

PUNJAB RING ROAD INFRASTRUCTURE MANAGEMENT AND ENGINEERING (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
Non Current Assets			
Operating fixed assets	4	13,950,254	14,165,512
Concession assets	5	12,999,449,745	14,824,317,830
Intangible assets	6	-	-
		13,013,399,999	14,838,483,342
Current Assets			
Accounts receivable	7	215,629,900	157,536,080
Advances and prepayments	8	37,568,519	34,358,514
Advance income tax	9	2,397,562	915,710
Cash and bank balances	10	336,101,872	489,430,355
		591,697,853	682,240,659
		<u>13,605,097,852</u>	<u>15,520,724,001</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 124,340,000 (2022: 124,340,000) ordinary shares of Rs. 100 each		<u>12,434,000,000</u>	<u>12,434,000,000</u>
Issued, subscribed and paid up capital	11	12,433,103,000	12,433,103,000
Accumulated loss		(10,950,569,813)	(9,050,270,954)
		1,482,533,187	3,382,832,046
Non Current Liabilities			
Long term financing from banking company	12	8,230,492,030	8,465,420,521
Post employment benefit obligations	13	8,888,904	4,734,792
Long term loan from related party	14	1,921,773,429	1,000,000,000
		10,161,154,363	9,470,155,313
Current Liabilities			
Trade and other payables	15	167,639,246	510,073,303
Current portion of long term financing from banking company	12	333,043,478	1,167,503,869
Accrued markup	16	1,460,727,578	990,159,470
		1,961,410,302	2,667,736,642
Contingencies and Commitments	17	-	-
		<u>13,605,097,852</u>	<u>15,520,724,001</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR





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

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
Revenue		2,354,531,100	2,339,971,310
Operating expenses	18	<u>(2,381,253,506)</u>	<u>(2,396,871,409)</u>
Gross Loss		(26,722,406)	(56,900,099)
Administrative expenses	19	<u>(45,489,791)</u>	<u>(36,585,005)</u>
Finance cost	20	<u>(1,856,098,865)</u>	<u>(1,097,443,906)</u>
		<u>(1,901,588,656)</u>	<u>(1,134,028,911)</u>
Operating Loss		(1,928,311,062)	(1,190,929,010)
Other income	21	<u>58,720,202</u>	<u>52,295,206</u>
Loss before Taxation		(1,869,590,860)	(1,138,633,804)
Taxation	22	(29,431,639)	(29,249,641)
Net Loss for the Year		<u><u>(1,899,022,499)</u></u>	<u><u>(1,167,883,445)</u></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR





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

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	Rupees	Rupees
Net Loss for the Year	(1,899,022,499)	(1,167,883,445)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement (loss) / gain on defined benefit obligation	(1,276,360)	185,902
Related tax impact	-	-
	(1,276,360)	185,902
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year	(1,276,360)	185,902
Total Comprehensive Loss for the Year	<u>(1,900,298,859)</u>	<u>(1,167,697,543)</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR





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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023**

Particulars	Share Capital	Share Deposit Money	Accumulated Losses	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2021	8,183,103,000	4,155,125,455	(7,882,573,411)	4,455,655,044
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)	-	-
Share deposit money received during the year	-	94,874,545	-	94,874,545
Balance as at June 30, 2022	12,433,103,000	-	(9,050,270,954)	3,382,832,046
Total comprehensive loss for the year	-	-	(1,900,298,859)	(1,900,298,859)
Balance as at June 30, 2023	12,433,103,000	-	(10,950,569,813)	1,482,533,187

The annexed notes from 1 to 29 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR





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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,869,590,860)	(1,138,633,804)
Adjustment for:			
- Depreciation on concession assets		1,824,868,085	1,901,385,414
- Depreciation on operating fixed assets		2,042,144	1,720,022
- Amortization		-	64,960
- Provision for post employment benefits		2,986,064	1,658,770
- Profit on savings bank accounts		(58,720,202)	(52,295,206)
- Finance cost		1,856,098,865	1,097,443,906
		<u>3,627,274,956</u>	<u>2,949,977,866</u>
Operating Profit before Working Capital Changes		1,757,684,096	1,811,344,062
Decrease / (increase) in current assets			
- Accounts receivable		(58,093,820)	(110,235,465)
- Advances and prepayments		(3,210,005)	(1,559,505)
Increase / (decrease) in current liabilities:			
- Trade and other payables		(342,434,057)	177,761,963
		<u>(403,737,882)</u>	<u>65,966,993</u>
Cash Generated from Operations		1,353,946,214	1,877,311,055
Finance cost paid		(1,385,530,757)	(1,398,451,117)
Benefits paid		(108,312)	-
Income tax paid		(30,913,491)	(28,780,684)
		<u>(1,416,552,560)</u>	<u>(1,427,231,801)</u>
Net Cash (Used in) / Generated from Operating Activities		(62,606,346)	450,079,254
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating fixed assets		(1,826,886)	(5,847,264)
Profit on savings bank accounts		58,720,202	52,295,206
Net Cash Generated from Investing Activities		56,893,316	46,447,942
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid	12.2	(1,069,388,882)	(1,067,762,684)
Long term loan from Frontier Works Organization		921,773,429	-
Share deposit money		-	94,874,545
Net Cash Used in Financing Activities		<u>(147,615,453)</u>	<u>(972,888,139)</u>
Net Decrease in Cash and Cash Equivalents		(153,328,483)	(476,360,943)
Cash and cash equivalents at the beginning of the year		489,430,355	965,791,298
Cash and Cash Equivalents at the End of the Year	10	<u><u>336,101,872</u></u>	<u><u>489,430,355</u></u>

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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. 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 24 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.

Business Unit

Head/ Registered Office

Geographical Location

Punjab Ring Road Authority Complex, Near Bulleh Shah Interchange, Gajju Matta, Ferozpur Road, Lahore.

Note 2

Basis of Preparation**2.1 Statement of compliance**

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

- International Financial Reporting 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 January 16, 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 (Rs.) which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Use of estimates and judgments

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

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

- Useful lives, residual values, depreciation method and fair value of operating fixed assets – Note 3.1 & 4
- Useful lives, residual values, depreciation method and fair value of concession assets – Note 3.1 & 5
- Impairment loss of non-financial assets – Note 3.4, 4 & 5
- Estimation of provisions - Note 3.5
- Estimation of contingent liabilities - Note 3.11 & 17
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses and credits) - Note 3.8 & 22

Note 2, Basis of Preparation - Contd...

However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

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, 2023 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 that are effective in the current year

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.

	Effective Date - Annual Periods Beginning on or After
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — Onerous Contracts — cost of fulfilling a contract	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 1, 2022

2.5.2 Standards, interpretation and amendments to approved accounting standards 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.

	Effective Date - Annual Periods Beginning on or After
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 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 IAS 7 'Statement of Cash Flows' and 'IFRS 7 Financial instruments disclosures - Supplier Finance Arrangements	January 01, 2024

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

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

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

In accordance with S.R.O 24(I)/2012, dated January 16, 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.

J

QF



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 Operating fixed assets / Concession assets

Owned

Operating fixed assets 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 operating fixed assets 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 operating fixed assets 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 operating fixed assets 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 statement of 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 operating fixed assets 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 operating fixed assets or concession assets represented by the difference between the sale proceeds and the carrying amount of operating fixed assets 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.

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 statement of profit or loss using the straight line method so as to write off the cost of an intangible over its estimated useful life.

g

g

g

Note 3, Significant Accounting Policies - Contd...

3.4 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset available revaluation surplus are charged against this surplus, all other impairment losses are charged to statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life. Any reversal of impairment loss of a revalued asset is treated as a revaluation increase.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.8.1 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.

