approved by the Board on proper justification. Remuneration paid to seven (2024: six) executives during the period was Rs. 21.75 million (2024: Rs. 30.05 million). Executives and directors are provided company maintained cars and mobile facility.



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5	PROPERTY AND EQUIPMENT	Freehold land	Building on freehold land	Site equipment	Electric equipment	Furniture and fittings	Office equipment	Vehicles	Total
As at July 01, 2023									
Cost	5,554,702	5,709,780	4,907,012	22,480,282	4,909,181	24,092,306	64,826,810	132,480,073	
Accumulated depreciation	-	(4,177,800)	(4,159,645)	(15,380,540)	(3,511,370)	(15,804,265)	(50,748,688)	(93,782,308)	
Net book value	5,554,702	1,531,980	747,367	7,099,742	1,397,811	8,288,041	14,078,122	38,697,765	
Year ended June 30, 2024									
Opening net book value	5,554,702	1,531,980	747,367	7,099,742	1,397,811	8,288,041	14,078,122	38,697,765	
Additions	-	-	-	248,175	-	151,762	-	399,937	
Disposal	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	(166,500)	(166,500)
Accumulated depreciation	-	-	-	-	-	-	-	52,529	52,529
Depreciation charged	-	-	-	-	-	-	-	(113,971)	(113,971)
Closing net book value	5,554,702	1,531,980	747,367	7,099,742	1,397,811	8,288,041	14,078,122	38,697,765	
As at June 30, 2024									
Cost	5,554,702	5,709,780	4,907,012	22,728,457	4,909,181	24,244,068	64,660,310	132,713,510	
Accumulated depreciation	-	(4,330,998)	(4,250,888)	(16,093,790)	(3,651,151)	(16,639,001)	(53,499,120)	(98,464,948)	
Net book value	5,554,702	1,378,782	656,124	6,634,667	1,258,030	7,605,067	11,161,190	34,248,562	
Year ended June 30, 2025									
Opening net book value	5,554,702	1,378,782	656,124	6,634,667	1,258,030	7,605,067	11,161,190	34,248,562	
Additions	-	-	-	-	-	-	-	4,681,000	4,681,000
Depreciation charged	-	(137,878)	(65,612)	(663,467)	(125,803)	(760,507)	(2,869,576)	(4,622,843)	
Closing net book value	5,554,702	1,240,904	590,512	5,971,200	1,132,227	6,844,560	12,972,614	34,306,719	
As at June 30, 2025									
Cost	5,554,702	5,709,780	4,907,012	22,728,457	4,909,181	24,244,068	69,341,310	137,394,510	
Accumulated depreciation	-	(4,468,876)	(4,316,500)	(16,757,257)	(3,776,954)	(17,399,508)	(56,368,696)	(103,087,791)	
Net book value	5,554,702	1,240,904	590,512	5,971,200	1,132,227	6,844,560	12,972,614	34,306,719	
Annual rate of depreciation									
	10%	10%	10%	10%	10%	10%	20%		

* CFO initial
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

6	CONCESSION INTANGIBLE ASSETS	Note	2025 Rupees	2024 Rupees
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Cost			1,321,584,806	1,009,526,806
Accumulated amortization			(874,537,100)	(759,677,192)
Written down value	6.1		447,047,706	249,849,614

6.1	Reconciliation of written down value			
	Opening balance		249,849,614	296,870,826
	Additions during the year - Computer equipm		312,058,000	-
	Amortization charge for the year		(114,859,908)	(47,021,212)
	Closing balance		447,047,706	249,849,614

6.2 These are amortized over the concession agreement term (Refer Note 1.1).

7	OTHER INTANGIBLE ASSET	Note	2025 Rupees	2024 Rupees
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Computer Software				
Cost			915,000	915,000
Accumulated amortization			(875,706)	(865,883)
Written down value	7.1		39,294	49,117

7.1	Reconciliation of written down value			
	Opening balance		49,117	61,396
	Amortization charged during the year		(9,823)	(12,279)
	Closing balance		39,294	49,117

