

**MARCOPOLO RESORTS AND TOURS (PRIVATE)  
LIMITED**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM AUGUST 31, 2020 TO  
JUNE 30, 2021**



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**BDO Ebrahim & Co. Chartered Accountants**

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

The Board of Directors  
Marcopolo Resorts and Tours (Private) Limited

April 27, 2022  
BDO/AUD/1112/21

**AUDIT OF FINANCIAL STATEMENTS FOR THE PERIOD FROM AUGUST 31, 2020 TO JUNE 30, 2021**

Dear Sirs,

We are pleased to enclose herewith three copies of the draft financial statements of Marcopolo Resorts and Tours (Private) Limited for the period as referred above together with our draft audit report thereon duly initialed by us for identification purposes. We shall be pleased to sign our report in its present or amended form after the financial statements are approved by the Board and signed on their behalf by the Chief Executive and at least one other Director and on receipt/review of the following:

- (a) Letter of representation addressed to us on behalf of the Board of Directors and signed by the Chief Executive and Manager Finance as per draft provided by us.
- (b) Director's report to the members.
- (c) Provision for taxation along with any pending tax contingencies duly signed by the management/tax advisor.

Our comments and observations on this set of financial statements are as follows:

**1. RESPONSIBILITIES OF THE MANAGEMENT AND AUDITORS IN RELATION TO THE FINANCIAL STATEMENTS**

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in section 249 of the Companies Act, 2017 and International Standards on Auditing. While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for preparation of such statements is primarily that of the Company's management.

The management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. The audit of financial statements does not relieve the management of its responsibilities.

**2. CASH AND BANK BALANCES**

We noted that cash in hand balance amounts to Rs. 1.66 million as at June 30, 2021, however, the Company does not have any cash management policy and further the Company has not obtained insurance coverage of cash in hand. In the absence of insurance, the cash in



hand of the Company remain exposed to undue risk. We recommend that proper policy should be approved by Board of the Directors of the Company for the proper management of the cash in hand and insurance coverage for cash in hand obtained to minimize the risk of loss.

Further, cash count was not conducted at period end. However, we have performed alternative tests and obtained copy of Custodian's certificate for verification of cash in hand at period end.

### 3. TAX COMPLIANCE

The Company has not filed its Income Tax return for tax period 2021 under section 114(4) of Income Tax Ordinance, 2001. We understand from management that the Company calculates tax liability using tax rate of 25% as the company falls under the definition of small company as per section (59AB) of Income tax ordinance 2001.

Further, the company has not charged sales tax to its customers during the period as it was not registered under the Sales Tax Act, 1990 (the Act). However subsequent to the period end, the company has registered under the Act and the management has apprised that sales tax is being charged from December 2021. Kindly confirm management representation.

### 4. POLICIES & MANUALS

We have noted that the company does not have any accounting policy or manual in place. Such policies & procedures provide guidelines to employees, ensure compliance with company policies, streamline internal processes and enables the business to achieve its objectives. We recommend that company formulate its own accounting policies.

### 5. APPROVED SUPPLIERS

We have noted that the company does not have any approved suppliers and purchases are made from random suppliers from market. Also, there is no withholding tax (WHT) deduction by the company on any of its purchases. We recommend that that the company should have an approved list of vendors so that the supplies could be purchased at consistent rates and deduct WHT at the prescribed rates to ensure compliance with tax laws.

### 6. ACCOUNTING SOFTWARE

We had observed that the accounting software which was used to record daily transactions during the period was not functional & accessible anymore. The non-accessibility of the software rendered the preparation of vouchers and other important data impractical. In future, we recommend that the company ensure that accounting software remains fully functional throughout the period.