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.

3.8.2 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.

8

Handwritten signature and blue scribble.

Note 3, Significant Accounting Policies - Contd...

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.

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.13.1 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.

Note 3, Significant Accounting Policies - Contd...

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.

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).

3.13.2 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.

3.13.3 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.

3.14 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.

Handwritten marks: a blue checkmark, a blue scribble, and a blue signature.

Note 4

Operating Fixed Assets

Description	Vehicles Rupees	IT Equipment Rupees	Furniture and Fixtures Rupees	Communication Rupees	Office Equipment Rupees	Total Rupees
Net Carrying Value Basis						
<u>Year Ended June 30, 2023</u>						
Opening net book value	4,885,662	1,206,038	3,197,791	57,562	4,818,459	14,165,512
Additions	-	1,303,586	-	-	523,300	1,826,886
Depreciation charge	(977,132)	(229,987)	(319,779)	(5,756)	(509,490)	(2,042,144)
Closing net book value	<u>3,908,530</u>	<u>2,279,637</u>	<u>2,878,012</u>	<u>51,806</u>	<u>4,832,269</u>	<u>13,950,254</u>
Depreciation rates	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	
Gross Carrying Value Basis						
<u>Year Ended June 30, 2023</u>						
Cost	12,571,026	3,006,261	3,684,037	103,155	6,643,849	26,008,328
Accumulated depreciation	(8,662,496)	(726,624)	(806,025)	(51,349)	(1,811,580)	(12,058,074)
Net book value	<u>3,908,530</u>	<u>2,279,637</u>	<u>2,878,012</u>	<u>51,806</u>	<u>4,832,269</u>	<u>13,950,254</u>
Net Carrying Value Basis						
<u>Year Ended June 30, 2022</u>						
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>
Depreciation rates	<u>20%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>	
Gross Carrying Value Basis						
<u>Year Ended June 30, 2022</u>						
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>

4.1 A charge has been created on all the assets of the Company against long term financing as mentioned in note 12 to these financial statements.

8

Handwritten signature and mark.

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
Net Carrying Value Basis								
<u>Year Ended June 30, 2023</u>								
Opening 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
Additions	-	-	-	-	-	-	-	-
Depreciation charge	(19,407,242)	(258,174,067)	(29,914,873)	(73,290,224)	(1,382,264,417)	(41,607,262)	(20,210,000)	(1,824,868,085)
Closing net book value	<u>347,249,194</u>	<u>4,623,780,598</u>	<u>535,369,412</u>	<u>1,313,916,055</u>	<u>6,179,134,486</u>	<u>-</u>	<u>-</u>	<u>12,999,449,745</u>
Depreciation rates	<u>4.245%-4.368%</u>	<u>4.245%-4.923%</u>	<u>4.245%-4.923%</u>	<u>4.245%</u>	<u>10%</u>	<u>20%</u>	<u>20%</u>	
Gross Carrying Value Basis								
<u>Year Ended June 30, 2023</u>								
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	(106,983,200)	(1,432,219,235)	(165,400,448)	(412,542,785)	(7,643,509,679)	(449,152,954)	(242,520,000)	(10,452,328,301)
Net book value	<u>347,249,194</u>	<u>4,623,780,598</u>	<u>535,369,412</u>	<u>1,313,916,055</u>	<u>6,179,134,486</u>	<u>-</u>	<u>-</u>	<u>12,999,449,745</u>
Net Carrying Value Basis								
<u>Year Ended June 30, 2022</u>								
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	<u>366,656,436</u>	<u>4,881,954,665</u>	<u>565,284,285</u>	<u>1,387,206,279</u>	<u>7,561,398,903</u>	<u>41,607,262</u>	<u>20,210,000</u>	<u>14,824,317,830</u>
Depreciation rates	<u>4.245%-4.368%</u>	<u>4.245%-4.923%</u>	<u>4.245%-4.923%</u>	<u>4.245%</u>	<u>10%</u>	<u>20%</u>	<u>20%</u>	
Gross Carrying Value Basis								
<u>Year Ended June 30, 2022</u>								
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	<u>366,656,436</u>	<u>4,881,954,665</u>	<u>565,284,285</u>	<u>1,387,206,279</u>	<u>7,561,398,903</u>	<u>41,607,262</u>	<u>20,210,000</u>	<u>14,824,317,830</u>

