

**LAHORE SIALKOT MOTORWAY  
INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED  
ANNUAL AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**



**YOUSUF ADIL**

**Yousuf Adil**

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## **INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the annexed financial statements of Lahore Sialkot Motorway Infrastructure Management (Private) Limited (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the loss, comprehensive loss, the changes in equity and its cash flows for the year then ended.

### **Basis for Opinion**

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

### **Material Uncertainty related to Going Concern**

We draw attention to note 1.1 in the financial statements, which indicates that the Company is in continuous operational losses, accumulated loss aggregated Rs.12.219 billion, generated negative cash flows from its operating activities and has overdue markup of Rs.658.851 million on the reporting date. These events and conditions indicate that a material uncertainty exist that may cast significant doubt on the company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Mr. Syed Asmatullah.

*Yousuf Adil*

**Chartered Accountants**

**Place:** Islamabad

**Date:** February 26, 2024

**UDIN:** AR202310414no1sVRPtG

**LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

		2023	2022
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	4	25,558,891,599	27,956,700,598
Capital work-in-progress	5	4,319,307,935	4,313,986,387
		<b>29,878,199,534</b>	<b>32,270,686,985</b>
<b>CURRENT ASSETS</b>			
Mobilization advance	7	1,244,137,191	1,244,137,191
Advances and other receivables	8	247,872,961	247,196,228
Advance tax	9	2,248,912	11,517,316
Cash and bank balances	10	32,854,984	44,608,285
		<b>1,527,114,048</b>	<b>1,547,459,020</b>
		<b>31,405,313,582</b>	<b>33,818,146,005</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid up capital	12	24,827,417,593	24,827,417,593
Accumulated losses		<u>(12,218,886,992)</u>	<u>(8,401,043,843)</u>
		<b>12,608,530,601</b>	<b>16,426,373,750</b>
<b>NON-CURRENT LIABILITIES</b>			
Subordinated loans	13	8,974,587,458	7,626,324,198
Long term loans	14	5,333,153,414	7,265,683,427
Refundable security	15	5,840,000	4,500,000
		<b>14,313,580,872</b>	<b>14,896,507,625</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	1,808,570,683	1,628,394,244
Accrued markup	17	658,851,246	-
Current portion of long term loans	14.1	2,010,884,180	861,974,386
Unearned rental income	18	4,896,000	4,896,000
		<b>4,483,202,109</b>	<b>2,495,264,630</b>
		<b>31,405,313,582</b>	<b>33,818,146,005</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	19		

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

**LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	2022
	Note	----- Rupees -----	
Revenue	20	977,482,214	1,031,245,992
Cost of sales	21	<u>(2,881,223,404)</u>	<u>(2,787,891,401)</u>
Gross loss		(1,903,741,190)	(1,756,645,409)
Administrative expenses	22	(47,614,161)	(59,444,181)
Finance cost	23	(1,880,857,552)	(1,231,836,614)
Other income	24	26,588,281	19,221,345
<b>Loss before taxation</b>		<u>(3,805,624,622)</u>	<u>(3,028,704,859)</u>
Taxation	25	(12,218,528)	(10,051,306)
<b>Loss for the year</b>		<u><u>(3,817,843,150)</u></u>	<u><u>(3,038,756,166)</u></u>

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The annexed notes from 1 to 31 form an integral part of these financial statements.

  
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**CHIEF EXECUTIVE OFFICER**

  
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**DIRECTOR**

LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	-----Rupees-----	
Loss for the year	(3,817,843,150)	(3,038,756,166)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b><u>(3,817,843,150)</u></b>	<b><u>(3,038,756,166)</u></b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
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CHIEF EXECUTIVE OFFICER

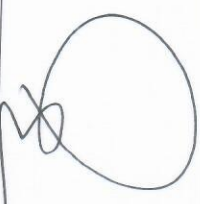
  
\_\_\_\_\_  
DIRECTOR

**LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	Issued, subscribed and paid-up capital	Accumulated Losses	Total
----- Rupees -----				
<b>Balance as at July 1, 2021</b>		24,827,417,593	(5,362,287,677)	19,465,129,916
Loss for the year		-	(3,038,756,166)	(3,038,756,166)
Other comprehensive loss for the year		-	-	-
Total comprehensive loss for the year		-	(3,038,756,166)	(3,038,756,166)
<b>Balance as at June 30, 2022</b>		<b>24,827,417,593</b>	<b>(8,401,043,843)</b>	<b>16,426,373,750</b>
Loss for the year		-	(3,817,843,150)	(3,817,843,150)
Other comprehensive loss for the year		-	-	-
Total comprehensive loss for the year		-	(3,817,843,150)	(3,817,843,150)
<b>Balance as at June 30, 2023</b>		<b>24,827,417,593</b>	<b>(12,218,886,992)</b>	<b>12,608,530,601</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**



**LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 -----Rupees-----	2022
<b>CASH FLOW FROM OPERATING ACTIVITES</b>			
Loss before taxation		(3,805,624,622)	(3,028,704,859)
Adjustments for:			
Depreciation	4	2,409,161,893	2,407,462,056
Finance cost	23	1,880,857,552	1,231,836,614
Interest income	24	(26,588,281)	(19,221,345)
		<u>457,806,542</u>	<u>591,372,466</u>
<b>Changes in:</b>			
Advances and other receivables		(676,733)	10,261,850
Refundable security		1,340,000	4,500,000
Unearned rental income		-	4,896,000
Trade and other payables		<u>105,214,310</u>	<u>357,409,702</u>
		105,877,577	377,067,552
Finance cost paid		(624,780,918)	(822,804,659)
Income taxes paid	9.1	(2,950,124)	(2,883,324)
<b>Net cash generated from / (used in) operating activities</b>		<u>(64,046,922)</u>	<u>142,752,035</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	4	(11,352,894)	-
Payment for capital work-in-progress	5.2	(5,321,548)	(7,766,684)
Interest Income recieved	24	<u>26,588,281</u>	<u>19,221,344</u>
<b>Net cash generated from / (used in) investing activities</b>		<u>9,913,839</u>	<u>11,454,660</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payments against long-term loan		(783,620,218)	(685,657,874)
Receipts against long-term loan		-	-
Receipts against subordinated loan		<u>826,000,000</u>	<u>550,000,000</u>
<b>Net cash used in financing activities</b>		<u>42,379,782</u>	<u>(135,657,874)</u>
<b>Net increase in cash and cash equivalents</b>		<u>(11,753,301)</u>	<u>18,548,821</u>
Cash and cash equivalents at the beginning of the year		<u>44,608,285</u>	<u>26,059,464</u>
<b>Cash and cash equivalents at the end of the year</b>	10	<u><u>32,854,984</u></u>	<u><u>44,608,285</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE  
OFFICER**

  
**DIRECTOR**

**LAHORE SIALKOT MOTORWAY INFRASTRUCTURE MANAGEMENT (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

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

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

**1.1 Going concern assumption**

Currently the Company is generating negative cash flows from its operating activities and has accumulated losses of Rs. 12.219 billion, current liabilities exceeded current assets by 2.96 billion and has overdue mark-up of Rs. 658.851 million, therefore Company may not be able to pay of its loan installments. These conditions create significant doubt on the Company's ability to continue as going concern.

The management of the company has represented that a particular service area became operational subsequent to the financial year end and the management has provided financial projections indicating that any potential shortfall in meeting the Company's obligations will be covered by the Parent Company, FWO. This arrangement signifies a commitment from the Parent Company to support the Company's financial obligations in the event of any deficiencies, thereby safeguarding the Company's operations and financial stability. Therefore the company is considered as going concern as on the date of the financial statements. Accordingly these financial statements have been prepared on 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 as applicable in Pakistan comprise of:

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

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

**2.2 Basis of measurement**

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

### **2.3 Functional and presentation currency**

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

### **2.4 Use of estimates and judgments**

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

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

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

#### **(a) Estimated useful life of property and equipment**

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

#### **(b) Impairment of property and equipment**

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

#### **(c) Taxation**

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

#### **(d) Impairment of financial assets**

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

### **2.5 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. 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.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

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

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

	<b>Effective from Accounting period beginning on or</b>
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	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 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 9 'Financial instruments' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan.

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Property and Equipment

##### 3.1.1 Owned Fixed Assets

Owned fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any. When parts of an item of owned fixed assets have different useful lives, they are recognized as separate items of owned fixed assets.

Depreciation is charged by applying the reducing balance method on annual basis at the rates specified in note 4 to these financial statements, so as to write off the depreciable amount of the assets over their estimated useful lives. Full month's depreciation is charged in the month of purchase and no depreciation is charged in the month of disposal.

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

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

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

### **3.1.2 Concession Assets**

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

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

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

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

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

### **3.2 Capital work-in-progress**

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

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

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

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

Under the Company's Concession Agreement, IFRIC 12 would have required the Company not to recognize any infrastructure as part of its fixed assets. The Company would have to account for its cost on construction and modernization of Lahore Sialkot Motorway, disclosed in note 27 to the financial statements, as expenses in statement of profit or loss by reference to the stage of completion. The Company would also have been required to recognize revenue for these services at its fair value, normally calculated on the basis of cost and generally applicable margin on similar services, against an intangible asset, representing a right to charge toll from users of Lahore Sialkot motorway. Borrowing attributable to arrangement would also have been capitalized as part of intangible asset.

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

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

### **3.4 Revenue**

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

The Company recognizes revenue when related performance obligation is satisfied by the Company that is when vehicle exists the toll plaza.

### **3.5 Cash and cash equivalents**

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

### **3.6 Taxation**

#### **Current**

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

#### **Deferred tax**

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

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

### **3.7 Long term loans / borrowings**

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

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

### **3.8 Borrowing costs**

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

### **3.9 Financial instruments**

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

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

#### **3.9.1 Financial assets**

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

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

Classification of financial assets:

(i) *Debt instruments designated at amortized cost*

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

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

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

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

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

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

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

Amortized cost and effective interest rate method:

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

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

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

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

Interest income is recognized in profit or loss.