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## 7. GENERAL

- 7.1 We have noted that the company does not follow any approved capitalization policy. Crockery purchased during the period amounting to Rs. 88,960 having useful life of more than one year was expensed out as consumables. We recommend that items having a useful life of more than one year should be capitalized unless their value is below the capitalization threshold.
- 7.2 We noted that cash reconciliation was not prepared for cash held at its resorts. We recommend that proper daily or monthly reconciliations should be prepared and reviewed.
- 7.3 We noted deficiencies related to vouchers in respect of approval and verification.
- 7.4 In the absence of this control there is a risk that vouchers may not be made for the authorized purpose. We recommend that the vouchers should be reviewed and approved by the concerned officials.
- 7.5 We noted that in case of vouchers related to revenue, proper supporting documents were not attached with the vouchers, rather only one voucher for the entire month was posted which had a summary attached to it. We recommend that the company should keep proper books of accounts and record daily vouchers as and when sales are made and keep supporting attached with it as well.

## 8. CONTINGENCIES AND COMMITMENTS

We have been informed by the management that there are no contingencies and commitments as at the balance sheet date other than those disclosed in the notes to the financial statements.

## 9. RELATED PARTY TRANSACTIONS

We have been informed by the management that there were no transactions with the related parties other than those disclosed in the notes to the financial statements.

## 10. COMPLIANCE WITH STATUTORY LAWS AND REGULATIONS

We have been informed by the management that there were no instances of non-compliance with statutory laws and regulations, other than reported above that would have financial reporting implications. Kindly confirm the representations made by management.

*10/02/11*



**11. FRAUD AND ERROR**

We have been informed by the management that no case of fraud and error has been brought to their knowledge during the period. Kindly confirm the representations made by management.

We wish to place on record our appreciation for the courtesy and cooperation extended to us during course of our audit.

Yours faithfully,

A handwritten signature in black ink that reads 'BDO Ebrahim &amp; Co.' in a cursive style.

**BDO EBRAHIM & CO.**  
(Enclosed as above)

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **MARCOPOLO RESORTS AND TOURS (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 period from August 31, 2020 to June 30, 2021 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows, together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the period from August 31, 2020 to June 30, 2021.

#### 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 / Institute of Cost and management Accountants (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.

#### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

### **Auditors Responsibilities for the Audit of the Financial Statements**

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

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

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

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- 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, 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 period 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 Iffat Hussain.

ISLAMABAD

DATED: 28 APR 2022

*Bdo ebrahim & co.*  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

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**MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2021**

	Note	2021 Rupees
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and bank balances	5	11,864,564
<b>TOTAL ASSETS</b>		<u>11,864,564</u>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	6	100,000
Unappropriated profit		<u>396,670</u>
		496,670
<b>CURRENT LIABILITIES</b>		
Trade and other payables	7	1,344,553
Related party payables	8	9,786,216
Taxation-net	9	237,125
		<u>11,367,894</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>11,864,564</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	-

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**


*72804,*  
  
**DIRECTOR**

**MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD FROM AUGUST 31, 2020 TO JUNE 30, 2021**

	Note	August 31, 2020 to June 30, 2021 Rupees
Sales and services - net	11	17,496,416
Cost of sales and services	12	<u>(16,360,568)</u>
Gross profit		1,135,848
Administrative and general expenses	13	(569,344)
Financial charges	14	(76,200)
Other income	15	<u>168,812</u>
Profit before taxation		659,116
Taxation	16	<u>(262,446)</u>
Profit for the period		<u><u>396,670</u></u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

*ROSE,*  
  
**DIRECTOR**

**MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM AUGUST 31, 2020 TO JUNE 30, 2021**

**August 31, 2020  
to June 30, 2021**  
**Rupees**

Profit for the period	396,670
Other comprehensive income	-
Total comprehensive income for the period	<u>396,670</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

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**DIRECTOR**

**MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD FROM AUGUST 31, 2020 TO JUNE 30, 2021**

	Share capital	Revenue	
	Issued, subscribed and paid-up capital	Unappropriated profit	Total
Note	----- Rupees -----		
Issue of shares	100,000	-	100,000
Profit for the period	-	396,670	396,670
Balance as at June 30, 2021	100,000	396,670	496,670

