



**PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND  
ENGINEERING (PRIVATE) LIMITED**

**STATEMENT OF PROFIT OR LOSS**

**FOR THE YEAR ENDED JUNE 30, 2022**

		<b>2022</b>	<b>2021</b>
	Note	Rupees	Rupees
Revenue		2,339,971,310	1,835,544,682
Operating expenses	17	<u>(2,396,871,409)</u>	<u>(2,709,900,573)</u>
<b>Gross Loss</b>		(56,900,099)	(874,355,891)
Administrative expenses	18	<u>(36,585,005)</u>	<u>(31,369,754)</u>
Finance cost	19	<u>(1,097,443,906)</u>	<u>(956,087,936)</u>
		<u>(1,134,028,911)</u>	<u>(987,457,690)</u>
<b>Operating Loss</b>		(1,190,929,010)	(1,861,813,581)
Other income	20	<u>52,295,206</u>	<u>30,860,603</u>
<b>Loss before Taxation</b>		(1,138,633,804)	(1,830,952,978)
Taxation	21	(29,249,641)	(27,533,170)
<b>Net Loss for the Year</b>		<u><u>(1,167,883,445)</u></u>	<u><u>(1,858,486,148)</u></u>

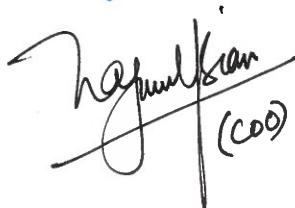
The annexed notes from 1 to 28 form an integral part of these financial statements.

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**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**



  
(COO)

**PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND  
ENGINEERING (PRIVATE) LIMITED**  
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2022


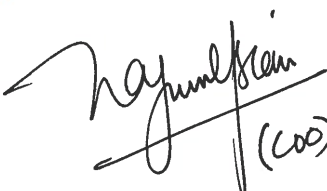
	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
<b>Net Loss for the Year</b>	(1,167,883,445)	(1,858,486,148)
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement gain / (loss) on defined benefit obligation	185,902	(100,538)
Related tax impact	-	-
	185,902	(100,538)
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-
Other comprehensive income / (loss) for the year	185,902	(100,538)
<b>Total Comprehensive Loss for the Year</b>	(1,167,697,543)	(1,858,586,686)

The annexed notes from 1 to 28 form an integral part of these financial statements.

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**CHIEF EXECUTIVE OFFICER**

  
**DIRECTOR**

   
**(COO)**



**PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND  
ENGINEERING (PRIVATE) LIMITED**  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2022

Particulars	Share Capital	Share Deposit Money	Accumulated Losses	Total
	Rupees	Rupees	Rupees	Rupees
<b>Balance as at June 30, 2020</b>	8,183,103,000	4,155,125,455	(6,023,986,725)	6,314,241,730
Total comprehensive loss for the year	-	-	(1,858,586,686)	(1,858,586,686)
<b>Balance as at June 30, 2021</b>	8,183,103,000	4,155,125,455	(7,882,573,411)	4,455,655,044
Share deposit money received during the year	-	94,874,545	-	94,874,545
Total comprehensive loss for the year	-	-	(1,167,697,543)	(1,167,697,543)
Ordinary shares issued at Rs. 100 each	4,250,000,000	(4,250,000,000)	-	-
<b>Balance as at June 30, 2022</b>	<u>12,433,103,000</u>	<u>-</u>	<u>(9,050,270,954)</u>	<u>3,382,832,046</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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**CHIEF EXECUTIVE OFFICER**

   
(COO)

  
**DIRECTOR**

**PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND ENGINEERING  
(PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2022

	2022 Rupees	2021 Rupees
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,138,633,804)	(1,830,952,978)
Adjustment for:		
- Depreciation on concession assets	1,901,385,414	1,905,454,160
- Depreciation on property, plant and equipment	1,720,022	1,635,377
- Amortization	64,960	64,960
- Provision for post employment benefits	1,658,770	1,344,887
- Profit on savings bank accounts	(52,295,206)	(30,860,603)
- Finance cost	1,097,443,906	956,087,936
	<u>2,949,977,866</u>	<u>2,833,726,717</u>
<b>Operating Profit before Working Capital Changes</b>	1,811,344,062	1,002,773,739
Decrease / (increase) in current assets		
- Accounts receivable	(110,235,465)	19,895,273
- Advances, prepayments and other receivable	(1,559,505)	85,581
Increase / (decrease) in current liabilities:		
- Trade and other payables	177,761,963	(136,986,821)
	<u>65,966,993</u>	<u>(117,005,967)</u>
<b>Cash Generated from Operations</b>	1,877,311,055	885,767,772
Finance cost paid	(1,398,451,117)	(821,526,161)
Income tax paid	(28,780,684)	(15,378,926)
	<u>(1,427,231,801)</u>	<u>(836,905,087)</u>
<b>Net Cash Generated from Operating Activities</b>	450,079,254	48,862,685
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(5,847,264)	(653,137)
Profit on savings bank accounts	52,295,206	30,860,603
<b>Net Cash Generated from Investing Activities</b>	46,447,942	30,207,466
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing repaid	(1,067,762,684)	(244,215,142)
Share deposit money	94,874,545	-
<b>Net Cash Used in Financing Activities</b>	(972,888,139)	(244,215,142)
<b>Net Decrease in Cash and Cash Equivalents</b>	(476,360,943)	(165,144,991)
Cash and cash equivalents at the beginning of the year	965,791,298	1,130,936,289
<b>Cash and Cash Equivalents at the End of the Year</b>	<u>10 489,430,355</u>	<u>965,791,298</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