(iii) *Equity instruments designated as at FVTOCI*

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

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

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

(iv) *Financial assets at FVTPL*

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

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

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

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

Impairment of financial assets:

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

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

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

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

(i) Significant increase in credit risk

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

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

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



- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

(ii) Definition of default:

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

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

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

(iii) Credit-impaired financial assets:

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties

(iv) Write-off policy:

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

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

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

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

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

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

Derecognition of financial assets:

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

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

### 3.9.2 Financial liabilities

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

- (i) *Financial liabilities at FVTPL*

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

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

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

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

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

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

Derecognition of financial liabilities:

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

**3.10 Offsetting financial assets and financial liabilities**

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

**3.11 Provident fund**

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

5	CAPITAL WORK-IN-PROGRESS	Note	2023	2022
			----- Rupees -----	
	Concession work-in-progress	5.1	4,294,501,106	4,294,501,106
	Consultancy charges	5.2	24,806,829	19,485,281
			<u>4,319,307,935</u>	<u>4,313,986,387</u>
5.1	<b>Break up of concession work-in-progress</b>			
	Earth works		102,758,360	102,758,360
	Sub base and base course		285,450,306	285,450,306
	Surfaces and pavement works		930,036,098	930,036,098
	Structural works		1,613,499,886	1,613,499,886
	Road furniture and road safety		458,869,297	458,869,297
	Electrical works		273,358,459	273,358,459
	Operation, management facility		241,086,974	241,086,974
	Intelligent transport		156,204,834	156,204,834
	General and miscellaneous items		233,236,892	233,236,892
			<u>4,294,501,106</u>	<u>4,294,501,106</u>
5.2	<b>Movement in capital work in progress</b>			
		Concession work in progress	Consultancy charges	Total
		-----Rupees-----		
	As at June 30, 2022	4,294,501,106	19,485,281	4,313,986,387
	Additions during the year	-	5,321,548	5,321,548
	Transfers to property and equipment	-	-	-
	<b>As at June 30, 2023</b>	<u>4,294,501,106</u>	<u>24,806,829</u>	<u>4,319,307,935</u>
	As at June 30, 2021	3,966,973,939	11,718,597	3,978,692,536
	Additions during the year	327,527,167	7,766,684	335,293,851
	Transfers to property and equipment	-	-	-
	As at June 30, 2022	<u>4,294,501,106</u>	<u>19,485,281</u>	<u>4,313,986,387</u>
6	<b>DEFERRED TAX ASSET/ (LIABILITY)</b>		2023	2022
			----- Rupees -----	
	The net balance of deferred tax asset is in respect of the following temporary differences:			
	- Accelerated depreciation		(1,021,710,888)	(999,188,302)
	- Unearned rental income		1,419,840	1,419,840
	- Tax losses recognised	6.1	1,020,291,048	997,768,462
			<u>-</u>	<u>-</u>
6.1	In view of uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized, the Company has not recognized net deferred tax asset of Rs. 3,543 million (2022: Rs. 2,411 million) Unused tax losses shall expire as follows:			

Tax Year	Deferred tax on unadjusted tax losses	Expiry Year
	-----Rupees-----	
2018	2,967,952	2024
2020	1,289,717,102	2026
2021	1,155,887,242	2027
2022	989,056,668	2028
2023	1,126,153,668	2029

		2023	2022
		----- Rupees -----	
<b>7</b>	<b>MOBILIZATION ADVANCE</b>		
	Opening balance		
	Settlement during the year	7.1	
		1,244,137,191	1,555,288,000
		-	(311,150,809)
		<u>1,244,137,191</u>	<u>1,244,137,191</u>
7.1	This represents 30% mobilization advance extended to Frontier Works Organization (FWO) under the "Engineering, Procurement and Construction" (EPC) contract between FWO and the Company for implementing the Project. It shall be amortized against interim payment certificates from FWO throughout the progress of the construction work. The total value of EPC contract is Rs. 41,087 million.		
<b>8</b>	<b>ADVANCES AND OTHER RECEIVABLES</b>		
	Advances	8.1	
	Prepaid insurance	4,863,708	1,412,539
	Other Recievable	8.2	
		-	2,987,934
		243,009,253	242,795,755
		<u>247,872,961</u>	<u>247,196,228</u>
8.1	<b>Advances</b>		
	Advances to toll plazas	500,000	500,000
	Advances against PSO fuel cards	377,500	377,500
	Building rent advance	680,200	280,200
	Advances to project management team	49,008	254,839
	Recievable from HMI Associates-Adverstiment	1,500,000	-
	Prepaid Rent	457,000	-
	Short term advances	1,300,000	-
		<u>4,863,708</u>	<u>1,412,539</u>
8.2	<b>Other recievable</b>		
	Receivable from FWO	8.2.1	
	Receivable from NHA	8.2.2	
	Bad Debts	8.2.2	
		23,281,213	28,272,063
		219,530,240	235,966,326
		-	(21,757,634)
		219,530,240	214,208,692
	Receivable from One Network (Private) Limited	197,800	315,000
		<u>243,009,253</u>	<u>242,795,755</u>
8.2.1	It represents M-tag share of Rs 2.37 million (2022: Rs 7.36 million) and pre-paid insurnace share of Rs 20.90 million (2022: Rs 20.90 million) recievable from FWO. The maximum agregate during the year was Rs 141.77 million (2022: Rs 111.37 million)		
8.2.2	Its represents amount paid by the Company to independent auditors of Rs 6.26 million (2022 : Rs 6.26 million) and independent engineer of Rs 196.16 million (2022 : Rs 190.8 million) on behalf of NHA. As per the concession agreement, NHA bears 50% fees of independent auditors and independent engineer. Further, Rs 38.8 million was paid by the Company for land acquisition and related consultancy services from Pakistan Railways and as per agreement NHA has to pay for the land acquisition cost amounting to Rs. 17.1 million, remaining cost of related consultancy charges, being unrecoverable, amounting to Rs. 21.757 millin were expensed as Bad Debt during the preceding year. The maximum agregate from NHA during the year was Rs 219.530 million (2022: Rs Rs 234.97 million)		
<b>9</b>	<b>TAX REFUNDABLE FROM GOVERNMENT</b>		
	Balance at the beginning of the year		
	Tax withheld during the year	9.1	
	Provision for taxation	25	
	Balance at the end the year		
		11,517,316	18,685,298
		2,950,124	2,883,324
		(12,218,528)	(10,051,306)
		<u>2,248,912</u>	<u>11,517,316</u>
9.1	This represents tax deducted on bank profits.		
<b>10</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand		
	Cash at bank		
	- Saving accounts	10.1	
		217,092	506,822
		32,637,892	44,101,463
		<u>32,854,984</u>	<u>44,608,285</u>
10.1	These carries interest rates ranging from 9.50% to 16.10% (2022: 3.5% to 8.36%) per annum.		