5.1 A charge has been created on all the assets of the Company against long term financing as mentioned in note 12 to these financial statements.

9 29

Note 6

Intangible Assets

This represents fully amortized "SQL Accounting Software" which was originally acquired at a cost of Rs 324,800.

Note 7

Accounts Receivable

		2023	2022
	Note	Rupees	Rupees
Accounts receivable from FWO	7.1	<u>215,629,900</u>	<u>157,536,080</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 and Prepayments

		2023	2022
	Note	Rupees	Rupees
Advance to related party	8.1	31,923,542	31,923,542
Advance to employees		1,494,976	629,846
Advance to project management team		550,000	550,000
Advance to suppliers		-	1,105,712
Prepaid insurance		3,600,001	149,414
		<u>37,568,519</u>	<u>34,358,514</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 (2022: Rs. 31,923,542).

Note 9

Advance Income Tax

	2023	2022
	Rupees	Rupees
Opening balance	915,710	1,384,667
Add: Advance tax withheld / paid during the year	30,913,491	28,780,684
Less: Provision for current tax	(29,431,639)	(29,249,641)
	<u>2,397,562</u>	<u>915,710</u>

Note 10

Cash and Bank Balances

		2023	2022
	Note	Rupees	Rupees
Cash in hand		126,911	36,991
Cash in transit		14,277,450	5,033,260
Balance at banks - in savings accounts	10.1	<u>321,697,511</u>	<u>484,360,104</u>
		<u>336,101,872</u>	<u>489,430,355</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 12.26% to 19.51% per annum (2022: 7.26% to 12.26% per annum).

Note 11

Issued, Subscribed and Paid up Capital

			2023	2022
		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	42,500,000	Class B Ordinary shares of Rs. 100 each fully paid in cash	4,250,000,000	4,250,000,000
<u>124,331,030</u>	<u>124,331,030</u>		<u>12,433,103,000</u>	<u>12,433,103,000</u>

1

Note 11, Issued, Subscribed and Paid up Capital - Continued..

11.1 The Company has two classes of ordinary shares, namely:

- Class A ordinary shares, which have full voting, dividend and other rights conferred upon ordinary shares under applicable law.
- Class B 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 (2022: 81,831,030) Class A ordinary shares 42,500,000 (2022: 42,500,000) Class B ordinary shares have been issued to Punjab Ring Road Authority.

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

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

Note 12

Long Term Financing from Banking Company

		2023	2022
	Note	Rupees	Rupees
Term finance facility	12.1	8,563,535,508	9,632,924,390
Less: current portion		<u>(333,043,478)</u>	<u>(1,167,503,869)</u>
		<u>8,230,492,030</u>	<u>8,465,420,521</u>

12.1 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 six (6) months KIBOR plus 0.35% per annum (Due to second debt restructuring spread has been revised from 0.85% to 0.35%). Original Term of the loan was ten (10) years with one year grace period and was re-payable in eighteen (18) semi-annual instalments, commencing from September 20, 2018. The finance agreement has been revised in June 2023 due to which term of the loan is increased to fourteen (14) years with one year grace period and is re-payable in Twenty six (26) 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 and 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 installment deposited in the Daily Progressive Account (DPA) at the beginning of every month during the semi-annual period.
- 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 is to be conducted by HBL appointed valuer.
- As per second debt restructuring of Company, a corporate guarantee has been issued by the sponsor Frontier Works Organization (FWO) to bank (HBL) to meet any shortfall to the extent of debt payment.