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

2021

  
**DIRECTOR**

**MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM AUGUST 31, 2020 TO JUNE 30, 2021**

	Note	August 31, 2020 to June 30, 2021 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation		659,116
Adjustments for non-cash items:		
Financial charges	14	76,200
Profit before working capital changes		<u>735,316</u>
Increase in current liabilities		
Trade and other payables	7	1,344,553
Related party payables	8	9,786,216
Cash generated from operations		<u>11,866,085</u>
Financial charges paid		(76,200)
Tax paid		(25,321)
		<u>(101,521)</u>
Net cash generated from operating activities		<u><u>11,764,564</u></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of shares		100,000
Net cash used in financing activities		<u>100,000</u>
Net increase in cash and cash equivalents		11,864,564
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		<u><u>11,864,564</u></u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

2020/21  
  
**DIRECTOR**

**MARCOPOLO RESORTS AND TOURS (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD FROM AUGUST 31, 2020 TO JUNE 30, 2021**

**1 THE COMPANY AND ITS OPERATIONS**

Marcopolo Resorts and Tours (Private) Limited (the Company) was incorporated as a private limited company on August 31, 2020 under the Companies Act, 2017. The Company is a subsidiary of Frontier Works Organisation (FWO). The main business of the Company is to operate and manage hospitality business.

The company has started its business from October 01, 2020. The geographical locations and addresses of the Company's business units are as under:

- Gharyal Bhurban Road, Murree (Number of rooms: 20)
- Kunhar River, Kaghan (Number of rooms: 14)
- FWO Staging Post, Mansehra (Number of rooms: 07)

These business premises along with the staff, furniture and accessories is licensed to the Company under 'Percentage License Agreement' entered into between the Company and its parent organization FWO on October 01, 2020. Term of the 'Percentage License Agreement' is from the signing date till June 30, 2025, unless extended or terminated earlier pursuant to the terms of the agreement.

The registered office of the Company is situated at HQ FWO, 509, Kashmir Road, R.A. Bazar, Rawalpindi.

**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) 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.

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## 2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention. These financial statements have been prepared following accrual basis of accounting except for cash flow information.

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistani rupee which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest of rupees, unless otherwise stated.

## 3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

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

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

**Effective date  
(annual periods  
beginning on or  
after)**

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

January 01, 2020

Amendments to IFRS 3 'Business Combinations' - Definition of a business

January 01, 2020

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform

January 01, 2020

Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions

June 01, 2020

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material

January 01, 2020

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

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### 3.2 New accounting standards, amendments and interpretations that are not yet effective

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

	<b>Effective date (annual periods)</b>
	January 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

## **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. The Company intends to apply these policies consistently in the future.

### **4.1 Property and equipment**

The Company does not own any property and equipment. All the assets including the buildings, furniture and accessories are owned by the parent organization - FWO and licensed to the Company under 'Percentage License Agreement'.

### **4.2 Taxation**

#### **(i) Current**

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit available, if any, or one and a half percent of turnover or seventeen percent alternate tax which ever is higher in accordance with the provisions of the Income Tax Ordinance (ITO' 2001). The Company meets the definition of small Company as per ITO' 2001, hence the Company is subject to tax at the rate of 25%.

#### **(ii) Deferred**

No provision for deferred tax has been incorporated in the financial statements as the Company is in its first year of operation.

### **4.3 Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

### **4.4 Trade and other payables**

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

### **4.5 Provision**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount of that application can be measured reliably. Provisions are determined by discounting future cash flows at appropriate discount rates wherever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

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#### 4.6 License fee

The license fee and revenue share are payable to the parent Company on monthly basis in accordance with the provisions of "Percentage License Agreement". It is recorded at its nominal value when the license fee becomes due.