		2023	2022
		----- Rupees -----	
<b>11</b>	<b>AUTHORIZED SHARE CAPITAL</b>		
	Authorized share capital	<u>25,400,000,000</u>	<u>25,400,000,000</u>
		<u>25,400,000,000</u>	<u>25,400,000,000</u>

		2023	2022
		-----Rupees-----	
<b>12</b>	<b>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
		2023	2022
		-----No of Shares-----	
	Fully paid ordinary shares	248,274,176	248,274,176
	of different classes Rs. 100		
	each - in cash	<u>24,827,417,593</u>	<u>24,827,417,593</u>

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

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

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

- Class B shares shall not carry any voting rights .
- Class B shareholder (NHA) shall not be responsible for non performance by the Company under any circumstances.
- Base case IRR shall not be paid, accrued, and/or applied to class B shares.
- Class B shareholder (NHA) shall only be issued such dividends in respect of Class B shares that the NHA is entitled to in terms of the Concession Agreement from income generated by the Concessionaire pursuant to exercise of its Development Rights in accordance with the Concession Agreement, always subject to the Applicable Laws.

		2023	2022
		-----Rupees-----	
<b>13</b>	<b>SUBORDINATED LOANS</b>		
	Opening Balance		
	- From NHA	<u>6,486,574,037</u>	6,192,952,317
	- From FWO	<u>1,139,750,162</u>	501,803,385
		<u>7,626,324,199</u>	6,694,755,703
	Additions during the year:		
	- From NHA	-	-
	- From FWO	-	-
	Interest accrued on loan	<u>826,000,000</u>	550,000,000
	Closing balance	<u>522,263,259</u>	381,568,495
		<u>8,974,587,458</u>	<u>7,626,324,198</u>
<b>13.1</b>	Closing Balance		
	Loan from NHA	<u>6,797,764,667</u>	6,486,574,037
	Loan from FWO	<u>2,176,822,791</u>	1,139,750,162
		<u>8,974,587,458</u>	<u>7,626,324,198</u>
<b>13.2</b>	<b>Subordinate loan from NHA</b>		

On February 28, 2017 , the Company entered into a subordinate financing agreement with NHA for a loan of Rs 5,000 million at effective interest rate of 5.90% per annum. As per the terms of agreement, grace period of 10 years is allowed for repayment of principal and interest from draw down date. Bi-annual repayments will start from year 12 from the effective date (i.e February 28, 2017) and the loan will be discharged in 25 years from effective date.

- 13.3 Subordinate loan from FWO**  
Subordinate loan is obtained from FWO by the Company for the purpose of meeting loan repayment shortfall to Bank Al-Falah. During the year, Rs 826 million (2022: Rs 550 million) was received from FWO as subordinate loan at 6-Months KIBOR prevailing on the day before disbursement +0.74% . The subordinated loan is repayable from funds available after meeting senior lenders repayment
- 13.4** It represents Rs. 311.19 million (2022: 293.62 million) due to NHA and Rs. 211.07 million (2022: 87.94 million) due to FWO.
- 13.5** No payments were made to FWO and NHA with respect to markup and Principal uptill June 20,2023