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# PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND ENGINEERING (PRIVATE) LIMITED

Note 1

## The Company and its Operations

Punjab Ring Road Infrastructure Management and Engineering (Private) Limited (the Company) was incorporated in Pakistan on June 16, 2016 as a Private Limited Company under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The registered Office of the Company is located at Punjab Ring Road Authority Complex, Near Bulleh Shah Interchange, Gajju Matta, Ferozpur Road, Lahore (Previously Gate No. 13, National Hockey Stadium Gulberg-III, Lahore). The Company is principally formed for the purpose of the construction, operation and maintenance and collection of toll of Lahore Ring Road Southern Loop (SL-1 and SL-2) carriage way for the Concession period of 26 years on Build-Operate-Transfer (BOT) basis, pursuant to a Concession Agreement dated June 22, 2016, entered into between the Punjab Ring Road Authority (PRRA) and the Company. Additionally the Company shall be responsible for collecting the toll and maintenance of the existing toll plazas on already constructed Northern Loop of Lahore Ring Road, during the above mentioned concession period. After the expiry of Concession period, it will transfer the Concession Asset to Government of the Punjab.

Note 2

## Basis of Preparation

### 2.1 Statement of compliance

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

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

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

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

### 2.2 Basis of measurement

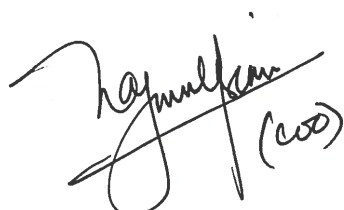
These financial statements have been prepared under the historical cost convention except for post employment benefit obligations that are stated at present value.

### 2.3 Presentation and functional currency

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

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Note 2, Basis of Preparation - Contd...

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These estimates and related assumptions are reviewed on an on-going basis. Significant management estimates in these financial statements relate to the useful life and residual values of property and equipment; impairment; provisions for defined benefit plans; contingencies and taxation.

The basis and associated assumptions underlying the accounting estimates used in the preparation of annual financial statement of the Company for the year ended June 30, 2022 have been consistent with previous years.

#### 2.5 Changes in accounting standards, interpretations and pronouncements

##### 2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

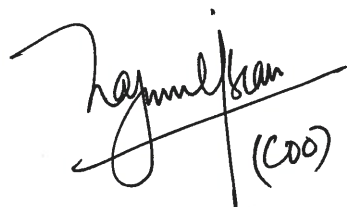
##### 2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for companies having accounting periods beginning on or after July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

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

The Company is in process to assess the impact of these amendments.

  
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Note 2, Basis of Preparation - Contd...

Note 2.5, Changes in accounting standards, interpretations and pronouncements - Contd...

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

In accordance with S.R.O 24(I)/2012, dated 16 January 2012, the Company has availed exemption, granted by the 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; 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.

Note 3

### Significant Accounting Policies

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

#### 3.1 Property and equipment / Concession assets

##### **Owned**

Property and equipment and concession assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes purchase price and all other expenses which are directly attributable for bringing the asset to its intended use, location and condition.

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

Depreciation on property and equipment and concession assets are charged on reducing balance method and straight line basis respectively using the rates stated in Note 4 and Note 5. Depreciation on additions is charged from the month in which the asset is available for use up to the month prior to disposal.

The depreciation method and useful lives of property and equipment and concession assets are reviewed by the management, at each financial year-end and adjusted if appropriate. The effect of any adjustment to useful lives and methods is recognized prospectively as a change in accounting estimate.

The Company assesses at each reporting date whether there is any indication that property and equipment and concession assets are impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

An item of property and equipment and concession assets is de-recognized upon disposal or when no future economic benefits are expected from its use. Disposal of an asset is recognized when significant risk and rewards, incidental to the ownership of an asset, have been transferred to the buyer. The gain or loss on disposal or retirement of property and equipment or concession assets represented by the difference between the sale proceeds and the carrying amount of the property and equipment or concession assets is recognized as an income or expense in the period of disposal or retirement of asset in statement of profit or loss.

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Note 3, Significant Accounting Policies - Contd...

### 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 construction of Lahore Ring Road Southern Loop (SL-1 and SL-2) and other directly attributable cost. Toll collected from the Ring-Road Northern loop toll plaza during the construction period has been treated as subsidy from Government and adjusted against construction cost.

Capital work in progress is transferred to concession assets upon completion.

### 3.3 Intangible asset

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

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

### 3.4 Provisions

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

### 3.5 Post employment benefit obligations

The Company operates a defined benefit plan and maintains an unfunded gratuity scheme. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method, which is carried out by an independent actuary.

Post employment benefits are payable to employees on resignation, retirement or termination from service, subject to the completion of prescribed qualifying period of service under the scheme.

### 3.6 Trade and other payables

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

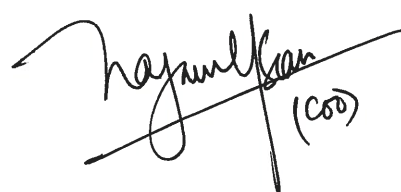
### 3.7 Taxation

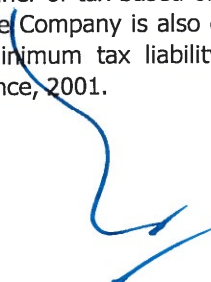
Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity, or other comprehensive income.

#### 3.7.1 Current

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax. Super tax applicable on the Company is also calculated. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

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Note 3, Significant Accounting Policies - Contd...