12.2 Change in liabilities arising from financing activities

Description	30-Jun-22	Cash flows	30-Jun-23
	Rupees	Rupees	Rupees
Long term financing from banking company	<u>9,632,924,390</u>	<u>(1,069,388,882)</u>	<u>8,563,535,508</u>

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

J

[Handwritten signature]

Note 13

Post Employment Benefit Obligations

	Note	2023 Rupees	2022 Rupees
Present value of defined benefit obligations	13.1	<u>8,888,904</u>	<u>4,734,792</u>

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

13.1 Reconciliation of defined benefit obligations

Opening balance	4,734,792	3,261,924
Current service cost	2,365,880	1,332,578
Interest cost on defined benefit obligation	620,184	326,192
Remeasurement loss / (gain) on obligation recognized in other comprehensive income	1,276,360	(185,902)
Benefits paid	(108,312)	-
Closing balance	<u>8,888,904</u>	<u>4,734,792</u>

13.2 The amount charged to profit or loss

Current service cost	2,365,880	1,332,578
Net interest cost	620,184	326,192
	<u>2,986,064</u>	<u>1,658,770</u>

13.3 Actuarial assumptions:

The principal actuarial assumptions used were as follows:

Discount rate of interest cost in P&L - per annum	13.25%	10.00%
Discount rate for year end obligation - per annum	16.25%	13.25%
Expected rate of increase in salary level - per annum	15.25%	10.00%
Average duration of the defined benefit obligation	7 Years	7 Years

Mortality rates (for death in service)

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

13.4 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.

Discount rate + 100 bps	8,333,738	4,416,817
Discount rate - 100 bps	9,525,707	5,101,101
Salary increase + 100 bps	9,548,263	5,116,022
Salary decrease - 100 bps	8,303,821	4,397,890

13.5 Estimated charge for the next year - 2023 to 2024

Current service cost	2,970,942
Interest on defined benefit liability	1,332,508
	<u>4,303,450</u>

Note 13, Post Employment Benefit Obligations - Contd...

13.6 Comparison of last five years

	2023	2022	2021	2020	2019
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligations	8,888,904	4,734,792	3,261,924	1,816,499	2,122,441
Fair value of plan assets	-	-	-	-	-
Retirement benefits liability	<u>8,888,904</u>	<u>4,734,792</u>	<u>3,261,924</u>	<u>1,816,499</u>	<u>2,122,441</u>

Note 14

Long Term Loan from Related Party

	2023	2022
	Rupees	Rupees
Long term loan - Frontier Works Organization (Secured)	<u>1,921,773,429</u>	<u>1,000,000,000</u>

This represents long-term borrowing from Frontier Works Organization carrying markup at 6-month KIBOR plus 0.85%.

Note 15

Trade and Other Payables

		2023	2022
	Note	Rupees	Rupees
Retention money payable	15.1	90,697,658	89,511,499
Trade creditors	15.2	67,863,631	415,363,560
Accrued liabilities		7,131,717	2,337,292
Tax deducted at source		1,946,240	2,860,952
		<u>167,639,246</u>	<u>510,073,303</u>

15.1 This includes Rs. 88.820 million (2022: Rs. 88.820 million) payable to a related party M/s Frontier Works Organization.

15.2 This includes Rs. 7.12 million (2022: Rs. 363.72 million) payable to a related party M/s Frontier Works Organization.