14 LONG TERM LOANS		2023	2022
		----- Rupees -----	
Conventional	14.3	3,977,755,889	4,402,481,316
Musharaka	14.4	3,366,281,705	3,725,176,497
Less: Current portion		7,344,037,594	8,127,657,813
	14.1	(2,010,884,180)	(861,974,386)
	14.2	<u>5,333,153,414</u>	<u>7,265,683,427</u>
<b>14.1 Current portion</b>			
Conventional			
Musharaka		1,085,877,457	466,902,793
		<u>925,006,723</u>	<u>395,071,593</u>
<b>14.2 Non current portion</b>		<u>2,010,884,180</u>	<u>861,974,386</u>
Conventional			
Musharaka		2,891,878,432	3,935,578,523
		<u>2,441,274,982</u>	<u>3,330,104,904</u>
		<u>5,333,153,414</u>	<u>7,265,683,427</u>
<b>14.3</b>	It represents loan obtained from Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited and Bank of Khyber having Interest at the base rate (KIBOR) plus 0.74% payable semi annually. Grace period for the loan is two years and principal repayment will be made after that in 16 semi annual installments.		
<b>14.4</b>	It represents islamic loan obtained from Bank Alfalah Limited, Habib Metropolitan Bank Limited and Bank of Khyber having interest at the base rate (KIBOR) plus 0.74% payable semi annually. Grace period for the loan is two years and principal repayment will be made after that in 16 semi annual installments.		
<b>14.5</b>	Long term loans are secured against equity shares issued to FWO.		
<b>14.6</b>	Subsequent to the year end in October 2023 bank rescheduled repayment schedule under which markup payment that was due on June 29, 2023 amounting to Rs.658.851 million shall be deferred and will be payable in 8 equal semi annual installments.		
15 REFUNDABLE SECURITY		2023	2022
		----- Rupees -----	
Refundable Security-HMI Associates	Note 15.1	4,500,000	4,500,000
Refundable Security-C Mart Food stalls	15.2	1,340,000	-
		<u>5,840,000</u>	<u>4,500,000</u>
<b>15.1</b>	It represents security obtained against advertising services from M/s HMI Associates & Developers (Private) Limited. The amount represents a security deposit equivalent to three (03) months' rental amounting to Rs 4,500,000. The parties agree and acknowledge that the Company shall refund the security deposit, upon expiry or termination of this agreement (May 31, 2025), after deducting any outsourcing payment or other liability to be paid by the party under the advertisement agreement dated June 16, 2022		
<b>15.2</b>	It represents security obtained against C Mart Food Stalls. The amount represents a security deposit equivalent to two (02) months' rental amounting to Rs 1,340,000. The parties agree and acknowledge that the Company shall refund the security deposit, upon expiry or termination of this agreement, after deducting any outsourcing payment or other liability to be paid by the party.		
16 TRADE AND OTHER PAYABLES		2023	2022
		----- Rupees -----	
Payable against project cost	Note		
Other payables to FWO		940,659,999	940,659,999
EOBI payable		346,356,045	251,767,949
Retention money payable		24,550	19,630
Audit fee payable	16.1	493,439,458	418,477,329
Payable to Project Management Team's suppliers	22.2	551,614	463,188
Other payables		8,023,582	5,674,856
	16.2	<u>19,515,435</u>	<u>11,331,293</u>
		<u>1,808,570,683</u>	<u>1,628,394,244</u>
<b>16.1 Retention money payable</b>			
Opening balance		418,477,329	374,637,509
Amount deducted during the year		-	16,376,358
Interest accrued during the year	16.1.1	74,962,129	27,463,462
Closing balance		<u>493,439,458</u>	<u>418,477,329</u>
<b>16.1.1</b>	Mark-up is being accrued at Kibor + .75% on the amount of the Retention money and shall be paid by the LSMIM to the EPC contractor (FWO) in accordance with the terms of the contract.		
<b>16.2</b>	This include payable to independent engineer of Rs 14.85 million (2022: Rs 9.72 million), withholding tax payable of Rs 0.44 million (2022: 0.24 million) and provident fund payable of Rs 3.40 million (2022: Rs 1.99 million)		
17 ACCRUED MARKUP			
This is accrued markup on bank loan which was to be paid within 90 days after it became due on June 29, 2023 as detailed in note 14.6.			

	Note	2023	2022
		----- Rupees -----	
<b>18</b>	<b>UNEARNED RENTAL INCOME</b>		
	Service area rental income	4,896,000	4,896,000
		<u>4,896,000</u>	<u>4,896,000</u>
<b>18.1</b>	This represents advance rental of service areas which has not yet operationalized		
<b>19</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>19.1</b>	<b>Contingencies</b>		
<b>19.1.1</b>	The Assistant Commissioner Inland Revenue via assessment order no 100000130063321 dated September 09,2022 raised a demand order of Rs 7,044,263 u/s 161/205 of the Income Tax Ordinance, 2001.The order was raised u/s 161(1) read with section 205 of the ITO for tax year 2018 inrespect of non-withholding of income tax u/s 153(1)(b) of ITO. The company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the aforesaid order. The hearing notice is not issued yet.		
<b>19.1.2</b>	The Assistant Commissioner Inland Revenue issued an assessment order no 100000133920941 dated October 18,2022 under section 122(5A) of the Ordinance, 2001 by disallowing the company's prior years refund (filed in tax year 2017) adjustments and raised the alleged outstanding income tax demand of Rs. 10,024,040 on the basis that no income tax refund nor any adjustment order u/s 170(3)(a) was claimed by the Company. The Company is in the process of filing an appeal before the Commissioner Inland Revenue (Appeals) against the aforesaid order.		
<b>19.2</b>	<b>Commitments</b>		
<b>19.2.1</b>	The Company has commitment against remaining amount of Rs. 3,641 million (2022: 3,641 million) related to construction contract with FWO.		
<b>20</b>	<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
	<b>Toll Revenue</b>		
	Toll revenue- KSK	425,511,417	453,900,259
	Toll revenue-Muridke	57,546,082	61,635,301
	Toll revenue-Narowal	11,404,778	13,930,344
	Toll revenue- Gujranwala	34,464,864	38,956,326
	Toll revenue- Passrur	71,259,974	72,846,420
	Toll revenue- Daska	156,996,887	158,206,786
	Toll revenue- Sambrial	202,226,562	230,270,556
	Other Misc Toll Revenue	48,900	-
		<u>959,459,464</u>	<u>1,029,745,992</u>
	<b>Advertisement Revenue</b>		
	Top facia advertisements	18,022,750	1,500,000
	<b>Total Revenue</b>	<u>977,482,214</u>	<u>1,031,245,992</u>
<b>21</b>	<b>COST OF SALES</b>		
	Project cost		
	Project management team expense	-	141,474,999
	Horticulture expense	356,804,195	212,536,409
	Road Repair and Maintenance Expense	17,673,408	9,121,753
	Service area Operational expenses	95,371,023	-
	Insurance related to project operation phase	1,329,455	-
	Depreciation	2,987,934	17,700,850
		<u>2,407,057,389</u>	<u>2,407,057,390</u>
<b>21.1</b>	<b>Project cost</b>	<u>2,881,223,404</u>	<u>2,787,891,401</u>