Note 3.7, Taxation - Contd...

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

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

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

**3.7.2 Deferred**

Deferred tax is recognized using the balance sheet method on all temporary differences between the carrying amount of assets, liabilities and their tax bases.

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

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

Carrying amount of the deferred tax asset is reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

**3.8 Revenue recognition**

Revenue is recognised at a point in time when the Company satisfies performance obligations in accordance with the following steps:

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

- Company's performance obligation in respect of toll revenue consists of arrangements of ticketing system at toll booth locations and performance obligation is satisfied when the vehicles pass through the toll booth and toll ticket is generated from the ticketing system. Toll revenue is recognised when the Company satisfies this performance obligation.

- Profit on bank deposits is recorded on accrual basis.

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Note 3, Significant Accounting Policies - Contd...

### 3.9 Finance cost

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

### 3.10 Contingent liabilities

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

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

### 3.11 Related party transactions

Transactions in relation to revenue, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy.

### 3.12 Financial Instruments

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

#### 3.12.1 Financial assets

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

#### **Classification**

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

#### **Initial recognition and measurement**

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

#### **Subsequent Measurement**

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

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the profit or loss.

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*Note 3, Significant Accounting Policies - Contd...*

*Note 3.12, Financial Instruments - Contd...*

Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to the other comprehensive income.

***Derecognition***

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

***Impairment of financial assets***

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

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

**3.12.2 Financial liabilities**

***a) Initial recognition and measurement***

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

***b) Subsequent measurement***

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

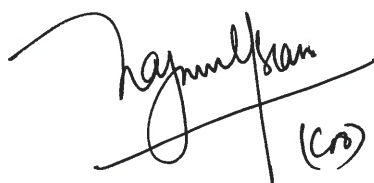
**3.12.3 Off-setting of financial assets and financial liabilities**

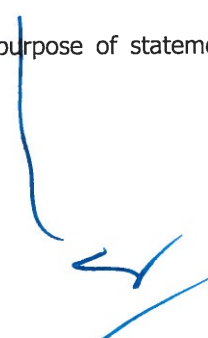
A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**3.13 Cash and Cash Equivalents**

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

  
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Note 4  
**Property and Equipment**

Description	Vehicles	IT Equipment	Furniture and Fixture	Communication	Office Equipment	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Net Carrying Value Basis</b>						
<b>Year Ended June 30, 2022</b>						
Opening net book value	4,113,102	1,007,513	1,351,434	63,958	3,502,263	10,038,270
Additions	1,773,760	308,326	2,032,308	-	1,732,870	5,847,264
Depreciation charge	(1,001,200)	(109,801)	(185,951)	(6,396)	(416,674)	(1,720,022)
Closing net book value	<u>4,885,662</u>	<u>1,206,038</u>	<u>3,197,791</u>	<u>57,562</u>	<u>4,818,459</u>	<u>14,165,512</u>
<b>Depreciation rates</b>	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	
<b>Gross Carrying Value Basis</b>						
<b>Year Ended June 30, 2022</b>						
Cost	12,571,026	1,702,675	3,684,037	103,155	6,120,549	24,181,442
Accumulated depreciation	(7,685,364)	(496,637)	(486,246)	(45,593)	(1,302,090)	(10,015,930)
Net book value	<u>4,885,662</u>	<u>1,206,038</u>	<u>3,197,791</u>	<u>57,562</u>	<u>4,818,459</u>	<u>14,165,512</u>
<b>Net Carrying Value Basis</b>						
<b>Year Ended June 30, 2021</b>						
Opening net book value	5,141,377	1,119,459	1,015,491	71,064	3,673,119	11,020,510
Additions	-	-	442,000	-	211,137	653,137
Depreciation charge	(1,028,275)	(111,946)	(106,057)	(7,106)	(381,993)	(1,635,377)
Closing net book value	<u>4,113,102</u>	<u>1,007,513</u>	<u>1,351,434</u>	<u>63,958</u>	<u>3,502,263</u>	<u>10,038,270</u>
<b>Depreciation rates</b>	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	
<b>Gross Carrying Value Basis</b>						
<b>Year Ended June 30, 2021</b>						
Cost	10,797,266	1,394,349	1,651,729	103,155	4,387,679	18,334,178
Accumulated depreciation	(6,684,164)	(386,836)	(300,295)	(39,197)	(885,416)	(8,295,908)
Net book value	<u>4,113,102</u>	<u>1,007,513</u>	<u>1,351,434</u>	<u>63,958</u>	<u>3,502,263</u>	<u>10,038,270</u>

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*Raymond Sian*  
(COO)

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**PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND ENGINEERING (PRIVATE) LIMITED**