Note 16

Accrued Markup

		2023	2022
	Note	Rupees	Rupees
Accrued Markup:			
Long term financing - Habib Bank Limited	16.1	1,019,560,257	842,849,336
Long term loan - Frontier Works Organization	16.2	441,167,321	147,310,134
		<u>1,460,727,578</u>	<u>990,159,470</u>

16.1 The original markup on the facility, as per the agreement with HBL (Habib Bank Limited), was based on the average 6-month KIBOR (Karachi Interbank Offered Rate) plus an additional 85 basis points (0.85%). However, as per the new agreement in June 2023, the revised markup is calculated as the average 6-month KIBOR plus 35 basis points (0.35%)

16.2 The markup on a facility from FWO (Frontier Works Organization) is calculated as the average 6-month KIBOR (Karachi Interbank Offered Rate) plus an additional 85 basis points (0.85%).

Note 17

Contingencies and Commitments

Contingencies:

There are no material contingent liabilities of the Company at the reporting date (2022: Nil).

Commitments:

Commitments in respect of construction, consultancy, operation and maintenance cost of Lahore Ring Road Southern Loop amount to Rs. 84.7 million. (2022: Rs. 84.7 million)

	2023	2022
	Rupees	Rupees
Guarantees issued by banks on behalf of the Company:		
Habib Bank Limited	<u>84,700,000</u>	<u>84,700,000</u>

d



Note 18
Operating Expenses

	Note	2023 Rupees	2022 Rupees
Depreciation on concession assets	5	1,824,868,085	1,901,385,414
Salaries, wages and benefits		199,230,114	139,473,257
Travelling and conveyance		94,961,545	49,164,326
Utilities		72,459,152	54,937,015
Security services		54,603,569	38,031,721
Consultancy fee		40,360,964	41,113,080
Meals and entertainment		30,547,808	19,675,299
Repairs and maintenance		24,746,346	25,141,523
Insurance		14,399,999	376,760
Printing and stationery		12,029,817	6,578,415
Uniforms		9,320,040	616,599
Miscellaneous expenses		2,792,478	2,894,118
Communication		933,589	411,575
Operation and management cost	18.1	-	117,072,307
		<u>2,381,253,506</u>	<u>2,396,871,409</u>

18.1 This represented 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 against a monthly compensation per contract.

This contract ended on September 25, 2021. The Company is now managing the operation, management and maintenance itself.

Note 19
Administrative Expenses

	Note	2023 Rupees	2022 Rupees
Salaries, wages and benefits	19.1	26,661,406	22,518,045
Vehicle running and maintenance expenses		7,534,098	4,643,115
Legal and professional charges		4,005,366	2,312,688
Depreciation on operating fixed assets	4	2,042,144	1,720,022
Meals and entertainment		1,445,689	1,096,473
Travelling and conveyance		1,023,442	835,919
Miscellaneous expenses		753,353	417,151
Auditors' remuneration		400,000	400,000
Printing and stationery		378,959	434,151
Utilities		368,770	347,742
Repairs and maintenance		290,044	344,387
Postage and courier		196,867	108,868
Insurance expense		149,414	894,861
Guarantee charges		118,102	120,608
Fees and subscription		91,167	293,845
Rent, rates and taxes		30,970	32,170
Amortization	6	-	64,960
		<u>45,489,791</u>	<u>36,585,005</u>

19.1 This includes Rs. 2,986,064 (2022: Rs. 1,658,770) in respect of post employment benefits obligations.

Note 20
Finance Cost

	2023 Rupees	2022 Rupees
Mark-up on long term loan	1,853,714,792	1,095,040,514
Finance cost and fee	2,320,000	2,320,000
Bank charges	64,073	83,392
	<u>1,856,098,865</u>	<u>1,097,443,906</u>

Note 21

Other Income

	2023	2022
	Rupees	Rupees
Profit on savings bank accounts	<u>58,720,202</u>	<u>52,295,206</u>

Note 22

Taxation

	Note	2023	2022
		Rupees	Rupees
Change for the year			
- Current	22.1	<u>29,431,639</u>	<u>29,249,641</u>
Reconciliation of accounting and tax expense/(income)			
Revenue		<u>2,354,531,100</u>	<u>2,339,971,310</u>
Tax on income @ 1.25% (2022: 1.25%)		<u>29,431,639</u>	<u>29,249,641</u>

22.1 The current charge for taxation is based on minimum tax on turnover of the Company and is charged at 1.25% of turnover (2022: 1.25% of turnover). Reconciliation of tax expense is not presented as the Company's taxation is based on minimum taxation.

22.2 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:

Deferred tax asset for deductible temporary differences related to:

- Unused tax losses	3,638,636,733	3,272,542,131
- Minimum tax credit	123,823,407	94,391,768
- Post employment benefits	2,577,782	1,373,090

Deferred tax liability for taxable temporary differences related to:

- Accelerated tax depreciation	(682,070,440)	(863,920,412)
	<u>3,082,967,482</u>	<u>2,504,386,577</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	Accounting year in which minimum tax will expire
Rupees in '000		
2021	27,533	2024
2022	29,250	2025
2023	<u>29,432</u>	2026
	<u>86,215</u>	

Accounting year to which unused tax relates	Amount of unused business loss	Accounting year in which unused tax loss will expire
Rupees in '000		
Unabsorbed Tax Depreciation		
Brought forward	10,250,507	
Current year	<u>1,200,075</u>	
	<u>11,450,582</u>	
Unused Tax Loss		
2018	37,662	2024
2019	353,685	2025
2020	<u>705,095</u>	2026
	<u>1,096,442</u>	

d

Note 23

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			2023	2022
			Rupees	Rupees
Related party	Relationship	Nature of transaction		
Frontier Works Organization (FWO)	Parent	Operation and maintenance cost	-	(181,940,640)
		Toll revenue accrued	710,513,640	478,732,290
Punjab Ring Road Authority	Associate	Share deposit money	-	94,874,545
		Shares issued	-	(4,250,000,000)
Outstanding balance as at the year end				
Frontier Works Organization (FWO)	Parent	Advance to related party	31,923,542	31,923,542
		Trade creditors	(7,123,468)	(363,723,791)
		Retention Money	(88,820,817)	(88,820,817)
		Accounts receivable from FWO	215,629,900	157,536,080
		Long term loan	(1,921,773,429)	(1,000,000,000)
		Accrued markup against loan	(441,167,321)	(147,310,134)

23.1 There were no transactions with key management personnel other than those undertaken as per terms of their employment that have been disclosed in Note 25.

23.2 Following are the related parties with whom the Company has entered into transactions or have arrangements / agreements 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 24

Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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 it, 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.

24.1 Credit risk

Credit risk is the risk of financial loss to the Company if counterparty 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, the 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:

	2023	2022
	Rupees	Rupees
Accounts receivable	215,629,900	157,536,080
Bank balances	<u>321,697,511</u>	<u>484,360,104</u>
	<u>537,327,411</u>	<u>641,896,184</u>

Note 24, 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 Short term	Long term	Rating Agency	2023 Rupees	2022 Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	<u>321,697,511</u>	<u>484,360,104</u>

After giving consideration to the strong financial standing, the management does not expect any non-performance by the counterparty on it's 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, 2023 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)

24.2 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 Rupees	Contractual cash flows Rupees	Within 1 year Rupees	1-2 Years Rupees	2-5 Years Rupees	Above 5 Years Rupees
-------------	---------------------------	----------------------------------	-------------------------	---------------------	---------------------	-------------------------

Contractual maturities of financial liabilities as at June 30, 2023:

Long term financing	8,563,535,508	18,058,910,013	1,592,730,768	5,523,462,188	6,213,268,259	4,729,448,798
Accrued markup	1,460,727,578	1,460,727,578	519,560,257	-	500,000,000	441,167,321
Trade and other payables	167,639,246	167,639,246	167,639,246	-	-	-
Long term loan from Frontier Organization Works	1,921,773,429	1,921,773,429	-	-	-	1,921,773,429
	<u>12,113,675,761</u>	<u>21,609,050,266</u>	<u>2,279,930,271</u>	<u>5,523,462,188</u>	<u>6,713,268,259</u>	<u>7,092,389,548</u>

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	510,073,303	510,073,303	510,073,303	-	-	-
Long term loan from Frontier Works Organization	1,000,000,000	1,000,000,000	-	-	-	1,000,000,000
	<u>12,133,157,163</u>	<u>17,137,905,702</u>	<u>3,647,247,774</u>	<u>2,741,191,865</u>	<u>8,013,562,948</u>	<u>2,735,903,115</u>

24.3 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.

g

g

Note 24, Financial Risk Management - Contd...

(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:

	2023	2022
	Rupees	Rupees
Financial assets as at June 30,		
Bank balances - savings accounts	321,697,511	484,360,104
Financial liabilities as at June 30,		
Long term financing from banking company	8,563,535,508	9,632,924,390
Long term loan from related Party	1,921,773,429	1,000,000,000
Net Exposure	<u>10,163,611,426</u>	<u>10,148,564,286</u>

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 loss before tax for the year ended June 30, 2023 would have been higher / lower by Rs. 101.64 million (2022: Rs. 101.49 million).

24.4 Financial instruments by categories

Financial assets as at June 30, 2023

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
				-----Rupees-----
Accounts receivable	-	215,629,900	-	215,629,900
Cash and bank balances	-	336,101,872	-	336,101,872
	-	<u>551,731,772</u>	-	<u>551,731,772</u>

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
	-	<u>646,966,435</u>	-	<u>646,966,435</u>

Financial liabilities as at June 30,

	At amortized cost	
	2023	2022
	Rupees	Rupees
Long term financing	8,563,535,508	9,632,924,390
Long term loan from related party	1,921,773,429	1,000,000,000
Accrued markup	1,460,727,578	990,159,470
Trade and other payables	167,639,246	510,073,303
	<u>12,113,675,761</u>	<u>12,133,157,163</u>

Note 25

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	
	2023	2022	2023	2022	2023	2022
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration and bonus	-	-	-	-	8,290,101	7,461,125
Gratuity and leave encashment	-	-	-	-	282,500	245,375
Meeting fee (Independent Director)	-	-	30,000	-	-	-
	-	-	30,000	-	8,572,601	7,706,500
Number of persons	1	1	3	3	2	2

25.1 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.

25.2 Two executives have been provided with the Company maintained cars.

25.3 No remuneration or meeting fee has been paid to any director and Chief Executive Officer of the Company except Independent Director.

Note 26

Capital Management

While managing capital, the objectives of the Company are to safeguard the Company's ability to continue as a going concern, enhances shareholders' wealth, meets stakeholders' expectations and to maintain an optimal capital structure to reduce the cost of capital. The company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

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:

	2023	2022
	Rupees	Rupees
Long term financing from banking company	10,485,308,937	11,554,697,819
Equity	1,482,533,187	3,382,832,046
Total capital employed	11,967,842,124	14,937,529,865
Gearing ratio	87.61%	77.35%

Note 27

Number of Employees

	2023	2022
	Numbers	Numbers
Number of contractual employees as at June 30,	27	25
Average number of contractual employees during the year	26	22

Note 28

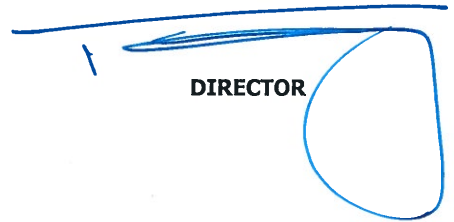
Authorization of Financial Statements

These financial statements were approved and authorized for issuance on _____ by the Board of Directors of the Company.

Note 29
General

Corresponding figures have been re-arranged / re-classified, wherever necessary for better presentation of financial statements. No significant re-arrangements / reclassifications have been made in these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