Amortization rate		20%	20%
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8	LONG TERM DEPOSITS		2025 Rupees	2024 Rupees
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Considered good				
Against rented premises			20,000	20,000
For petrol, oil and lubricants			200,000	200,000
Against Utilities			719,056	626,156
			939,056	846,156

9	DEFERRED TAX ASSET	Note	2025 Rupees	2024 Rupees
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Opening balance			500,000,000	500,000,000
Recognized in statement of profit or loss			-	-
Closing balance	9.1		500,000,000	500,000,000

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FOR THE YEAR ENDED JUNE 30, 2025

9.1 As a matter of prudence, the management has recognized deferred tax asset of Rs. 500 million (2024: 500 million) out of total deferred tax asset of Rs. 3,045.36 million (2024: Rs.2,692.93 million) on the basis of probability of future taxable profits against which deductible temporary differences will be utilized. Total deferred tax asset comprises of:

	2025	2024
	Rupees	Rupees
Deductible temporary differences		
Provision for restoration of carriage way	3,003,000,000	2,654,440,962
Profit on short term investment	(3,707,194)	(14,581,304)
Operating fixed assets and intangibles	46,066,396	53,070,813
	<u>3,045,359,202</u>	<u>2,692,930,471</u>

10	ADVANCES AND DEPOSITS	Note	2025	2024
			Rupees	Rupees
	Considered good			
	Deposits			
	Against rented premises		800,000	800,000
	Advances			
	To the parent - Frontier Works Organization	10.1 & 10.2	1,984,869,170	2,902,877,514
	For expenses		28,102,727	25,153,115
	Income tax		398,325,334	603,388,174
			<u>2,412,097,231</u>	<u>3,532,218,803</u>

10.1 Advance to the parent - Frontier Works Organization

	Against			Total
	Restoration of carriage way	Toll management fee	Share of electricity bills	
	----- Rupees -----			
2025				
Balance at beginning of the year	2,000,000,000	902,877,514	-	2,902,877,514
Toll management fee	-	(1,056,578,415)	(53,743,147)	(1,110,321,562)
Payment made	-	1,788,418,713	-	1,788,418,713
Amount received against M tag receivable	-	(1,650,157,963)	-	(1,650,157,963)
Expenses incurr on behalf	-	-	54,052,468	54,052,468
Balance at end of the year	<u>2,000,000,000</u>	<u>(15,440,151)</u>	<u>309,321</u>	<u>1,984,869,170</u>
2024				
Balance at beginning of the year	-	429,197,862	-	429,197,862
Toll management fee	-	(944,741,242)	(61,205,954)	(1,005,947,196)
Payments due against M-Tag	-	-	-	-
Payment made	2,000,000,000	1,418,420,894	-	3,418,420,894
Expenses incurr on behalf	-	-	61,205,954	61,205,954
Balance at end of the year	<u>2,000,000,000</u>	<u>902,877,514</u>	<u>-</u>	<u>2,902,877,514</u>

10.2 These are unsecured; interest and adjustable against their respective expense purpose. Maximum aggregate amount outstanding with reference to month end balance was Rs. 2,902,877,514/- (2024: 2,902,877,514/-).

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11	SHORT TERM INVESTMENT	Note	2025	2024
			Rupees	Rupees

Term deposit - at amortized cost	11.1	335,000,000	335,000,000
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11.1 This is held with a bank carrying return at the average rate of 11.35 % per annum (2024: 20.7% per annum) and is due to mature on April 2026 (2024: April 2025). Term deposit has been given as a security against performance guarantee in favor of Secretary Communications & Works Department, Government of Punjab (Refer Note 16.1).

12	CASH AND BANK BALANCES	Note	2025	2024
			Rupees	Rupees

Cash in hand		114,572	106,020
Cash at bank			
in saving accounts	12.1	3,091,764,308	1,543,395,471
in current account		-	2,540
		3,091,764,308	1,543,398,011
		3,091,878,880	1,543,504,031

12.1 These are subject to mark-up at 13.65% per annum (2024: 20.50% per annum).

13	SHARE CAPITAL	2025	2024
		Rupees	Rupees

13.1 Authorized share capital			
120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000

13.2 Issued, subscribed and paid-up			
120,000,000 ordinary shares			
of Rs. 10/- each fully paid in cash		1,200,000,000	1,200,000,000