*Notes to and Forming Part of the Financial Statements*

Note 5

**Concession Assets**

Description	Building		Structure		Toll Plazas		Other Assets		Road Infrastructure		Intelligent Transport System		Operational Vehicles		Total	
	Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees		Rupees	
<b>Net Carrying Value Basis</b>																
<b>Year Ended June 30, 2022</b>																
Opening net book value	386,063,678		5,140,128,732		595,199,158		1,460,496,503		8,943,663,320		131,437,853		68,714,000		16,725,703,244	
Additions	-		-		-		-		-		-		-		-	
Depreciation charge	(19,407,242)		(258,174,067)		(29,914,873)		(73,290,224)		(1,382,264,417)		(89,830,591)		(48,504,000)		(1,901,385,414)	
Closing net book value	366,656,436		4,881,954,665		565,284,285		1,387,206,279		7,561,398,903		41,607,262		20,210,000		14,824,317,830	
<b>Depreciation rates</b>	4.245%	-4.368%	4.245%	-4.923%	4.245%	-4.923%	4.245%		10%		20%		20%			
<b>Gross Carrying Value Basis</b>																
<b>Year Ended June 30, 2022</b>																
Cost	454,232,394		6,055,999,833		700,769,860		1,726,458,840		13,822,644,165		449,152,954		242,520,000		23,451,778,046	
Accumulated depreciation	(87,575,958)		(1,174,045,168)		(135,485,575)		(339,252,561)		(6,261,245,262)		(407,545,692)		(222,310,000)		(8,627,460,216)	
Net book value	366,656,436		4,881,954,665		565,284,285		1,387,206,279		7,561,398,903		41,607,262		20,210,000		14,824,317,830	
<b>Net Carrying Value Basis</b>																
<b>Year Ended June 30, 2021</b>																
Opening net book value	405,470,920		5,270,746,299		610,938,951		1,533,786,727		10,274,203,832		218,639,112		117,218,000		18,431,003,841	
Additions	-		132,414,170		14,764,714		-		50,524,192		2,450,487		-		200,153,563	
Depreciation charge	(19,407,242)		(263,031,737)		(30,504,507)		(73,290,224)		(1,381,064,704)		(89,651,746)		(48,504,000)		(1,905,454,160)	
Closing net book value	386,063,678		5,140,128,732		595,199,158		1,460,496,503		8,943,663,320		131,437,853		68,714,000		16,725,703,244	
<b>Depreciation rates</b>	4.245%	-4.368%	4.245%	-4.39%	4.245%	-4.39%	4.245%		10%		20%		20%			
<b>Gross Carrying Value Basis</b>																
<b>Year Ended June 30, 2021</b>																
Cost	454,232,394		6,055,999,833		700,769,860		1,726,458,840		13,822,644,165		449,152,954		242,520,000		23,451,778,046	
Accumulated depreciation	(68,168,716)		(915,871,101)		(105,570,702)		(265,962,337)		(4,878,980,845)		(317,715,101)		(173,806,000)		(6,726,074,802)	
Net book value	386,063,678		5,140,128,732		595,199,158		1,460,496,503		8,943,663,320		131,437,853		68,714,000		16,725,703,244	

5.1 A charge has been created on all the assets of the Company against long term financing as mentioned in note 13 to these financial statements.

5.2 The useful life of concession assets added after the start of concession agreement is restricted to the remaining period of the concession agreement. Had such asset been depreciated on normal useful life, the depreciation charge on such asset would have been lower by Nil during the year (2021: Rs. 23.284 million).

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Note 6

**Intangible Assets**

	Note	2022 Rupees	2021 Rupees
<b>Net Carrying Value</b>			
Net carrying value - opening balance		64,960	129,920
Additions during the year		-	-
		<u>64,960</u>	<u>129,920</u>
Amortization during the year		<u>(64,960)</u>	<u>(64,960)</u>
Net carrying value as at June 30,		<u>-</u>	<u>64,960</u>
<b>Gross Carrying Value</b>			
Cost	6.1	324,800	324,800
Accumulated amortization		<u>(324,800)</u>	<u>(259,840)</u>
Net book value		<u>-</u>	<u>64,960</u>
Amortization rate		<u>20%</u>	<u>20%</u>

6.1 This represents SQL Accounting software.

6.2 Amortization has been charged to administrative expenses.

Note 7

**Accounts Receivable**

	Note	2022 Rupees	2021 Rupees
Accounts receivable from FWO	7.1	<u>157,536,080</u>	<u>47,300,615</u>

7.1 This represents amount receivable from related party M/s Frontier Works Organization. This balance is past due for less than one year.

Note 8

**Advances, Prepayments and other Receivables**

	Note	2022 Rupees	2021 Rupees
Advance to related party	8.1	31,923,542	31,923,542
Advance to suppliers		1,105,712	-
Advance to employees		1,179,846	37,004
Prepaid insurance		<u>149,414</u>	<u>147,781</u>
		<u>34,358,514</u>	<u>32,108,327</u>

8.1 This represents advance given to M/s Frontier Works Organization. The maximum aggregate amount due from related party at the end of any month during the year was Rs. 31,923,542 (2021: Rs. 31,923,542).

Note 9

**Advance Income Tax**

	2022 Rupees	2021 Rupees
Opening balance	1,384,667	13,538,911
Add: Advance tax withheld / paid during the year	28,780,684	15,378,926
Less: Provision for current tax	<u>(29,249,641)</u>	<u>(27,533,170)</u>
	<u>915,710</u>	<u>1,384,667</u>

Note 10

**Cash and Bank Balances**

	Note	2022 Rupees	2021 Rupees
Cash in hand		36,991	44,271
Cash in transit		5,033,260	5,028,916
Balance at banks - in savings accounts	10.1	<u>484,360,104</u>	<u>960,718,111</u>
		<u>489,430,355</u>	<u>965,791,298</u>

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

10.2 The yield on savings bank accounts ranges from 7.26% to 12.26% per annum. (2021: 4% to 6.5% per annum)

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Note 11

Issued, Subscribed and Paid up Capital

2022		2021		2022	2021
No. of Shares				Rupees	Rupees
81,831,030	81,831,030	Class A Ordinary shares of Rs. 100 each fully paid in cash		8,183,103,000	8,183,103,000
42,500,000	-	Class B Ordinary shares of Rs. 100 each fully paid in cash		4,250,000,000	-
<u>124,331,030</u>	<u>81,831,030</u>			<u>12,433,103,000</u>	<u>8,183,103,000</u>

11.1 The Company has two classes of shares, namely:

- Class A ordinary shares, which are ordinary shares with full voting, dividend and other rights conferred upon ordinary shares under applicable law.
- Class B ordinary shares, which are ordinary shares with no voting rights but all other rights conferred upon ordinary shares under applicable law.