This included operating , main carriageway and service lane routine maintenance cost of the Lahore-Sialkot Motorway. The Company had an operations, management and maintenance agreement with FWO under which FWO provided such facilities for the motorway. During the perceding year, the O&M contract expired and all responsibilities relating to operations and manintence of Lahore-Sialkot Motorway was transferred to project management team of the Company.



		2023	2022
		----- Rupees -----	
<b>21.2</b>	<b>Project management team expense</b>		
	Salary and wages	137,832,078	93,852,128
	Administrative expense	5,040,139	3,057,249
	Power and fuel	48,679,370	-
	Cash In Transit services	19,508,721	9,843,371
	Laundry expenses	375,756	220,865
	PMT employees welfare expense	476,830	171,402
	PMT entertainment expense	48,632	395,728
	Mobile workshop expenses	9,480,000	6,300,000
	Ration and feeding	22,861,753	14,161,139
	Repair & maintenance	19,804,477	36,746,296
	Legal and professional charges	485,000	-
	Safety & equipments	9,796,160	413,390
	Sanitary expenses	108,260	1,173,486
	Security guard services	18,534,262	9,056,270
	Utilites expenses	47,002,503	27,852,619
	Vehicle hiring expense	14,977,923	9,292,466
	Staff uniform and shoes	1,792,331	-
		<u>356,804,195</u>	<u>212,536,409</u>
<b>21.3</b>	<b>Horticulture Expense</b>		
	Plantation cost	5,731,600	1,000,000
	Horticulture staff salaries	6,908,756	3,997,334
	Horticulture equipments and machinery	160,954	399,336
	Horticulture plants	151,250	461,200
	Horticultlure vehicle rent	4,583,363	3,231,483
	Fuel for horticulture machinery	137,485	32,400
		<u>17,673,408</u>	<u>9,121,753</u>
<b>21.4</b>	<b>Road Repair and Maintenance Expense</b>		
	Patch work at bridges	37,290,000	-
	Road Lane Markings	41,333,193	-
	Installation of Cateyes	4,472,400	-
	Markings of Chevrons	3,424,740	-
	Guard Rail Reflectors	8,850,690	-
		<u>95,371,023</u>	<u>-</u>
<b>22</b>	<b>ADIMINISTRATIVE EXPENSES</b>		
	Salaries and benefits	18,707,129	15,841,765
	Plantation cost	-	-
	Depreciation	2,104,504	404,666
	Auditor's remuneration	509,507	463,188
	Vehicle rentals	1,020,000	1,980,000
	Rentals	2,857,900	2,087,800
	Communication	757,214	410,648
	Repair and maintenance	611,707	1,038,070
	Legal and professional charges	12,314,670	8,435,591
	Office supplies	636,590	592,820
	Office refreshment	960,388	861,207
	Vehicle running	4,272,443	2,392,278
	Travelling & conveyance	184,839	264,645
	Insurance	66,481	-
	Miscellaneous	2,610,789	2,913,869
	Bad debt	-	21,757,634
		<u>47,614,161</u>	<u>59,444,181</u>
<b>22.1</b>	This includes provident fund expense amounting to Rs. 838,140 (2022: Rs. 725,961).		
<b>22.2</b>	<b>Auditor's remuneration</b>		
	Statutory audit fee	463,188	421,080
	Out of pocket expenses	46,319	42,108
		<u>509,507</u>	<u>463,188</u>
<b>22.3</b>	This includes utilities, postages and staff welfare etc. expenses		

	2023	2022
	----- Rupees -----	
<b>23 FINANCE COST</b>		
Bank charges	15,152	16,871
Financing fees	2,260,000	2,260,000
Interest Expense on loan	1,803,620,271	1,202,096,283
Interest expense on retention money	74,962,129	27,463,460
	<u>1,880,857,552</u>	<u>1,231,836,614</u>
<b>24 OTHER INCOME</b>		
This represents interest on saving bank accounts of the Company.		
<b>25 TAXATION</b>		
Current	12,218,528	10,051,306
Deferred	-	-
	<u>12,218,528</u>	<u>10,051,306</u>
<b>Current tax</b>		
For the year	12,218,528	12,890,575
Prior years	-	(2,839,269)
	<u>12,218,528</u>	<u>10,051,306</u>
<b>Relationship between tax expense and accounting profit</b>		
Loss before taxation	(3,805,624,622)	(3,028,704,859)
Tax rate	29%	29%
Tax as per accounting income	(1,103,631,140)	(878,324,409)
Effect of unrecognized tax losses	1,103,631,140	878,324,409
Effect of minimum tax on turnover	12,218,528	12,890,575
Prior year adjustment	-	(2,839,269)
	<u>12,218,528</u>	<u>10,051,306</u>
<b>26 BALANCES AND TRANSACTIONS WITH RELATED PARTIES</b>		