#### 4.7 Revenue recognition

The Company have performance obligations to provide accommodation and other ancillary services to its customers at its hotels & resorts. As compensation for such goods and services, the Company is entitled to a fixed nightly fee for an agreed upon period and additional fixed fees for any ancillary services rendered. These fees are generally payable at the time the hotel guest checks out of the hotel. The Company generally satisfy the performance obligations over time, and recognize the revenue from room sales and from other ancillary guest services on a daily basis, as the rooms are occupied and the Company have rendered the services.

#### 4.8 Financial instruments

##### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

##### Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

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 a financial asset in its entirety or a portion thereof.

### **Financial liabilities**

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

### **Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

### **Derecognition**

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

## **4.9 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

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#### 4.10 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

#### 4.11 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

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

	Note	2021 Rupees
<b>5 CASH AND BANK BALANCES</b>		
Cash in hand	5.1	1,663,000
Cash at bank - local currency		
Saving account		10,201,564
		<u>11,864,564</u>

5.1 This represents cash receipts from customers at the Kaghan resort but had not been deposited in bank at period end. The amount was subsequently deposited in bank account on July 14, 2022.

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2021  
Rupees

## 6 SHARE CAPITAL

### 6.1 Authorized capital

100,000 Ordinary Shares of Rs. 100/- each. 100,000

### 6.2 Issued, subscribed and paid up capital

Ordinary shares of Rs. 100 each fully paid up in cash 100,000

Pattern of share holding of the Company is as follows:

Name	Basis of relationship	Number of shares held in the Company
FWO	Parent organization	996
Kamal Azfar	Chairman	1
Kamran Ali	CEO	1
Kamran Salabat Naz	Director	1
Emaad Ud Deen Qutub Shahi	Director	1
		<u>1,000</u>

6.3 All ordinary shares rank equally with regard to entitlement of dividend, voting rights, board selection, right of final refusal and block voting.

2021  
Rupees

## 7 TRADE AND OTHER PAYABLES

Accrued liabilities 1,260,553  
Payable to auditors 84,000  
1,344,553

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## 8 RELATED PARTY TRANSACTIONS AND BALANCES

Frontier Works Organization (FWO) is the parent Company and holds 100 % shares of the Company as at the period end. Directors including chairman and CEO are nominee directors of FWO. Therefore all the subsidiaries and associates of FWO are the related parties of the Company. Other related parties include directors and entities over which directors are able to exercise significant influence.

### Transactions and balances with related parties

The Company has entered into following transactions during the period with its related parties:

	Note	2021 Rupees
Shares subscribed by FWO		100,000
<b>Payable to FWO</b>		
Upfront license fee		1,500,000
License fee	8.1	7,499,925
Revenue share	8.1	786,291
		<u>9,786,216</u>

8.1 The Company is liable to pay license fee and revenue share on monthly basis to FWO under 'Percentage License Agreement'.

## 9 TAXATION-NET

	2021 Rupees
Opening balance	-
Provision for taxation	262,446
	<u>262,446</u>
Income tax deducted during the period	(25,321)
	<u>237,125</u>

## 10 CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

There are no Contingencies as at June 30, 2021.

### 10.2 Commitments

The Company has no commitments as at June 30, 2021.

*262,446*

		August 31, 2020 to June 30, 2021
		Rupees
<b>11</b>	<b>SALES AND SERVICES - NET</b>	
	Room rent	13,033,380
	Food & beverages	4,094,386
	Extra services	368,650
		<u>17,496,416</u>
<b>12</b>	<b>COST OF REVENUE</b>	
	License fee	9,786,216
	Food & beverages	3,027,038
	Electricity charges	2,684,426
	Room amenities	712,805
	Cable charges	66,560
	Telephone charges	56,523
	PASCOM internet charges	27,000
		<u>16,360,568</u>
12.1	This represents the upfront license grant fee, monthly license fee and monthly revenue share payable to FWO against the ' Percentage License Agreement'.	
		August 31, 2020 to June 30, 2021
		Rupees
<b>13</b>	<b>ADMINISTRATIVE EXPENSES</b>	
	Electricity charges	452,685
	Audit fee	84,000
	Telephone charges	14,826
	Miscellaneous expense	17,833
		<u>569,344</u>
<b>14</b>	<b>FINANCIAL CHARGES</b>	
	Excise duty	64,129
	Bank charges	12,071
		<u>76,200</u>
<b>15</b>	<b>OTHER INCOME</b>	
	Profit on bank deposits	168,812
<b>16</b>	<b>TAXATION</b>	
	For the period	
	Current period	262,446
	Deferred tax	16.1
		<u>262,446</u>
16.1	A deferred tax asset amounting to Rs. 97,667 is available but is not recorded as the Company is in its first year of operation as it is not expected that deferred tax asset can be realized in near future.	