11.2 Frontier Works Organization (FWO) and its nominated directors hold the entire issued share capital comprising 81,831,030 (2021: 81,831,030) Class A ordinary shares and 42,500,000 (2021: Nil) Class B ordinary shares have been issued against which share deposit money is received by the Company as referred to in note 12.

11.3 Reconciliation of changes in number of shares is as follows:

Opening balance	81,831,030	81,831,030
Shares issued during the period	42,500,000	-
Closing balance	<u>124,331,030</u>	<u>81,831,030</u>

Note 12

Share Deposit Money

	Note	2022 Rupees	2021 Rupees
Punjab Ring Road Authority (PRRA)	12.1	-	4,155,124,487
Frontier Works Organization (FWO)		-	968
		<u>-</u>	<u>4,155,125,455</u>

12.1 This represents the amount contributed by Punjab Ring Road Authority (PRRA) as per agreement dated August 10, 2016 under which PRRA was required to contribute 17.49%. However, during the year 2018, an amendment was made through which PRRA is now required to contribute 17.22%.

The share deposit money was received against allotment of class B ordinary shares to PRRA and is treated as equity funding. Shares have been allotted to Punjab Ring Road Authority (PRRA) during the year against share deposit money.

Note 13

Long Term Financing

	Note	2022 Rupees	2021 Rupees
Term finance facility	13.1	9,632,924,390	10,700,687,074
Less: current and overdue portion		<u>(1,167,503,869)</u>	<u>(1,067,762,684)</u>
		<u>8,465,420,521</u>	<u>9,632,924,390</u>

13.1 This represents term finance facility obtained by the Company from Habib Bank Limited (HBL) in order to finance the construction of Lahore Ring Road Southern Loop (SL-1 and SL-2). The loan carries markup at the rate of six (6) months KIBOR plus 0.85% per annum. Original Term of the loan is ten (10) years with one year grace period and is re-payable in eighteen (18) semi-annual instalments, commencing from September 20, 2018. The facility is secured by way of following:

- First charge (hypothecation & assignment) on all present and future assets of the Company (excluding land & building) for Rs. 16,647 million inclusive of 25% margin (including but not limited to all toll collections of the project).
- Assignment of all rights of the Company to HBL under Concession Agreement.
- Lien over project accounts including the debt payment account an amount equal to 1/6th of the upcoming instalment deposited in the Daily Progressive Account (DPA) at the beginning of every month during the semi-annual period.

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Note 13, Long Term Financing - Cont ...

- Lien over Maintenance Reserve Account (MRA) to the extent of Rs. 200 million. MRA to be topped up within 1 year of Commercial Operation Date (COD).
- Equitable mortgage charge over land having market value of at least Rs. 4,000 million to be provided by PRRA. Valuation of said properties to be conducted by HBL appointed valuer.

**13.2 Change in liabilities arising from financing activities**

Description	30-Jun-21	Cash flows	30-Jun-22
	Rupees	Rupees	Rupees
Long term financing	<u>10,700,687,074</u>	<u>(1,067,762,684)</u>	<u>9,632,924,390</u>

Description	30-Jun-20	Cash flows	30-Jun-21
	Rupees	Rupees	Rupees
Long term financing	<u>10,944,902,216</u>	<u>(244,215,142)</u>	<u>10,700,687,074</u>

Note 14

**Post Employment Benefit Obligations**

	Note	2022	2021
		Rupees	Rupees
Present value of defined benefit obligations	14.1	<u>4,734,792</u>	<u>3,261,924</u>

The Company operates a defined benefit plan comprising a gratuity fund for its permanent employees. The scheme entitles the members to a lump sum payment at the time of retirement, resignation or death.

**14.1 Reconciliation of defined benefit obligations**

Opening balance	3,261,924	1,816,499
Current service cost	1,332,578	1,190,485
Interest cost on defined benefit obligation	326,192	154,402
Remeasurement (gain) / loss on obligation	(185,902)	100,538
Closing balance	<u>4,734,792</u>	<u>3,261,924</u>

**14.2 The amount charged to profit or loss**

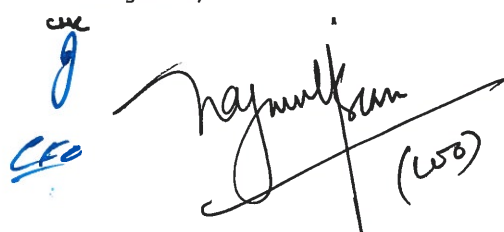
Current service cost	1,332,578	1,190,485
Net interest cost	326,192	154,402
	<u>1,658,770</u>	<u>1,344,887</u>

**14.3 Re-measurement recognized in OCI during the year**

Remeasurement (gain) / loss on defined benefit obligation	<u>(185,902)</u>	<u>100,538</u>
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**14.4 Movement in liability recognized in statement of financial position**

Opening liability	3,261,924	1,816,499
Cost for the year recognized in profit or loss	1,658,770	1,344,887
Remeasurement (gain) / loss recognized in other comprehensive income during the year	(185,902)	100,538
Closing liability	<u>4,734,792</u>	<u>3,261,924</u>


  
 CEO





Note 14, Post Employment Benefit Obligations - Contd..