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

	2023	2022
	----- Rupees -----	
<b>Transaction with related parties</b>		
<b>Transactions with Frontier Works Organisation (FWO)</b>		
M-Tag share received from FWO	281,101,040	230,790,710
Insurance payments on behalf of FWO	-	1,472,398
Settlement with mobilization advance against CWIP additions	-	311,150,809
Interest charged on retention money payable to FWO	74,962,129	27,463,460
Retention money deducted during the year	-	16,376,358
Subordinate loan received	826,000,000	550,000,000
Interest charged on subordinate loan	211,072,629	87,946,776
<b>Transactions with One Network (Private) Limited</b>		
M-Tag recharge accrued to One Network	115,295,890	208,797,722
Feeding charges accrued to One Network	2,364,800	1,770,600
Feeding charges received from One Network	2,482,000	1,455,600
<b>Transactions with NHA:</b>		
Interest charged on subordinate loan	311,190,630	293,621,719
Charged on account of consultancy charges	5,321,548	19,485,281
<b>Transactions with associates:</b>		
<b>Transactions with EMASCO (Private) Limited</b>		
Rental paid for vehicles	1,020,000	1,980,000

	2023	2022
	----- Rupees -----	
<b>Balances receivable/(payable) with related parties</b>		
Receivable from FWO		
Receivable from NHA	23,281,213	28,272,063
Receivable from One Network (Private) Limited	219,530,240	214,208,692
Payable against project cost to FWO in respect of OM&M	197,800	315,000
Other payable to FWO	(940,659,999)	(940,659,999)
Retention money payable to FWO	(346,356,045)	(251,767,949)
Subordinate loan payable to FWO	(493,439,458)	(462,317,148)
Subordinate loan payable to NHA	(1,139,750,162)	(1,139,750,162)
	<b>(6,486,574,037)</b>	<b>(6,486,574,037)</b>

26.1 EMASCO (Private) limited and One Network (Private) Limited are subsidiaries of FWO.

**27 EXEMPTION FROM APPLICABILITY OF IFRIC 12 "SERVICE CONCESSION ARRANGEMENTS"**

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

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

	2023	2022
	----- Rupees -----	
<b>Impact on Statement of Financial Position</b>		
Derecognition of Property and Equipment – carrying amount	(25,548,239,251)	(27,499,668,943)
Derecognition of Capital work-in-progress – carrying amount	(4,319,307,935)	(4,313,986,387)
Recognition of intangible assets (Concession Right) – carrying amount	32,317,944,083	33,812,549,471
	<u>2,450,396,897</u>	<u>1,998,894,141</u>
Decrease in accumulated losses	<u>2,450,396,897</u>	<u>1,998,894,141</u>
<b>Impact on Statement of Profit or Loss</b>		
Derecognition of depreciation expenses charged on fixed assets	2,409,161,893	2,236,196,999
Recognition of amortisation expense charged on intangible assets	(1,499,926,936)	(1,499,926,936)
Decrease in loss for the year	<u>909,234,957</u>	<u>736,270,063</u>

**28 NUMBER OF EMPLOYEES**

The number of total contractual employees at the end of the year were 25 (2022: 26) whereas the average number of contractual employees during the year were 25 (2022: 22)

Total Number of employees as at June 30, 2023

	2023	2022
- Contractual employees	25	26
- Casual employees	419	408
	<u>444</u>	<u>434</u>

Average number of employees during the year

	2023	2022
- Contractual employees	25	22
- Casual employees	421	428
	<u>446</u>	<u>450</u>

**29 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS**

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

	Directors		Executives	
	2023	2022	2023	2022
	----- Rupees -----			
Managerial remuneration	-	-	3,858,960	3,136,960
Number of persons	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>

### 30 FINANCIAL RISK MANAGEMENT

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

Credit risk  
Liquidity risk  
Market risk

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

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

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

#### 30.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits, trade debts, other receivables and advances and bank balances.

##### 30.1.1 Counterparties

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

##### Banks

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

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

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

##### Exposure to Credit Risk

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

	2023	2022
	----- Rupees -----	
Other receivable		
Bank balances	243,009,253	242,795,755
	32,637,892	44,101,463
	<u>275,647,145</u>	<u>286,897,218</u>

##### Impairment losses

	2023		2022	
	Gross	Impairment	Gross	Impairment
	-----Rupees-----		-----Rupees-----	
Past due 1-30 days	2,374,020		7,518,870	
Past due 31-60 days	-		161,000	
Past due 61-90 days	197,800		2,847,389	
Over 90 days	240,437,434		232,268,496	
Total	<u>243,009,254</u>		<u>242,795,755</u>	

There was no movement in allowance for impairment in respect of trade receivables during the year.