*nsd.*



## 17 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

	2021			
	Total	Interest / mark up bearing		Not interest / mark up bearing
		Maturity up to one year	Maturity after one year	
----- (Rupees in thousand) -----				
<b>Financial assets</b>				
Cash and bank balances	11,864,564	-	-	11,864,564
	<u>11,864,564</u>	<u>-</u>	<u>-</u>	<u>11,864,564</u>
<b>Financial liabilities</b>				
Accrued and other liabilities	1,344,553	-	-	1,344,553
Related party payables	9,786,216	-	-	9,786,216
	<u>11,130,769</u>	<u>-</u>	<u>-</u>	<u>11,130,769</u>
<b>On statement of financial position gap</b>	<u>733,795</u>	<u>-</u>	<u>-</u>	<u>733,795</u>
<b>Total gap</b>	<u>733,795</u>	<u>-</u>	<u>-</u>	<u>733,795</u>

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## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 18.1 Risk management policies

The Company's objective in managing risks is the creation and protection of stake holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing to meet their objectives. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

### 18.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss without taking into account the fair value of any collateral.

### 18.3 Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	Note	2021 Rupees
Bank balance	5	<u>10,201,564</u>

To manage exposure to credit risk in respect of financial assets, management performs credit reviews taking into account the third party's financial position, past experience and other factors.

#### Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

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## 18.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following analysis has been prepared on the basis of balances as of the balance sheet date and does not take effect of future inflows of long term borrowing.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>
	----- Rupees -----			
<b>June 30, 2021</b>				
Related party payables	9,786,216	9,786,216	9,786,216	-
Trade and other payables	1,344,553	1,344,553	1,344,553	-
Provision for taxation	237,125	237,125	237,125	-
	<u>11,367,894</u>	<u>11,367,894</u>	<u>11,367,894</u>	<u>-</u>

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transactions.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IFRS 9. The carrying amount of trade receivables and payables is assumed to approximate their fair values.

### a) Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different values have been defined as follows:

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

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

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Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

## 20 CAPITAL MANAGEMENT

The Company manages its capital structure which comprises of capital only. There were no changes to Company's approach to capital management during the period and the Company is not subject to externally imposed capital requirement.

Capital structure of Company is as follows:

	<b>2021</b>
	<b>Rupees</b>
Equity	496,670
Borrowings	-
	<u>496,670</u>

## 21 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND NUMBER OF EMPLOYEES

No remuneration is paid to Chief Executive and Directors of the Company during the period. Currently the Company has no employees on its payroll because payroll of the working staff is part of the 'Percentage License Agreement' and a consideration against staff salaries is included in the license fee.

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## 2 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. In March, 2020, the Government of the Pakistan announced a temporary lock down from time to time as a measure to reduce the spread of the COVID-19. The Company started its operations after the lockdown announced by the government. However, the Company has implemented all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees and its customers.

After the announcement by government to lift Covid-19 restrictions in June 2021, the revenue of the Company has increased significantly in the last month of the period i.e. June 2021.

## 3 CORRESPONDING FIGURES


The Company has started its operations during the period, therefore, corresponding figures are not applicable.

## 4 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 28 APR 2022 by the Board of Directors of the Company.

## 5 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.



CHIEF EXECUTIVE OFFICER

7504,  
  
DIRECTOR