**14.5 Actuarial assumptions:**

The principal actuarial assumptions used were as follows:

	<b>2022</b>	<b>2021</b>
Discount rate of interest cost in P&L - per annum	10.00%	8.50%
Discount rate for year end obligation - per annum	13.25%	10.00%
Expected rate of increase in salary level - per annum	10.00%	9.00%
Average duration of the defined benefit obligation	7 Years	8 Years

Mortality rates (for death in service)

As per SLIC 2001-2005 Mortality table with 1 year setback

**14.6 Year end sensitivity analysis on defined benefit obligation**

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact of the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions by one percent.

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Discount rate + 100 bps	4,416,817	3,024,640
Discount rate - 100 bps	5,101,101	3,537,078
Salary increase + 100 bps	5,116,022	3,546,360
Salary decrease - 100 bps	4,397,890	3,012,035

**14.7 Estimated charge for the next year - 2022 to 2023**

	Rupees
Current service cost	1,495,009
Interest on defined benefit liability	579,004
	<u>2,074,013</u>

**14.8 Comparison of last five years**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	4,734,792	3,261,924	1,816,499	2,122,441	1,238,962
Fair value of plan assets	-	-	-	-	-
Retirement benefits liability	<u>4,734,792</u>	<u>3,261,924</u>	<u>1,816,499</u>	<u>2,122,441</u>	<u>1,238,962</u>

Note 15

**Trade and Other Payables**

		<b>2022</b>	<b>2021</b>
	Note	Rupees	Rupees
Trade creditors	15.1	415,363,560	241,073,066
Retention Money Payable	15.2	89,511,499	88,820,817
Accrued liabilities		2,337,292	509,740
Tax deducted at source		2,860,952	1,217,035
		<u>510,073,303</u>	<u>331,620,658</u>

**15.1** This includes Rs. 363.722 million (2021: Rs. 214.150 million) payable to a related party M/s Frontier Works Organization.

**15.2** This includes Rs. 88.820 million (2021: Rs. 88.820 million) payable to a related party M/s Frontier Works Organization.

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(COO)

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Note 16

**Contingencies and Commitments**

**Contingencies:**

Income Tax Department raised the demand of Rs. 1.123 million in consequence of proceedings under section 122(1) of the Income Tax Ordinance, 2001 for the tax year 2018 as on May 27, 2021. The Company had filed an appeal against the order on June 24, 2021. The said appeal was heard by Commissioner Inland Revenue (Appeal), however the decision of the appeal is still awaited from the Commissioner Inland Revenue (Appeal). The management does not foresee any adverse order against the Company and therefore has not incorporated any provision based on the opinion of the tax advisor.

Income Tax Department raised the demand of Rs. 0.444 million in consequence of proceedings under section 122(9) of the Income Tax Ordinance, 2001 for the tax year 2019 as on April 25, 2022. The Company had filed an appeal against the order on May 24, 2022. The said appeal was heard by Commissioner Inland Revenue (Appeal), however the decision of the appeal is still awaited from the Commissioner Inland Revenue (Appeal). The management does not foresee any adverse order against the Company and therefore has not incorporated any provision based on the opinion of the tax advisor.

Income Tax Department raised the demand of Rs. 11.535 million and 12.154 million in consequence of proceedings under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2020 and 2021 respectively as on April 25, 2022. The Company had filed an appeal against the order on July 25, 2022. The said appeal are yet to be fixed by Commissioner Inland Revenue (Appeal). The management does not foresee any adverse order against the Company and therefore has not incorporated any provision based on the opinion of the tax advisor.

**Commitments:**

Commitments in respect of construction, consultancy, operation and maintenance cost of Lahore Ring Road Southern Loop amount to Rs. 84.7 million. (2021: Rs. 5.487 billion)

Note 17

**Operating Expenses**

	Note	2022 Rupees	2021 Rupees
Operation and management cost	17.1	117,072,307	763,333,333
Consultancy fee		41,113,080	41,113,080
Depreciation on concession assets		1,901,385,414	1,905,454,160
Salaries, wages and benefits		139,473,257	-
Security services		38,031,721	-
Travelling and conveyance		49,164,326	-
Meal and entertainment		19,675,299	-
Repairs and maintenance		25,141,523	-
Printing and stationery		6,578,415	-
Utilities		54,937,015	-
Communication		411,575	-
Miscellaneous expenses		2,894,118	-
Insurance		376,760	-
Uniforms		616,599	-
		<u>2,396,871,409</u>	<u>2,709,900,573</u>

**17.1** This represents operation, management and maintenance (OM&M) cost as per OM&M contract between the Company and Frontier Works Organization (FWO), for provision of operations, management, maintenance, administration and other services as described under the agreement. FWO shall be entitled to a monthly compensation, which shall be the fixed amount as per contract.

Operation, management and maintenance contract with Frontier Works Organization (FWO) ended on September 25, 2021. The Company is managing the operation, management and maintenance itself.