13.3 Detail of share holdings is as follows:	Number of shares	
Frontier Works Organization - (the Parent)	77,999,996	77,999,996
Khalid Rauf & Company (Private) Ltd. - (Associated compai	23,999,999	23,999,999
Habib Rafiq (Private) Ltd.	11,999,999	11,999,999
Sachal Engineering Works (Private) Ltd.	5,999,999	5,999,999
Directors	7	7
	120,000,000	120,000,000

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14	PROVISION FOR RESTORATION OF THE CARRIAGEWAY	Note	2025	2024
			Rupees	Rupees
	Opening balance		6,806,258,877	6,017,241,964
	Provision for the year		893,741,123	789,016,913
	Closing balance	14.1	<u>7,700,000,000</u>	<u>6,806,258,877</u>

14.1 The Company is recognizing provision for restoration of carriage way in accordance with the requirements of IFRIC 12 - Service Concession Arrangements on the basis of expected cost of the overlay as determined by an independent technical consultant. Structural overlay is scheduled to take place during the financial years 2027 and 2028.

15	ACCRUED AND OTHER LIABILITIES	2025	2024
		Rupees	Rupees
	Accrued liabilities	8,534,797	17,872,344
	Withholding income tax payable	2,596,314	5,808,676
	Payable to provident fund	3,009,888	1,379,913
	Other payable	531,670	500,000
		<u>14,672,669</u>	<u>25,560,933</u>

16 CONTINGENCIES

16.1 Bank guarantee of Rs. 335 million (2024: Rs. 335 million) has been issued in favour of Communication & Works Department, Government of Punjab, for performance as per terms of the Concession Agreement. (Refer Note 1.1)

16.2 An order under Section 161 of the Income Tax Ordinance, 2001 was issued by the Commissioner Inland Revenue on April 28, 2025, creating a tax demand of Rs. 249,937,706 against the Company. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), which is currently pending for hearing. Management, based on the opinion of its tax advisors, is confident of a favorable outcome.

17	OTHER INCOME	2025	2024
		Rupees	Rupees
	Profit on short term investment	61,514,375	69,080,212
	Profit on deposits	246,501,196	284,266,780
	Other income-issuance of NOCs	41,882,972	66,898,801
	Gain on sale of fixed Assets	-	61,029
		<u>349,898,543</u>	<u>420,306,822</u>

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LAFCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

18	OPERATING EXPENSES	Note	2025 Rupees	2024 Rupees
	Toll management fee	18.1	1,110,321,562	1,005,947,196
	Maintenance and supervision	18.2	252,058,947	218,042,186
	Amortization of concession intangible assets	6	114,859,908	47,021,212
	Other operational and maintenance expenses		260,737,165	70,862,635
	Afforestation		19,892,432	16,215,441
	Vigilance and cleaning		10,418,313	8,436,308
	Insurance		828,471	796,062
			<u>1,769,116,798</u>	<u>1,367,321,040</u>

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

18.2 This includes Rs. 243,550,089/- (2024: 191,208,235/-) paid to Khalid Rauf & Co. (Pvt.) Ltd. (Associate).

19	ADMINISTRATIVE AND GENERAL EXPENSES	Note	2025 Rupees	2024 Rupees
	Salaries and allowances		43,619,031	38,921,103
	Vehicle running and maintenance		4,310,415	4,095,303
	General insurance		4,131,957	4,477,200
	Utilities		3,834,570	3,458,850
	Depreciation of property and equipment	5	4,622,843	4,735,169
	Legal and professional charges		4,856,244	5,190,899
	Repairs and maintenance		5,757,308	7,704,338
	Entertainment		3,362,636	2,965,503
	Auditors' remuneration	19.1	1,325,950	1,204,500
	Communication		823,435	1,043,070
	Travelling and conveyance		1,195,847	1,118,114
	Printing and stationery		930,481	831,326
	Amortization of the intangible asset	7	9,823	12,279
	Fees & Subscriptions		111,122	17,912
	Advertisement		187,000	170,000
	Miscellaneous expenses		1,759,000	827,940
			<u>80,837,662</u>	<u>76,773,506</u>