#### 30.2 Liquidity risk

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

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

	Carrying Amount	Contractual cash flows		
		Within 1 year	1 to 5 years	More than 5 years
(Pak Rupees)				
<b>June 30, 2023</b>				
Long Term Loan - Conventional	3,977,755,889	1,085,877,457	1,648,471,230	1,243,407,202
Long Term Loan - Musharka	3,366,281,705	925,006,723	1,935,161,878	506,113,104
Subordinated loans	8,974,587,458	-	-	8,974,587,458
Refundable Security	5,840,000	-	5,840,000	5,840,000
Accrued Markup payable	658,851,246	-	-	658,851,246
Trade and other payables	1,808,570,683	1,808,570,683	-	-
		<u>3,819,454,863</u>	<u>3,589,473,108</u>	<u>11,388,799,010</u>
<b>June 30, 2022</b>				
Long Term Loan - Conventional	4,402,481,316	466,902,793	3,233,618,410	701,960,113
Long Term Loan - Musharka	3,725,176,497	395,071,593	2,736,138,653	593,966,251
Subordinated loans	7,626,324,198	-	-	7,626,324,198
Refundable Security	4,500,000	-	-	4,500,000
Trade and other payables	1,628,394,244	1,628,394,244	-	-
		<u>2,490,368,630</u>	<u>5,969,757,063</u>	<u>8,926,750,562</u>

### 30.3 Market risk

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

#### 30.3.1 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has long term Pakistan Rupees based loans and borrowing arrangements at variable rates. The local currency loans and borrowings have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR). The markup rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the market markup rates. Sensitivity to markup rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

##### Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2023 %	2022 %	2023 Rupees	2022 Rupees
<b>Fixed rate instruments</b>				
<b>Financial liabilities</b>				
Subordinated loans NHA	5.90%	5.90%	<u>6,797,764,667</u>	<u>6,486,574,037</u>
			<u>6,797,764,667</u>	<u>6,486,574,037</u>
<b>Variable rate instruments</b>				
<b>Financial assets</b>				
Bank Balances - Saving accounts	9.5%-16.10%	3.5%-8.6%	32,637,892	44,101,463
<b>Financial liabilities</b>				
Long Term Loan - Conventional	6-Months KIBOR +.74%	6-Months KIBOR +.74%	3,977,755,889	4,759,190,471
Long Term Loan - Musharka	6-Months KIBOR +.74%	6-Months KIBOR +.74%	3,366,281,705	4,054,125,216
Subordinated loans	6-Months KIBOR +.74%	6-Months KIBOR +.74%	2,176,822,791	1,139,750,162
Retention Money	1-Year KIBOR +.74%	1-Year KIBOR +.74%	493,439,458	418,477,329
			<u>10,014,299,843</u>	<u>10,371,543,178</u>

#### **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### **Cash flow sensitivity analysis for interest bearing instruments**

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by Rs. 99,816,619 (2022: Rs. 103,274,413)

#### **30.3.2 Foreign currency risk**

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

#### **30.4 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### **Financial instruments measured at fair value using a valuation technique**

The various fair value levels have been defined as follows:

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

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

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

### 30.4.1 Fair value of financial assets and liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Carrying amount					Fair value		
	Amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets and liabilities</b>								
<b>30 June 2023</b>								
<b>Financial assets not measured at fair value</b>								
Mobilization advance	1,244,137,191	-	-	1,244,137,191	-	-	-	-
Advances and other receivables	247,872,961	-	-	247,872,961	-	-	-	-
Cash and bank balances	32,854,984	-	-	32,854,984	-	-	-	-
<b>Total financial assets</b>	<b>1,524,865,136</b>	<b>-</b>	<b>-</b>	<b>1,524,865,136</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>								
Subordinated loans	-	-	8,974,587,458	8,974,587,458	-	-	-	-
Long term loans	-	-	7,344,037,594	7,344,037,594	-	-	-	-
Refundable Security	-	-	5,840,000	5,840,000	-	-	-	-
Trade and other payables	-	-	1,808,570,683	1,808,570,683	-	-	-	-
Unearned rental income	-	-	4,896,000	4,896,000	-	-	-	-
Accrued Liabilities	-	-	658,851,246	658,851,246	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>18,796,782,981</b>	<b>18,796,782,981</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 30.4.1 Fair value of financial assets and liabilities (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

Financial assets and liabilities	Carrying amount				Fair value			
	Amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees				Rupees			
<b>30 June 2022</b>								
<b>Financial assets not measured at fair value</b>								
Mobilization advance	1,244,137,191	-	-	1,244,137,191	-	-	-	-
Advances and other receivables	247,196,228	-	-	247,196,228	-	-	-	-
Cash and bank balances	44,608,285	-	-	44,608,285	-	-	-	-
<b>Total financial assets</b>	<b>1,535,941,704</b>	<b>-</b>	<b>-</b>	<b>1,535,941,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>								
Subordinated loans	-	-	7,626,324,198	7,626,324,198	-	-	-	-
Long term loans	-	-	8,127,657,813	8,127,657,813	-	-	-	-
Refundable Security	-	-	4,500,000	4,500,000	-	-	-	-
Trade and other payables	-	-	1,628,394,244	1,628,394,244	-	-	-	-
Unearned rental income	-	-	4,896,000	4,896,000	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>17,391,772,255</b>	<b>17,386,876,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**30.4.2** The Company has not disclosed the fair values of financial assets and liabilities which are either short term in nature or reprise periodically.



### 30.5 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year.

	30 June 2023 Rupees	30 June 2022 Rupees
Debt	16,318,625,052	15,753,982,011
Equity	12,608,530,601	16,426,373,750
	<u>28,927,155,653</u>	<u>32,180,355,762</u>
Gearing Ratio	<u>56%</u>	<u>49%</u>

### 31 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24 JAN 2024 by the Board of Directors of the Company.

  
\_\_\_\_\_  
CHIEF EXECUTIVE OFFICER

  
\_\_\_\_\_  
DIRECTOR