Note 18

**Administrative Expenses**

		<b>2022</b>	<b>2021</b>
	Note	Rupees	Rupees
Salaries, wages and benefits	18.1	22,518,045	18,777,017
Travelling and conveyance		835,919	810,440
Meal and entertainment		1,096,473	872,951
Repairs and maintenance		344,387	161,677
Utilities		347,742	317,345
Vehicle running and maintenance expenses		4,643,115	3,532,458
Printing and stationery		434,151	814,565
Postage and courier		108,868	59,640
Legal and professional charges		2,312,688	2,253,883
Guarantee charges		120,608	-
Rent, rates and taxes		32,170	34,150
Insurance expense		894,861	827,165
Fee and subscription		293,845	456,569
Auditors' remuneration		400,000	400,000
Miscellaneous expenses		417,151	351,557
Amortization	6	64,960	64,960
Depreciation on property and equipment	4	1,720,022	1,635,377
		<u>36,585,005</u>	<u>31,369,754</u>

**18.1** This includes Rs. 1,658,770 (2021: Rs. 1,344,887) in respect of post employment benefits obligations.

Note 19

**Finance Cost**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Mark-up on term loan facility	1,095,040,514	953,390,188
Finance cost and fee	2,320,000	2,320,000
Bank charges	83,392	377,748
	<u>1,097,443,906</u>	<u>956,087,936</u>

Note 20

**Other Income**

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Profit on savings bank accounts	<u>52,295,206</u>	<u>30,860,603</u>

Note 21

**Taxation**

		<b>2022</b>	<b>2021</b>
	Note	Rupees	Rupees
For the year			
- Current	21.1	29,249,641	27,533,170
- Prior year adjustment		-	-
- Deferred	21.2	-	-
		<u>29,249,641</u>	<u>27,533,170</u>

**Reconciliation of accounting and tax expense/(income)**

Revenue	<u>2,339,971,310</u>	<u>1,835,544,682</u>
Tax on income @ 1.25% (2021: 1.5%)	<u>29,249,641</u>	<u>27,533,170</u>

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(COO)

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Note 21, Taxation - Cont ...

**21.1** The current charge for taxation is based on minimum tax on turnover of the Company and is charged at 1.25% of turnover (2021: 1.5% of turnover). Reconciliation of tax expense is not presented as the Company's taxation is based on minimum taxation.

**21.2** Being prudent, the management has not recognized deferred tax asset since it believes that the utilization of related deductible temporary differences against future taxable profits is not certain. Breakup is as follows:

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
<i>Deferred tax asset for deductible temporary differences related to:</i>		
- Unused tax losses	3,272,542,131	3,343,799,874
- Minimum tax credit	94,391,768	65,142,127
- Post employment benefits	1,373,090	-
<i>Deferred tax liability for taxable temporary differences related to:</i>		
- Accelerated tax depreciation	(863,920,412)	(1,028,459,606)
	<u>2,504,386,577</u>	<u>2,380,482,395</u>

Minimum tax available for carry forward and unused tax losses on which deferred tax asset has not been recognised, would expire as follows:

Accounting year to which minimum tax relates	Amount of minimum tax Rupees in '000	Accounting year in which minimum tax will expire
2020	21,456	2023
2021	27,533	2024
2022	29,250	2025
	<u>78,239</u>	

Accounting year to which unused tax relates	Amount of unused tax loss Rupees in '000	Accounting year in which unused tax loss will expire
2017	12,973	2023
2018	71,375	2024
2019	353,685	2025
2020	705,095	2026
2022	9,375,305	2028
	<u>10,518,433</u>	

Note 22

**Transactions with Related Parties**

Related parties comprise parent company, associated company due to common directorship of shareholders, directors and key management personnel of the Company. Transactions with related parties are as under:

**Transactions during the year**

Related party	Relationship	Nature of transaction	<b>2022</b>	<b>2021</b>
			Rupees	Rupees
Frontier Works Organization (FWO)	Parent	Operation and maintenance cost	(181,940,640)	(763,333,333)
		Toll revenue accrued	2,339,971,310	1,835,544,682
		Adjustment against advance	-	180,138,205
Punjab Ring Road Authority	Associate	Share deposit money	94,874,545	4,155,124,487
		Shares issued	(4,250,000,000)	-

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*Harjinder Singh*  
(COO)

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Note 22, Transactions with Related Parties - Cont ...

**Outstanding balance as at the year end**

Frontier Works Organization (FWO)	Parent	Advance to related party	31,923,542	31,923,542
		Trade creditors	(363,723,791)	(214,150,516)
		Retention Money	(88,820,817)	(88,820,817)
		Share deposit money	-	968
		Accounts receivable from FWO	157,536,080	52,329,531
		Long term loan	(1,000,000,000)	(1,000,000,000)
		Accrued markup against loan	(147,310,134)	(42,759,452)
Punjab Ring Road Authority	Associate	Share deposit money	-	4,155,124,487

**22.1** There were no transactions with key management personnel other than undertaken as per terms of their employment that have been disclosed in Note 24.

**22.2** Following are the related parties with whom the Company has entered into transactions or have arrangement / agreement in place.

Sr. No.	Name	Basis or association	Aggregate % of Shareholding
1	Frontier Works Organization (FWO)	Parent	99.999996%
2	Mr. Kamal Azfar	Nominee Director	Qualification shares only
3	Mr. Aakif Rahim Jaspal	Nominee Director	Qualification shares only
4	Mr. Agha Waqar Javed	Nominee Director	Qualification shares only

Note 23

**Financial Risk Management**

The Board of Directors have the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

**23.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparties to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from counterparties. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. To manage exposure to credit risk in respect of receivable from counterparty, management reviews credit worthiness and references regularly.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was as follows:

	<u>2022</u>	<u>2021</u>
	Rupees	Rupees
Accounts receivable	157,536,080	47,300,615
Bank balances	484,360,104	960,718,111
	<u>641,896,184</u>	<u>1,008,018,726</u>

CFE  
  
 (COO)





Note 23, Financial Risk Management - Contd...

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

	Rating		Rating	2022	2021
	Short term	Long term	Agency	Rupees	Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	484,360,104	960,718,111

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

**(c) Price Risk**

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

**d) Fair value of financial instruments**

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates. As at June 30, 2022 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

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

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

**23.2 Liquidity risk**

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the Company operates. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees

Contractual maturities of financial liabilities as at June 30, 2022:

Long term financing	9,632,924,390	14,637,672,929	2,147,015,001	2,741,191,865	8,013,562,948	1,735,903,115
Accrued Markup	990,159,470	990,159,470	990,159,470	-	-	-
Trade and other payables	507,212,351	507,212,351	507,212,351	-	-	-
Long term loan from Frontier Works Organization	1,000,000,000	1,000,000,000	-	-	-	1,000,000,000
	<u>12,130,296,211</u>	<u>17,135,044,750</u>	<u>3,644,386,822</u>	<u>2,741,191,865</u>	<u>8,013,562,948</u>	<u>2,735,903,115</u>

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
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Contractual maturities of financial liabilities as at June 30, 2021:

Long term financing	10,700,687,074	14,204,686,085	2,116,017,055	1,823,578,142	6,510,249,755	3,754,841,133
Accrued Markup	1,291,166,681	1,291,166,681	1,291,166,681	-	-	-
Trade and other payables	330,403,623	330,403,623	330,403,623	-	-	-
Long term loan from Frontier Works Organization	1,000,000,000	1,000,000,000	-	-	-	1,000,000,000
	<u>13,322,257,378</u>	<u>16,826,256,389</u>	<u>3,737,587,359</u>	<u>1,823,578,142</u>	<u>6,510,249,755</u>	<u>4,754,841,133</u>

CFO

*Signature*  
(CFO)

*Signature*

*Signature*

Note 23, Financial Risk Management - Contd...

### 23.3 Market risk

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

#### (a) Currency risk

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

#### (b) Interest rate risk

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

Financial assets as at June 30,	2022	2021
	Rupees	Rupees
Bank balances - savings accounts	484,360,104	960,718,111
<b>Financial liabilities as at June 30,</b>		
Long term financing	9,632,924,390	10,700,687,074
<b>Net Exposure</b>	<b>9,148,564,286</b>	<b>9,739,968,963</b>

#### Cash flow sensitivity analysis for variable rates

In case of increase / decrease in interest rate by 100 basis points on the last repricing date with all other variables held constant, the profit before tax for the year ended June 30, 2022 would have been lower / higher by Rs. 91.48 million (2020: Rs. 97.40 million).

### 23.4 Financial instruments by categories

#### Financial assets as at June 30, 2022

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	-----Rupees-----			
Accounts receivable	-	157,536,080	-	157,536,080
Cash and bank balances	-	489,430,355	-	489,430,355
	-	646,966,435	-	646,966,435

#### Financial assets as at June 30, 2021

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	-----Rupees-----			
Accounts receivable	-	47,300,615	-	47,300,615
Cash and bank balances	-	965,791,298	-	965,791,298
	-	1,013,091,913	-	1,013,091,913

#### Financial liabilities as at June 30,

	At amortized cost	
	2022	2021
	Rupees	
Long term financing	9,632,924,390	10,700,687,074
Long term loan from Frontier Works Organization	1,000,000,000	1,000,000,000
Accrued Markup	990,159,470	1,291,166,681
Trade and other payables	507,212,351	330,403,623
	<b>12,130,296,211</b>	<b>13,322,257,378</b>

  
 CEO  
 (cos)





Note 24

**Remuneration to Key Management Personnel**

The aggregate amounts charged in these financial statements for the year as remuneration and benefits to the key management personnel's of the Company are as follows:

	Chief Executive Officer		Directors		Executive	
	2022	2021	2022	2021	2022	2021
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration and bonus	-	3,250,000	-	-	7,461,125	2,739,039
Gratuity and leave encashment	-	100,000	-	-	245,375	71,000
	-	<u>3,350,000</u>	-	-	<u>7,706,500</u>	<u>2,810,039</u>
Number of persons	1	1	3	5	2	1

**24.1** An executive is defined as an employee, other than the Chief Executive Officer and Directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

**24.2** Two executives have been provided with the Company maintained cars.

**24.3** No remuneration or meeting fee has been paid to any director and Chief Executive Officer of the Company.

Note 25

**Capital Management**

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

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

As at the reporting date, the gearing ratio of the Company was worked out as under:

	2022	2021
	Rupees	Rupees
Long term financing	10,632,924,390	11,700,687,074
Equity	3,382,832,046	4,455,655,044
Total capital employed	<u>14,015,756,436</u>	<u>16,156,342,118</u>
Gearing ratio	<u>75.86%</u>	<u>72.42%</u>

Note 26

**Number of Employees**

	2022	2021
	Numbers	Numbers
Contractual employees as at June 30,	<u>25</u>	<u>19</u>
Average contractual employees during the year	<u>22</u>	<u>19</u>

  
CEO

  
Rajmohan  
(COO)





Note 27

**Authorization of Financial Statements**

These financial statements were approved and authorized for issue on \_\_\_\_\_ by the Board of Directors of the Company.

Note 28

**General**

Corresponding figures have been re-arranged / reclassified, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements.

Nature	From	To	Amount Rupees
<b>Statement Of Financial Position</b>			
Cash in transit <i>cm</i>	Accounts receivable (Note 7)	Cash and bank balances (Note 8)	5,033,260

  
 CHIEF EXECUTIVE OFFICER

  
 DIRECTOR



  
 (COO)