19.1 Auditors' remuneration

Audit fees	968,000	880,000
Review of statement of compliance	153,670	139,700
Other services fee	204,280	184,800
	<u>1,325,950</u>	<u>1,204,500</u>

LAFCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

20	PROVISION FOR TAXATION	Note	2025 Rupees	2024 Rupees
	Current tax			
	For the period		462,404,766	539,805,670
	For prior period		46,761	59,693
		20.1	<u>462,451,527</u>	<u>539,865,363</u>

20.1 Relationship between accounting profit and tax expense

Profit for the year before provision for taxation	281,247,130	610,738,060
Tax on accounting profit at the applicable tax rate of 29%	81,561,668	177,114,037
Tax effect of:		
Inadmissible items in determining taxable profit	204,513,257	141,339,490
Admissible in determining taxable profit	57,764,517	82,940,432
Super tax u/s 4C	118,565,325	138,411,711
Prior year tax	46,760	59,693
	<u>462,451,527</u>	<u>539,865,363</u>

21	NUMBER OF EMPLOYEES	2025	2024
Total number of employees at year end		41	40
Average number of employees for the year		41	41

22 TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of the Parent, Associated Companies, Chief Executive Officer and Directors. Detail of transactions with related parties are disclosed in relevant notes to these financial statements.

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

LAFCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

23.1	Financial instrument by category	Note	2025	2024
			Rupees	Rupees

Financial assets at amortized cost :

Long term deposits	8	939,056	846,156
Deposit against rented premises	10	800,000	800,000
Short term investment	11	335,000,000	335,000,000
Profit on short term investment		9,505,625	37,387,959
Cash and bank balances	12	3,091,878,880	1,543,504,031
		<u>3,438,123,561</u>	<u>1,917,538,146</u>

Financial liabilities at amortized cost :

Provision for			
Restoration of the carriageway	14	7,700,000,000	6,806,258,877
Accrued and other liabilities	15	9,066,467	18,372,344
		<u>7,709,066,467</u>	<u>6,824,631,221</u>

23.2 Financial instruments and related disclosures

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

23.2.1 Credit risk and concentration of credit risk

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

	Note	2025	2024
		Rupees	Rupees
Long term deposits	8	939,056	846,156
Deposit against rented premises	10	800,000	800,000
Short term investment	11	335,000,000	335,000,000
Profit on short term investment		9,505,625	37,387,959
Cash at bank	12	3,091,764,308	1,543,398,011
		<u>3,438,008,989</u>	<u>1,917,432,126</u>

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

The credit risk exposure is limited in respect of short term investment and profit accrued thereon and bank balances as these are placed with / receivable from local banks having good credit rating.

23.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and maintaining adequate reserve borrowing facilities. This includes maintenance of statement of financial position liquidity ratios through working capital management. All financial liabilities are due to mature within the upcoming financial year except for 'Provision for restoration of the carriageway', for which refer to Note 14.

The Company has liquid assets of Rs. 3,437.18 million (2024: Rs. 1,916.69 million) as at the reporting date and financial support from the Parent to manage the liquidity risk.

23.2.3 Market risk

Interest rate risk

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

The interest rate profile of the Company's interest bearing financial instruments is presented in relevant notes to the financial statements.

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

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

Currency risk

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

Equity price risk

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

23.2.4 Fair values of financial instruments

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

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

23.3 Capital risk management

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

The Company manages its capital by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. The Company also monitors capital using a gearing ratio, which is net debt less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt.

The Company is exposed to capital risk as its equity is negative by Rs. 1,305.2 million (2024: Rs. 1,123.99 million) mainly due to provision of Rs. 7,700. million (2024: Rs. 6,806.26 million) in respect of restoration of the carriage way which is to be undertaken during the financial year 2027 and 2028 as per terms of the concession agreement (Refer Note 14). The Company will manage the capital risk through generation of profits in future and injection of funds as equity on loan from the Parent in the coming years, if needed.

24 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue by the Board of Directors of the Company on October 06, 2025

25 GENERAL

- Figures have been rounded off to the nearest Rupees.
- Prior year figures have been regrouped, wherever considered necessary for the purpose of better comparison and presentation.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR