FINANCIAL STATEMENTS OF

# SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED

FOR THE YEAR ENDED
JUNE 30, 2023

BDO

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3rd Floor,
Saeed Plaza,
22-East Blue Area,
Islamabad-44000,
Pakistan.

The Board of Directors
Swat Expressway Planning Construction
and Operations (Private) Limited
Rawalpindi.

November 13, 2023
BDO/AUD/1143/23

**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

Dear Sir,

We are pleased to enclose herewith three copies of the draft financial statements of Swat Expressway Planning Construction and Operations (Private) Limited (the Company) together with our draft audit report thereon duly initialed by us for identification purposes. We shall be pleased to sign our report in its present or amended form after the financial statements of the Company for the year ended June 30, 2023 are approved by the Board and signed on their behalf by the Chief Executive and at least one other Director and on receipt/review of the following:

(a) Letter of representation addressed to us on behalf of the Board of Directors and signed by the Chief Executive and one other director as per draft provided by us.

(b) Board resolution in respect of the following:

- Additions in operating fixed assets amounting Rs. 0.276 million;
- Related party transactions disclosed in note 30 to the financial statements;
- Remuneration of chief executive and directors disclosed in note 27 to the financial statements and
- Deferred tax asset at the year end amounting to Rs. 3,327 million.

(c) Directors' report for the year ended June 30, 2023.

(d) Confirmations from the related parties.

(e) Confirmations from the legal advisors.

We would like to advise you that unless we sign our audit report, these financial statements shall remain and be deemed un-audited.

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

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

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

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

2. OTHER INFORMATION

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We request you to provide us a copy of the "Annual Report", if any to ensure that it is not materially inconsistent with the financial statements.

3. PROPERTY AND EQUIPMENT

3.1 We have observed that fixed assets register for concession assets has not been maintained in accordance with TR-6 of Institute of Chartered Accountants of Pakistan (ICAP) in order to provide itemised control over the fixed assets of the Company. We recommend that a fixed assets register should be maintained in the required form so that cost and details of physical location of each item of fixed assets is easily accessible as and when required.

3.2 During the course of our audit we have noted that the Company has no capitalisation policy of fixed assets. In the absence of proper capitilisation policy, there is a risk that items of capital nature may be classified as expense and vice versa. We recommend that the Company should maintain a proper capitalisation policy to mitigate such risk.

4. DEFERRED TAX ASSET

Management has recognized a deferred tax asset amounting to Rs. 3,327.193 million as at the date of statement of financial position, on the basis of future projections furnished to us indicating the quantum of profits available for utilisation of losses carried forward. In the event that future profits are not available, the tax losses would not be utilised and may lapse. Under these circumstances, the deferred tax asset would need to be adjusted and recognized as a tax charge. Kindly confirm that the projections prepared are consistent with the overall business strategy and future outlook for the Company.

## 5. EMPLOYEES PROVIDENT FUND BALANCE

We noted that the Company has initiated provident fund for welfare of employees of the Company in the prior year. However, amount collected as an employer and employee contribution has not been kept in a separate bank account. Furthermore, no trust has been established as per the requirement of the Income Tax Ordinance, 2001. We recommend that statutory requirements should complied with to avoid any penal consequences.

## 6. GENERAL

We have not received direct replies against confirmations from most of the debtors and suppliers. We have performed alternative tests to confirm the status of closing balances. We recommend that confirmations from parties should be followed up and provided to us to confirm that books of accounts reflect the correct position at the year-end.

## 7. UNIQUE DOCUMENT IDENTIFICATION NUMBER (UDIN)

To enhance public trust on auditors report, the Institute of Chartered Accountants of Pakistan (ICAP) has issued a Directive 4.27, whereby it is required that every practicing chartered accountant will place UDIN generated from ICAP portal on the following reports:

Auditors' Report on General Purpose Financial Statements
Auditors' Report on Interim Financial Information
Auditors' Report on Statement of Compliance with Code of Corporate Governance.

In order to obtain the UDIN, auditors are required to upload certain financial information of the reporting entity. Accordingly, we are required to upload the information on ICAP's portal for generation of UDIN. The ICAP, in its frequently asked questions, has assured that Client's confidential data would be entered by the concerned engagement partner himself and such data would not be available for any unauthorized use.

Compliance of the above ICAP Directive is mandatory and non-compliance of results in professional misconduct under Chartered Accountants Ordinance, 1961.

## 8. INDEPENDENCE

We confirm that in our professional judgment, the Firm is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

## 9. CONTINGENCIES AND COMMITMENTS

We have been advised by the management that there were no contingencies and commitments as at the date of statement of financial position except which have been disclosed in the notes to the financial statements. Kindly confirm that this is in order.

## 10. RELATED PARTY TRANSACTIONS

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

## 11. COMPLIANCE WITH STATUTORY LAWS AND REGULATIONS

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

## 12. SUBSEQUENT EVENTS

We have been informed by the management that there were no subsequent events that would have financial reporting implications or required disclosure in these financial statements.

## 13. FRAUD AND ERROR

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

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

Yours faithfully,

BDO Ebrahim & Co.

**BDO EBRAHIM & CO.**

Enclosed as above

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# INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

### Basis for Opinion

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

### Information Other than the Financial Statements and Auditors Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

**Report on Other Legal and Regulatory Requirements**

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors report is Abdul Qadeer.

**ISLAMABAD**

**DATED: 08 JANUARY 2024**
**UDIN: AR202310095Ilb6EGBuH**

BDO Ebrahim & Co.

**BDO EBRAHIM & CO.**
**CHARTERED ACCOUNTANTS**

## SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED
## STATEMENT OF FINANCIAL POSITION
## AS AT JUNE 30, 2023

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | 5 | 24,011,503,515 | 27,050,491,489 |
| Long term advance | 6 | - | - |
| Deferred tax asset | 7 | 3,327,193,239 | 2,000,054,896 |
| | | 27,338,696,754 | 29,050,546,385 |
| **CURRENT ASSETS** | | | |
| Taxation- net | 8 | 5,092,390 | 2,279,571 |
| Prepayments, receivables and advances | 9 | 113,219,830 | 61,264,655 |
| Cash and bank balances | 10 | 34,116,050 | 173,538,963 |
| | | 152,428,270 | 237,083,189 |
| **TOTAL ASSETS** | | 27,491,125,024 | 29,287,629,574 |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 11 | 19,815,275,900 | 19,815,275,900 |
| Capital reserve | | 1,667,710,885 | 1,667,710,885 |
| Revenue reserve - Accumulated losses | | (12,337,562,681) | (9,214,901,275) |
| | | 9,145,424,104 | 12,268,085,510 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term loans | 12 | 12,263,988,579 | 11,475,894,993 |
| Long term musharakah | 13 | 1,900,000,000 | 1,687,108,754 |
| Provision for hand back | 14 | 208,241,307 | 194,818,324 |
| Security deposits | | 4,527,000 | 2,527,000 |
| | | 14,376,756,886 | 13,360,349,071 |
| **CURRENT LIABILITIES** | | | |
| Current maturity of long term loans | 12 | 2,014,252,279 | 1,587,893,426 |
| Current maturity of long term musharakah loan | 13 | 159,458,895 | 287,212,329 |
| Retention money payable | 15 | 1,016,076,534 | 1,016,076,534 |
| Trade and other payables | 16 | 779,156,326 | 768,012,704 |
| | | 3,968,944,034 | 3,659,194,993 |
| **TOTAL EQUITY AND LIABILITIES** | | 27,491,125,024 | 29,287,629,574 |
| **CONTINGENCIES AND COMMITMENTS** | 17 | | |

The annexed notes from 1 to 35 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

**SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED**
**STATEMENT OF PROFIT OR LOSS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Revenue | 18 | 961,220,385 | 1,006,548,644 |
| Cost of revenue | 19 | (3,363,243,864) | (3,557,816,847) |
| Gross loss | | (2,402,023,479) | (2,551,268,203) |
| Administrative expenses | 20 | (36,578,626) | (40,858,194) |
| Operating loss | | (2,438,602,105) | (2,592,126,397) |
| Finance costs | 21 | (2,010,802,537) | (1,436,225,719) |
| Other income | 22 | 11,620,148 | 25,052,130 |
| Loss before taxation | | (4,437,784,494) | (4,003,299,986) |
| Taxation | 23 | 1,315,123,088 | 1,222,399,101 |
| Loss for the year | | (3,122,661,406) | (2,780,900,885) |

The annexed notes from 1 to 35 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

**SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | 2023<br>Rupees | 2022<br>Rupees |
|---|---|---|
| Loss for the year | (3,122,661,406) | (2,780,900,885) |
| Other comprehensive income for the year | - | - |
| **Total comprehensive loss** | (3,122,661,406) | (2,780,900,885) |

The annexed notes from 1 to 35 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

SWAT EXPRESSWAY PLANNING CONSTRUCTION
AND OPERATIONS (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

| | Issued, subscribed and paid-up capital | Capital reserve | Revenue reserve-Accumulated loss | Total equity |
|---|---|---|---|---|
| | | ---Rupees--- | | |
| **Balance as at July 01, 2021** | 19,815,275,900 | 1,667,710,885 | (6,434,000,390) | 15,048,986,395 |
| **Total comprehensive loss** | | | | |
| Loss for the year | - | - | (2,780,900,885) | (2,780,900,885) |
| Other comprehensive income for the year | - | - | - | - |
| | - | - | (2,780,900,885) | (2,780,900,885) |
| **Balance as at June 30, 2022** | 19,815,275,900 | 1,667,710,885 | (9,214,901,275) | 12,268,085,510 |
| **Total comprehensive loss** | | | | |
| Loss for the year | - | - | (3,122,661,406) | (3,122,661,406) |
| Other comprehensive income for the year | - | - | - | - |
| | - | - | (3,122,661,406) | (3,122,661,406) |
| **Balance as at June 30, 2023** | 19,815,275,900 | 1,667,710,885 | (12,337,562,681) | 9,145,424,104 |

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2023**

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| **CASHFLOW FROM OPERATING ACTIVITIES** | | | |
| Loss before taxation | | (4,437,784,494) | (4,003,299,986) |
| **Adjustment for non cash items:** | | | |
| Depreciation of operating fixed assets | 5 | 98,131 | 90,172 |
| Depreciation of concession assets | 6 | 3,039,165,643 | 2,998,154,672 |
| Finance cost | 21 | 2,010,802,537 | 1,436,225,719 |
| Operating profit before working capital changes | | 612,281,817 | 431,170,577 |
| **Working capital changes** | | | |
| **Increase in current assets:** | | | |
| Prepayments, receivables and advances | | (51,955,175) | (45,098,358) |
| **Increase/(decrease) in current liabilities:** | | | |
| Trade and other payables | | 11,143,622 | (460,680,587) |
| Unearned revenue | | - | (1,059,047) |
| | | 571,470,264 | (75,667,415) |
| Taxes paid during the year | | (14,828,074) | (1,438,080) |
| Increase in security deposits | | 2,000,000 | 287,000 |
| Increase in retention money payable | | - | 34,683,573 |
| Net cash generated from / (used in) operating activities | | 558,642,190 | (42,134,922) |
| **CASHFLOW FROM INVESTING ACTIVITIES** | | | |
| Increase in concession work in progress | | - | (255,230,913) |
| Acquisition of operating fixed assets | | (275,800) | (202,804) |
| Decrease in long term advances | | - | 206,444,147 |
| Net cash used in investing activities | | (275,800) | (48,989,570) |
| **CASHFLOW FROM FINANCING ACTIVITIES** | | | |
| Change in long term loan and musharakah - net of transaction cost | | - | 585,842,819 |
| Payment of interest on long term loan and musharakah | | (697,789,303) | (664,667,316) |
| Net cash used in financing activities | | (697,789,303) | (78,824,497) |
| Net decrease in cash and cash equivalents | | (139,422,913) | (169,948,989) |
| Cash and cash equivalents at the beginning of the year | | 173,538,963 | 343,487,952 |
| Cash and cash equivalents at the end of the year | 10 | 34,116,050 | 173,538,963 |

The annexed notes from 1 to 35 form an integral part of these financial statements.

**CHIEF EXECUTIVE OFFICER** **DIRECTOR**

**SWAT EXPRESSWAY PLANNING CONSTRUCTION AND OPERATIONS (PRIVATE) LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

## 1 THE COMPANY AND ITS OPERATIONS

Swat Expressway Planning Construction and Operations (Private) Limited (the Company) was incorporated as a private limited company on August 25, 2016 under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is a subsidiary of Frontier Works Organisation (FWO). The Company was principally formed for construction of Swat Expressway on a built, operate and transfer basis, pursuant to a Concession Agreement dated October 07, 2016, entered into between the Pakhtunkhwa Highways Authority (PKHA) and the Company.

On September 28, 2016, the Company signed an indicative term sheet with MCB Bank Limited (agent bank) to finance the development, designing, engineering and construction of the project through a Syndicated Term Finance Facility (STFF) and subsequently on November 28, 2016 signed a common term agreement with a consortium of four banks amounting to Rs.12,658 million, representing 33% of the total estimated project cost of Rs. 38,824 million. While for the remaining 67%, FWO has injected equity amounting to Rs. 9,166 million and PKHA has provided funds aggregating to Rs.17,000 million out of which Rs. 11,500 million has been injected in the form of equity and Rs. 5,500 million has been provided in the form of subordinated loan.

On January 26, 2021 SEPCO signed its agreement with NBP to provide Rs. 5000 million as bridge finance facility for prepayment of MCB debt, remaining Rs. 4,127 million was funded by FWO as subordinate loan. Both amounts (NBP & FWO) were disbursed into SEPCO account on February 4, 2021. Durinng previous year on October 18, 2021 bridge finance facility was converted into syndicated terms finance facility of Rs. 5,000 million for ten years (upto October 18, 2031), through a Consortium of four commercial banks.

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

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

## 2.2 Basis of Preparation

These financial statements have been prepared under the historical cost convention.

## 2.3 Functional and presentation currency

The financial statements of the Company are presented in Pak Rupees, which is the Company's functional and presentation currency.

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

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

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| | Amendmends to IFRS 3 'Business Combinations' - Reference to the conceptual framework | January 01, 2022 |
| | Amendmends to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use | January 01, 2022 |
| 3.2 | Amendmends to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a | January 01, 2022 |

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

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

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

| | Effective date (annual periods beginning on or after) |
|---|---|
| Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback | January 01, 2024 |
| Amendmends to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current | January 01, 2024 |
| Amendmends to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies | January 01, 2023 |
| Amendmends to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants | January 01, 2024 |
| Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements | January 01, 2024 |
| Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction | January 01, 2023 |
| Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes | January 01, 2023 |

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

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

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

The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Significant accounting judgment and estimates

The preparation of these financial statements in conformity with the approved accounting standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and underlying assumptions are based on historical experience and other factors including reasonable expectations of future events, which are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised or in any future periods effected.

#### (i) Property and equipment and concession assets

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation of property and equipment and concession assets. Further, where applicable, an estimate of the recoverable amount is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in these estimates in future, might effect the carrying amount of the respective item of property and equipment and concession assets, with a corresponding effect on the depreciation and impairment.

#### (ii) Taxation

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

#### (iii) Provision for hand back cost

Provision is recognised for the future submission of transfer bond, which the Company is required to make under the Concession Agreement. Estimate of the amount of provision recognized are based on the Company's assumptions for condition of Swat Expressway at Concession end and price levels. Provision is based on the best estimate, however, the actual outflow may differ from estimated cash outflows due to changes in technology, future condition of Swat Expressway and the fact that actual expenditure will take place in many years in future. The carrying amount of provision is reviewed annually and adjusted to account for such changes.

### 4.2 Property and equipment

#### 4.2.1 Operating fixed assets

Property and equipment 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 present location and condition for its intended use.

Depreciation is charged to profit and loss applying the straight line method at the rates mentioned in note 5.1 to these financial statements, whereby the cost of an asset is written over its estimated useful life. Full month depreciation is charged in the month of addition with no depreciation being charged in the month of disposal.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from it's use or disposal. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss, in the period the asset is derecognized.

The cost of replacing part of an item of operating fixed assets is recognized in the carrying amount of the item, if it is probable the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day to day servicing of operating fixed assets are recognized in the statement of profit or loss as incurred.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognized prospectively as a change in accounting estimate.

### 4.2.2 Concession assets

Concession assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes construction cost incurred on construction Swat Expressway, present value of initial estimate of the hand back cost, borrowing cost related to funds specifically borrowed for its planning and construction and other directly attributable cost.

Depreciation is charged to statement of profit and loss applying the straight line method at the rates mentioned in note 5.2 to these financial statements, whereby the cost of an asset is written over its estimated useful life. Full month depreciation is charged in the month of addition with no depreciation being charged in the month of disposal.

An item of concession assets is derecognised upon disposal or when no future benefits are expected form its use or disposal. Any gain or loss on de- recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss, in the period the asset is derecognized.

The cost of replacing part of an item of concession asset is recognized in the carrying amount of the item, if it is probable the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day to day servicing of operating fixed assets are recognized in the statement of profit or loss as incurred.

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

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

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

Under the Company's Concession Arrangement, IFRIC 12 would have required that the Company not recognize any infrastructure as part of its property, plant and equipment. The Company would have to account for its costs on planning and construction of Swat Expressway , disclosed in note 5.3 to the financial statements , as expenses in profit or loss by reference to the stage of completion. The Company would also have been required to recognize revenue for these services at its fair value, normally calculated on the basis of cost and generally applicable margin on similar services, against an intangible asset. Borrowing cost attributable to arrangement would also have been capitalized as part of intangible asset.

The Company, however, as applied the waiver granted by SECP and is carrying its incurred cost construction (including the related borrowing cost) as concession work-in-progress, which has been transferred to Concession assets upon completion of motorway. The Company will commence charging of depreciation from the date of such transfer.

### 4.3 Revenue recognition

Revenue is recognised to the extent the Company has met its performance obligation through rendering of services under an agreement. Revenue is measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties.

**Nature of service**

The Company principally generates its revenue from providing access to its customer to Swat Expressway. The Company recognizes its revenue as the customers uses the Expressway. Customers pay for the access service at the time of exit from the expressway.

### 4.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balance with the bank.

### 4.5 Long-term financing

These are recognised initially at fair value, less the attributable transaction costs. After initial recognition, these are subsequently measured 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 integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss.

4.6 **Borrowing costs**

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

4.7 **Provision for hand back cost**

Provision for hand back cost has been recognized as the Company has a legal obligation to pay the hand back cost to PKHA, six months prior to concession end date or immediately upon but not later than thirty days from the date of issuance of the termination notice. Provision for hand back cost is recognized at present value of 2% of the total project cost. The cash flows have been discounted at a rate that reflects the risk specific to the hand back cost.

Subsequent to initial recognition, an unwinding expense relating to the provision is recognized as a finance cost, and capitalized cost will be expensed as depreciation, over the tenure of the project.

While the provision is based on the best estimate of future costs and the pay out period, there is uncertainty regarding both the amount and timing of incurrence of these costs. Any subsequent change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to the concession asset. Cost for unwinding of provision for hand back cost is recognised in statement of profit or loss.

4.8 **Provisions**

General provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of such obligation.

4.9 **Trade and other payables**

Liabilities for trade and other amounts payable are initially carried at the fair value, subsequent to the initial recognition these are carried at the amortized cost.

4.10 **Taxation**

Income tax comprises of current and deferred tax.

**Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 of the Income Tax Ordinance 2001, and Alternate Corporate Tax and higher of the three amounts is provided for in the financial statements.

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences, arising from differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax credits to the extent that it is probable that taxable profits will be available against which these can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, and they intend to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be realized simultaneously.

## 4.11 Financial instruments

### 4.11.1 Financial assets

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

### Amortized cost

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

(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### Impairment

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### 4.11.2 Financial liabilities

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

### 4.11.3 Recognition and measurement

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

### 4.11.4 Derecognition

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

## 4.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

## 4.13 Derivative financial instruments

These are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company does not apply hedge accounting for any derivatives.

Any gain or loss from change in fair value of derivatives that do not qualify for hedge accounting are taken directly to statement of profit or loss.

## 5 PROPERTY AND EQUIPMENT

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Operating fixed assets | 5.1 | 354,442 | 176,773 |
| Concession assets | 5.2 | 24,011,149,073 | 27,050,314,716 |
| Concession work in progress | 5.3 | - | - |
| | | 24,011,503,515 | 27,050,491,489 |

## 5.1 Operating fixed assets

| Description | Furniture and fittings | Office equipment | Computer equipment | Total |
|---|---|---|---|---|
| | ------------ | ------------Rupees------------ | ------------ | |
| **Net carrying value basis** | | | | |
| **Year ended June 30, 2023** | | | | |
| Opening book value | 1,348 | - | 175,425 | 176,773 |
| Additions | 205,500 | - | 70,300 | 275,800 |
| Depreciation charge | (15,798) | - | (82,333) | (98,131) |
| Closing net book value | 191,050 | - | 163,392 | 354,442 |
| **Gross carrying value basis** | | | | |
| **Year ended June 30, 2023** | | | | |
| Cost | 323,086 | 95,317 | 891,108 | 1,309,511 |
| Accumulated depreciation | (132,036) | (95,317) | (727,716) | (955,069) |
| Net book value | 191,050 | - | 163,392 | 354,442 |
| **Net carrying value basis** | | | | |
| **Year ended June 30, 2022** | | | | |
| Opening book value | 20,816 | - | 43,325 | 64,141 |
| Additions | - | - | 202,804 | 202,804 |
| Depreciation charge | (19,468) | - | (70,704) | (90,172) |
| Closing net book value | 1,348 | - | 175,425 | 176,773 |
| **Gross carrying value basis** | | | | |
| **Year ended June 30, 2022** | | | | |
| Cost | 117,586 | 95,317 | 820,808 | 1,033,711 |
| Accumulated depreciation | (116,238) | (95,317) | (645,383) | (856,938) |
| Net book value | 1,348 | - | 175,425 | 176,773 |
| **Useful life** | 5 | 5 | 3 | |

## 5.2 Concession assets

The following is the statement of Concession assets:

| Description | Buildings | Structures | Other assets | Road infrastructure | Equipment and computer accessories | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | |
| **Year ended June 30, 2023** | | | | | | | |
| **Net carrying value basis** | | | | | | | |
| Opening book value | 529,692,672 | 11,257,985,550 | 4,525,725,414 | 10,309,767,784 | 296,308,354 | 130,834,942 | 27,050,314,716 |
| Depreciation charge | (27,203,311) | (580,533,643) | (233,345,097) | (2,021,495,195) | (113,289,000) | (63,299,397) | (3,039,165,643) |
| Closing net book value | 502,489,361 | 10,677,451,907 | 4,292,380,317 | 8,288,272,589 | 183,019,354 | 67,535,545 | 24,011,149,073 |
| **Gross carrying value basis** | | | | | | | |
| Cost | 583,148,648 | 12,645,085,147 | 5,228,253,428 | 16,171,961,558 | 566,444,995 | 316,496,986 | 35,511,390,762 |
| Accumulated depreciation | 80,659,287 | 1,967,633,240 | 935,873,111 | 7,883,688,969 | 383,425,641 | 248,961,441 | 11,500,241,689 |
| Net book value | 502,489,361 | 10,677,451,907 | 4,292,380,317 | 8,288,272,589 | 183,019,354 | 67,535,545 | 24,011,149,073 |
| **Year ended June 30, 2022** | | | | | | | |
| **Net carrying value basis** | | | | | | | |
| Opening book value | 452,229,560 | 11,829,700,271 | 4,711,943,367 | 12,189,983,788 | 232,978,990 | 194,134,339 | 29,610,970,315 |
| Transfer from CWIP | 100,844,931 | 8,496,933 | 45,406,478 | 129,169,546 | 153,581,185 | - | 437,499,073 |
| Depreciation charge | (23,381,819) | (580,211,654) | (231,624,431) | (2,009,385,550) | (90,251,821) | (63,299,397) | (2,998,154,672) |
| Closing net book value | 529,692,672 | 11,257,985,550 | 4,525,725,414 | 10,309,767,784 | 296,308,354 | 130,834,942 | 27,050,314,716 |
| **Gross carrying value basis** | | | | | | | |
| Cost | 583,148,648 | 12,645,085,147 | 5,228,253,428 | 16,171,961,558 | 566,444,995 | 316,496,986 | 35,511,390,762 |
| Accumulated depreciation | 53,455,976 | 1,387,099,597 | 702,528,014 | 5,862,193,774 | 270,136,641 | 185,662,044 | 8,461,076,046 |
| Net book value | 529,692,672 | 11,257,985,550 | 4,525,725,414 | 10,309,767,784 | 296,308,354 | 130,834,942 | 27,050,314,716 |
| **Useful life** | 22 - 23 | 22 - 23 | 22 - 23 | 8 | 10 | 5 | |

## 5.3 Concession work in progress

| | Opening balance | Additions | Transferred to concession assets | Closing balance |
|---|---|---|---|---|
| | ------------------------- Rupees | | ------------------------- | |
| June 30, 2023 | - | - | - | - |
| | - | - | - | - |
| June 30, 2022 | 182,268,160 | 255,230,913 | (437,499,073) | - |
| | 182,268,160 | 255,230,913 | (437,499,073) | - |

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| **6 LONG TERM ADVANCE** | | | |
| Mobilisation advance to FWO - parent organisation | | | |
| Opening balance | | - | 206,444,147 |
| Adjusted during the year | 6.1 | - | (206,444,147) |
| Closing balance | | - | - |

6.1 This represents mobilisation advance disbursed to Frontier Works Organization (FWO) under the Escalated Price Certificate (EPC) contract, last year whole amount of advance was adjusted against the last EPC.

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| **7 DEFERRED TAX ASSET** | | |
| Opening balance | (2,000,054,896) | (765,073,937) |
| Charge for the year | (1,327,138,343) | (1,234,980,959) |
| Closing balance | (3,327,193,239) | (2,000,054,896) |
| The deferred tax asset comprises of the following: | | |
| ***Deferred tax liability on taxable temporary differences*** | | |
| Concession assets | 689,625,180 | 870,370,589 |
| Long term loans | 77,196,754 | 212,397,846 |
| ***Deferred tax asset on deductible temporary differences*** | | |
| Accelerated tax depreciation | (53,533) | (5,834) |
| Unwinding of discount on provision for hand back cost | (60,389,979) | (7,048,754) |
| Effect of tax losses | (4,033,571,661) | (3,075,768,743) |
| | (3,327,193,239) | (2,000,054,896) |
| **8 TAXATION - NET** | | |
| Opening balance | 2,279,571 | 13,423,349 |
| Provision for the year | (12,015,255) | (12,581,858) |
| Tax paid / withheld during the year | 14,828,074 | 1,438,080 |
| Closing balance | 5,092,390 | 2,279,571 |

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| **9** | **PREPAYMENTS, RECEIVABLES AND ADVANCES** | | | |
| | Prepayments | | 4,873,332 | 4,395,312 |
| | Receivables | 9.1 | 106,649,998 | 55,146,343 |
| | Advance to employees | | 53,500 | 80,000 |
| | Advance against expenses | | 1,643,000 | 1,643,000 |
| | | | 113,219,830 | 61,264,655 |

9.1 This includes the balance receivable from FWO for M-Tag revenue amounting Rs. 67.242 million ( 2022: Rs. 31.877 million) and balance receivable in relation to service area revenue amounting to Rs. 24.105 million (2022: Rs. 14.339 million).

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| **10** | **CASH AND BANK BALANCES** | | | |
| | Cash in hand | 10.1 | 1,229,060 | 1,304,376 |
| | Cash at bank - saving account- local currency | 10.2 | 32,886,990 | 172,234,587 |
| | | | 34,116,050 | 173,538,963 |

10.1 This represents cash in hand at head office amounting to Rs. 0.003 million (2022: Rs. 0.010 million) and cash in hand at toll plazas for petty/operational expenses amounting Rs. 1.2 million (2022: Rs. 1.2 million).

10.2 These carry a markup rate ranging from 12.8% to 19.5% (2022: 5.5% to 12.8%) per annum.

**11 SHARE CAPITAL**

**11.1 Authorised capital**

| 2023 Number | 2022 Number | | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| 91,660,000 | 91,660,000 | "A" class ordinary shares of Rs. 100/- each | 9,166,000,000 | 9,166,000,000 |
| 115,000,000 | 115,000,000 | "B" class ordinary shares of Rs. 100 /- each | 11,500,000,000 | 11,500,000,000 |
| 206,660,000 | 206,660,000 | | 20,666,000,000 | 20,666,000,000 |

### 11.2 Issued, subscribed and paid up capital "A" class ordinary shares of Rs. 100/- each

| 2023 Number | 2022 Number | | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| 83,152,759 | 83,152,759 | "A" class ordinary shares of Rs. 100 each fully paid up in cash | 8,315,275,900 | 8,315,275,900 |
| 83,152,759 | 83,152,759 | | 8,315,275,900 | 8,315,275,900 |

### 11.3 Issued, subscribed and paid up capital "B" class ordinary shares of Rs. 100/- each

| 2023 Number | 2022 Number | | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| 115,000,000 | 115,000,000 | "B" class ordinary shares of Rs. 100 each fully paid up in cash | 11,500,000,000 | 11,500,000,000 |
| 115,000,000 | 115,000,000 | | 11,500,000,000 | 11,500,000,000 |
| 198,152,759 | 198,152,759 | | 19,815,275,900 | 19,815,275,900 |

11.4 FWO holds 83,152,756 (2022: 83,152,756) "A" class ordinary shares in the Company of Rs. 100/- each as at reporting date.

11.5 Directors hold 3 (2022: 3) "A" class ordinary shares of Rs. 100/- each as at the reporting date. (as disclosed in note 30 to the financial statements).

11.6 PKHA holds 115,000,000 (2022: 115,000,000) "B" class ordinary shares in the Company of Rs. 100/- each as at reporting date.

11.7 Two classes of shares were issued i.e. class 'A' and class 'B'. Class 'A' shares were issued to FWO and its nominated directors and carries voting rights, whereas class 'B' shares were issued to PKHA and these do not hold any voting rights. Distribution of dividends to Class 'B' shareholders is subject to discretion and approval of Class 'A' shareholders.

## 12 LONG TERM LOANS

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Long term loan from PKHA - unsecured | 12.1 | 4,886,384,215 | 4,570,986,169 |
| Long term loan from NBP - secured | 12.2 | 3,100,000,000 | 2,753,676,794 |
| Long term loan from FWO - unsecured | 12.3 | 4,277,604,364 | 4,035,557,577 |
| | | 12,263,988,579 | 11,360,220,540 |

### 12.1 Long term loan from PKHA

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Opening balance | 12.1.1 | 3,117,555,879 | 5,500,000,000 |
| Less: transfers | | | |
| Fair value adjustment recognised in equity - net of deferred tax liability | | - | (1,667,710,885) |
| Deferred tax liability related to fair value adjustment | | - | (714,733,236) |
| | | - | (2,382,444,121) |
| Net amount recognised as borrowing | | 3,117,555,879 | 3,117,555,879 |
| Subsequent amortisation | | 1,768,828,336 | 1,453,430,290 |
| Closing balance | | 4,886,384,215 | 4,570,986,169 |

12.1.1 This represents subordinate loan granted by PKHA under the subordinate loan agreement between PKHA and the Company. The loan is repayable in 15 agreed annual instalments after a grace period of 11 years from the date of concession agreement.

Since the loan has a grace period of 11 years and the markup is below market rate, this has been recognised at fair value using imputed interest rate of 6 months' KIBOR plus 0.75% per annum in accordance with the requirements of IFRS - 9 "Financial Instruments". The difference between fair value and the loan amount has been recognised in equity. Effect of subsequent remeasurement and related amortisation will be taken to the profit or loss or capitalized in accordance with the Company's accounting policy for borrowing costs.

### 12.2 Long term loan from NBP

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Long term loan from NBP | | 3,222,286,383 | 3,100,000,000 |
| Interest expense for the year | 12.2.1 | 523,975,589 | 285,137,790 |
| Initial transaction cost | | - | (23,733,600) |
| Payment of interest during the year | | (458,300,786) | (139,117,807) |
| | | 65,674,803 | 122,286,383 |
| | | 3,287,961,186 | 3,222,286,383 |
| Less: current maturity of long term loan | | (187,961,186) | (468,609,589) |
| | 12.2.2 | 3,100,000,000 | 2,753,676,794 |

12.2.1 Interest is charged at effective interest rate (EIR) as per the requirement of IFRS-9.

12.2.2 This represents conversion of bridge financing facility from National Bank of Pakistan (NBP) amounting Rs. 5,000 million for the purpose of financing the prepayment of the outstanding principal amount of the Syndicated Term Finance Facility (STFF) from MCB. During previous year bridge finance facility has been converted into long term STFF (Rs. 3,100 million into conventional facility and Rs. 1,900 million into Musharaka Facility). This STFF facility carries interest calculated at 6-monthly KIBOR plus 0.65% margin. Syndicates comprising of NBP, Askari Bank and Bank of Punjab and Faysal Bank. National Bank of Pakistan is the lead bank.

Security to include the following but not limited to:

- 1st pari passu hypothecation charge on all current assets and future assets of the Company (excluding land and building) along with the margin of 25%;
- Pledge over SPVCs rights and benefits/ receivables/ collection under the project documents.
- Pledge of 100% shares of FWO shares in SPVC with unconditional enforcement rights.
- Sponsor support agreement to fund any short fall in debt service and/or operational and related costs of SEPCO to keep the business up and running until complete adjustment of the facility.

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| **12.3 Long term loan from FWO** | | | |
| **12.3.1 Long term loan - subordinated** | | | |
| Opening balance | | 4,404,841,414 | 4,127,604,364 |
| Accrued markup | | 703,970,275 | 277,237,050 |
| | | 5,108,811,689 | 4,404,841,414 |
| Less: current maturity of long term loan | | (1,581,207,325) | (1,119,283,837) |
| Closing balance | 12.3.1 | 3,527,604,364 | 3,285,557,577 |
| **12.3.2 Long term loan - O & M** | | | |
| Opening balance | | 865,674,453 | - |
| Additions | | - | 750,000,000 |
| Accrued markup | | 129,409,315 | 115,674,453 |
| | | 995,083,768 | 865,674,453 |
| Less: current maturity of long term loan | | (245,083,768) | (115,674,453) |
| Closing balance | 12.3.2 | 750,000,000 | 750,000,000 |
| | | 4,277,604,364 | 4,035,557,577 |

12.3.1 This represents amount payable to FWO against subordinate loan taken to repay the MCB Syndicated Term Finance Facility (STFF) of Rs. 11,480 million. The loan was injected on February 4, 2021 for a tenure of approximately 10 years. Interest payments are to be charged at 6-month KIBOR plus 0.65% spread.

12.3.2 This represents the amount payable to FWO for operation and maintanance costs, which was converted into a long-term loan in prior year. Interest is to be charged at 6-month KIBOR plus 0.65% spread.

## 13 LONG TERM MUSHARAKAH

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Liabilities against assets subject to Opening balance | | 1,974,321,083 | 1,900,000,000 |
| Interest expense for the year | 13.1 | 321,146,329 | 173,393,510 |
| Initial transaction cost | | - | (14,546,400) |
| Payment of interest during the year | | (236,008,517) | (84,526,027) |
| | | 85,137,812 | 74,321,083 |
| | | 2,059,458,895 | 1,974,321,083 |
| Less: current maturity of long term musharakah | | (159,458,895) | (287,212,329) |
| Closing balance | 13.2 | 1,900,000,000 | 1,687,108,754 |

13.1 Interest is charged at effective interest rate (EIR) as per the requirement of IFRS-9.

13.2 This represents Musharakah agreement (Ref: Note 12.2.2) with syndicates comprising of National Bank of Pakistan, Faysal Bank and Bank of Punjab. National Bank of Pakistan is a lead bank in consortium being the sharia structuring agent.

## 14 PROVISION FOR HAND BACK COST

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Provision for hand back cost | 14.1 | 208,241,307 | 194,818,324 |

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| 14.1 | Initial recognition | 14.1.1 | 194,818,324 | 182,260,571 |
| | Unwinding of discount | 21 | 13,422,983 | 12,557,753 |
| | | | 208,241,307 | 194,818,324 |

14.1.1 This represents the present value of hand back cost of Rs. 683.3 million, required to be paid by the Company to PKHA, discounted to present value using a monthly discount rate of 0.557%.

## 15 RETENTION MONEY PAYABLE

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Balance at the beginning of the year | | 1,016,076,534 | 981,392,961 |
| Retention money with held during the year | | - | 34,683,573 |
| | 15.1 | 1,016,076,534 | 1,016,076,534 |

15.1 This represents retnetion money payable to Parent company - FWO.

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| **16** | **TRADE AND OTHER PAYABLES** | | | |
| | Due to related parties | 16.1 | 760,792,160 | 760,792,160 |
| | Accrued liabilities | | 742,500 | 675,000 |
| | Provident fund payable | | 2,733,161 | 1,714,670 |
| | Other payables | 16.2 | 14,888,505 | 4,830,874 |
| | | | 779,156,326 | 768,012,704 |

16.1 This represents the amount payable to FWO against operational and repair and maintenance expenses incurred by FWO on behalf of the Company. The amount is payable on demand and therefore it is classified under current liabilities.

16.2 These represent amount payable to Attock Petroleum Rs. 0.897 million , Khalid Majid Rehman and Co Rs. 1.361 million, Phoenix armour Rs. 0.932 million, Awan Goods Transport Company Rs 0.722 million.

## 17 CONTINGENCIES AND COMMITMENTS

17.1 An order dated March 31, 2023 was passed under section 122(5A) by Additional Commissioner Inland Revenue (ACIR) audit - II, Zone-II Corporate tax office Islamabad wide which initial allownce claimed on addition of building roads & other structural improvements and computer equipments was dissllowed resulting decrease in tax losses amounnting Rs. 577.499 million. An appeal before CIR-Apeal for as duly been filed on April 19, 2023 which is pending for adjudication. This unjustified addition is likely to be deleted.

17.2 Commitment in respect of planning, construction and operation of Swat Expressway amounts to Rs. 101 million (2022: Rs. 101 million).

| | | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| **18** | **REVENUE** | | |
| | Toll collection | 894,973,670 | 961,088,380 |
| | Service area revenue | 66,246,715 | 45,460,264 |
| | | 961,220,385 | 1,006,548,644 |

18.1 This includes revenue earned from renting the service areas to, Attock Petroleum Limited Rs. 50.668 million (2022: Rs. 24 million) , Asian Cuisine Rs. 7.772 million (2022: Rs. 11.160 million), SJ Enterprises Rs. 3.145 million (2022: Rs. 3.835 million) and Grace Services Private Limited Rs. 2.861 million (2022: Rs. 0.5 million). During the year rental agreement has been terminated with Grace Services Private Limited and SJ Enterprises.

## 19 COST OF REVENUE

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Depreciation of concession assets | 6 | 3,039,165,643 | 2,998,154,672 |
| Operations and maintenance expense (O&M) | 19.1 | 324,078,221 | 559,662,175 |
| | | 3,363,243,864 | 3,557,816,847 |

19.1 This includes Rs. 127.699 million (2022: Rs. 54 million) in respect of salaries and other benefits.

## 20 ADMINISTRATIVE EXPENSES

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Salaries and benefits | | 13,906,004 | 10,264,918 |
| Insurance | 20.1 | 6,831,979 | 11,397,906 |
| Legal and professional | | 5,329,126 | 7,539,000 |
| Auditors remuneration | 20.2 | 742,500 | 675,000 |
| Communication | | 230,869 | 83,585 |
| Office supplies | | 388,296 | 146,320 |
| Operations and maintenance cost | | 2,695,250 | 6,720,000 |
| Utilities | | - | 1,180,354 |
| Repair and maintenance | | 84,315 | 204,781 |
| Traveling and conveyance | | 5,067,345 | 2,325,127 |
| Staff training and welfare | | 949,500 | 75,000 |
| Entertainment | | 95,464 | 38,246 |
| Depreciation | 5.1 | 98,131 | 90,172 |
| Bank charges | | 3,225 | 8,668 |
| Miscellaneous expense | | 156,622 | 109,117 |
| | | 36,578,626 | 40,858,194 |

20.1 This represents amortisation of prepaid insurance of roads, buildings and infrastructures.

### 20.2 Auditors remuneration

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Statutory audit fee | 660,000 | 600,000 |
| Review of statement of compliance with Public Sector Code of Corporate Governance | 82,500 | 75,000 |
| | 742,500 | 675,000 |

## 21 FINANCE COSTS

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| Interest on long term loan - conventional facility | 523,975,589 | 284,883,512 |
| Interest on long term loan - musharakah facility | 321,146,329 | 173,238,882 |
| Financing fee - agency fee and security fee | 3,480,000 | - |
| Unwinding of discount on subordinate loan - PKHA | 315,398,046 | 306,854,224 |
| Unwinding of discount on provision for handback cost | 13,422,983 | 12,557,753 |
| Interest on long term loan - FWO subordinated loan | 833,379,590 | 535,124,924 |
| Interest on long term loan - NBP bridging finance | - | 123,566,424 |
| | 2,010,802,537 | 1,436,225,719 |

| | | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|---|
| **22** | **OTHER INCOME** | | | |
| | Mark up income | 22.1 | 7,383,382 | 16,591,410 |
| | Others | | 4,236,766 | 8,460,720 |
| | | | 11,620,148 | 25,052,130 |

22.1 This repesents mark up earned during the year on deposits placed in National Bank of Pakistan.

| | | 2022 Rupees | 2022 Rupees |
|---|---|---|---|
| **23** | **TAXATION** | | |
| | Current | 12,015,255 | 12,581,858 |
| | Deferred | (1,327,138,343) | (1,234,980,959) |
| | | (1,315,123,088) | (1,222,399,101) |

23.1 Reconciliation between accounting profit and tax expense for the year is not prepared as the Company is subject to minimum tax in the current year.

## 24 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

| | 2023 | | | | |
|---|---|---|---|---|---|
| | | Interest / mark up bearing | | | Not interest / mark up bearing |
| | Total | Maturity upto one year | Maturity after one year | Sub-total | |
| | ---------- Rupees ---------- | | | | |
| **Financial assets carried at amortised cost** | | | | | |
| Receivables | 106,649,998 | - | - | - | 106,649,998 |
| Cash and bank balances | 34,116,050 | 32,886,990 | - | 32,886,990 | 1,229,060 |
| | 140,766,048 | 32,886,990 | - | 32,886,990 | 107,879,058 |
| **Financial liabilities carried at amortised cost** | | | | | |
| Long term loans | 14,278,240,858 | 2,014,252,279 | 12,263,988,579 | 14,278,240,858 | - |
| Long term musharakah | 2,059,458,895 | 159,458,895 | 1,900,000,000 | 2,059,458,895 | - |
| Provision for hand back | 208,241,307 | - | 208,241,307 | 208,241,307 | - |
| Trade and other payables | 779,156,326 | - | - | - | 779,156,326 |
| Security deposits | 4,527,000 | - | - | - | 4,527,000 |
| | 17,329,624,386 | 2,173,711,174 | 14,372,229,886 | 16,545,941,060 | 783,683,326 |
| **On statement of financial position gap** | (17,188,858,338) | (2,140,824,184) | (14,372,229,886) | (16,513,054,070) | (675,804,268) |
| **Off statement of financial position items** | | | | | |
| Financial commitments: | - | - | - | - | - |
| **Total gap** | (17,188,858,338) | (2,140,824,184) | (14,372,229,886) | (16,513,054,070) | (675,804,268) |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | | Interest / mark up bearing | | | |
| | Total | Maturity upto one year | Maturity after one year | Sub-total | Not interest / mark up bearing |
| | ---------- Rupees ---------- | | | | |
| **Financial assets carried at amortised cost** | | | | | |
| Receivables | 55,146,343 | - | - | - | 55,146,343 |
| Cash and bank balances | 173,538,963 | 172,234,587 | - | 172,234,587 | 1,304,376 |
| | 228,685,306 | 172,234,587 | - | 172,234,587 | 56,450,719 |
| **Financial liabilities carried at amortised cost** | | | | | |
| Long term loan | 12,948,113,966 | 1,587,893,426 | 11,360,220,540 | 12,948,113,966 | - |
| Long term musharakah | 1,974,321,083 | 287,212,329 | 1,687,108,754 | 1,974,321,083 | - |
| Provision for hand back | 194,818,324 | - | 194,818,324 | 194,818,324 | - |
| Trade and other payables | 768,012,704 | - | - | - | 768,012,704 |
| Security deposits | 2,527,000 | - | - | - | 2,527,000 |
| | 15,887,793,077 | 1,875,105,755 | 13,242,147,618 | 15,117,253,373 | 770,539,704 |
| **On statement of financial position gap** | (15,659,107,771) | (1,702,871,168) | (13,242,147,618) | (14,945,018,786) | (714,088,985) |
| **Off statement of financial position items** | | | | | |
| Financial commitments: | - | - | - | - | - |
| **Total gap** | (15,659,107,771) | (1,702,871,168) | (13,242,147,618) | (14,945,018,786) | (714,088,985) |

## 25 FINANCIAL RISK MANAGEMENT

### 25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks that include market risk (including currency risk and interest rate risk), credit risk and liquidity risk, The Company's overall risk management program seeks to minimise potential adverse effects on its financial performance.

#### a) Risk management framework

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market variables such as foreign exchange rates and interest rates. Market risks include currency risk, interest rate risk and other price risk, such as equity price risk.

**i) 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 any currency risk.

**ii) 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. At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

| | Note | 2023<br>Rupees | 2022<br>Rupees |
|---|---|---|---|
| **Fixed rate instruments** | | | |
| **Financial liabilities** | | | |
| Long term loan | 12 | 14,278,240,858 | 13,063,788,419 |
| Long term musharakah | 13 | 2,059,458,895 | 1,974,321,083 |
| **Variable rate instruments** | | | |
| **Financial assets** | | | |
| Bank balances-deposit accounts | 10.2 | 32,886,990 | 172,234,587 |

**Mark-up rate sensitivity analysis**

If mark-up rates had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year would increase / decrease by Rs. 163.394 million (June 30, 2022 would increase / decrease by Rs. 1.722 million). This is mainly attributable to the Company's exposure to mark up rates on its variable rate borrowings and Company's deposits with banks.

### iii) Other price risk

Other 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.

## b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge an obligation.

### Exposure to credit risk

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Carrying amount** | **Maximum exposure** | **Carrying amount** | **Maximum exposure** |
| | **Rupees** | | **Rupees** | |
| Receivables | 106,649,998 | 106,649,998 | 55,146,343 | 55,146,343 |
| Bank balance | 32,886,990 | 32,886,990 | 172,234,587 | 172,234,587 |
| | 139,536,988 | 139,536,988 | 227,380,930 | 227,380,930 |

| | Rating agency | Rating Short-term |
|---|---|---|
| National Bank of Pakistan | VIS | A1+ |

### c) Liquidity risk

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

| | Carrying amount | Contractual cash | Less than 1 year | Between 1 and 5 | Over 5 years |
|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | |
| **June 30, 2023** | | | | | |
| Long term loan | 14,278,240,858 | 14,278,240,858 | 2,014,252,279 | 2,948,675,705 | 9,315,312,874 |
| Long term musharakah | 2,059,458,895 | 2,059,458,895 | 159,458,895 | 496,622,000 | 1,403,378,000 |
| Trade and other payables | 779,156,326 | 779,156,326 | 779,156,326 | - | - |
| Security deposits | 4,527,000 | 4,527,000 | - | 4,527,000.00 | - |
| | 17,121,383,079 | 17,121,383,079 | 2,952,867,500 | 3,449,824,705 | 10,718,690,874 |
| **June 30, 2022** | | | | | |
| Long term loan | 13,063,788,419 | 13,063,788,419 | 1,587,893,426 | 4,929,028,022 | 6,546,866,971 |
| Long term musharakah | 1,687,108,754 | 1,687,108,754 | 287,212,329 | 992,642,325 | 407,254,100 |
| Trade and other payables | 767,337,704 | 767,337,704 | 767,337,704 | - | - |
| Security deposits | 2,527,000 | 2,527,000 | 2,527,000 | - | - |
| | 15,520,761,877 | 15,520,761,877 | 2,644,970,459 | 5,921,670,347 | 6,954,121,071 |

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Amortised cost | Other financial liabilities | Total | Fair value Level 2 | Fair value Total |
|---|---|---|---|---|---|
| | ---------- | ---------- | Rupees | ---------- | ---------- |
| **June 30, 2023** | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Cash and cash equivalents* | 34,116,050 | - | 34,116,050 | - | - |
| Receivables | 106,649,998 | - | 106,649,998 | - | - |
| | 140,766,048 | - | 140,766,048 | - | - |
| **Financial liabilities not measured at fair value** | | | | | |
| Long term loan - unsecured | - | 9,163,988,579 | 9,163,988,579 | 9,163,988,579 | 9,163,988,579 |
| Long term loan - secured* | - | 3,100,000,000 | 3,100,000,000 | 3,100,000,000 | 3,100,000,000 |
| Long term musharakah* | - | 2,059,458,895 | 2,059,458,895 | 2,059,458,895 | 2,059,458,895 |
| Retention money payable* | - | 1,016,076,534 | 1,016,076,534 | - | - |
| Provision for hand back | - | 208,241,307 | 208,241,307 | 208,241,307 | 208,241,307 |
| Trade and other payables* | - | 779,156,326 | 779,156,326 | - | - |
| Security deposits | - | 4,527,000 | 4,527,000 | - | - |
| | - | 16,331,448,641 | 16,331,448,641 | 14,531,688,781 | 14,531,688,781 |

| | Amortised cost | Other financial liabilities | Total | Fair value Level 2 | Fair value Total |
|---|---|---|---|---|---|
| | ---------------- | ---------------- | Rupees | ---------------- | ---------------- |
| **June 30, 2022** | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Cash and cash equivalents* | 173,538,963 | - | 173,538,963 | - | - |
| Receivables | 55,146,343 | - | 55,146,343 | - | - |
| | 228,685,306 | - | 228,685,306 | - | - |
| **Financial liabilities not measured at fair value** | | | | | |
| Long term loan - unsecured | - | 4,570,986,169 | 4,570,986,169 | 4,570,986,169 | 4,570,986,169 |
| Long term loan - secured* | - | 2,753,676,794 | 2,753,676,794 | 2,753,676,794 | 2,753,676,794 |
| Long term musharakah* | - | 4,035,557,577 | 4,035,557,577 | 4,035,557,577 | 4,035,557,577 |
| Retention money payable* | - | 1,016,076,534 | 1,016,076,534 | - | - |
| Provision for hand back | - | 194,818,324 | 194,818,324 | 194,818,324 | 194,818,324 |
| Trade and other payables* | - | 767,337,704 | 767,337,704 | - | - |
| Security deposits | - | 2,527,000 | 2,527,000 | - | - |
| | - | 13,340,980,102 | 13,340,980,102 | 11,555,038,864 | 11,555,038,864 |

*The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprised periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 26 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure, which comprises capital and reserves, by monitoring it's return on net assets, and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, appropriation of amounts to capital reserves and or / issue new shares.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

The Company monitors capital using the net debt to total capital ratio, which is total debt of the Company as reduced by cash and cash equivalents, divided by total equity plus the net debt. Equity comprises of share capital, capital and revenue reserves. During the year, the Company's strategy was to maintain leveraged gearing. The net debt to equity ratio as at June 30, 2023 was as follows:

| | 2023<br>Rupees | 2022<br>Rupees |
|---|---|---|
| Total liabilities | 18,345,700,920 | 17,019,544,064 |
| Less: cash and cash equivalents | (34,116,050) | (173,538,963) |
| Adjusted net debt | 18,311,584,870 | 16,846,005,101 |
| Equity | 9,145,424,104 | 12,268,085,510 |
| Adjusted net debt to adjusted equity | 2.00 | 1.37 |

## 27 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

| | Chief Executive | | Executive | | Directors | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | ------------------------ Rupees ------------------------ | | | | | |
| Managerial remuneration | - | - | 3,259,417 | 3,755,480 | - | - |
| Bonus | - | - | 150,000 | - | - | - |
| | - | - | 3,409,417 | 3,755,480 | - | - |
| Number of persons | 1 | 1 | 1 | 2 | 3 | 3 |

27.1 Chief Executive and Directors were not paid any remuneration and meeting fee during the year (2022: nil). They are on payroll of FWO.

## 28 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

**Capital for the reporting periods under review is summarised as follows:**

| | Note | 2023 Rupees | 2022 Rupees |
|---|---|---|---|
| Equity | 11 | 19,815,275,900 | 19,815,275,900 |
| Long term financing | | 16,337,699,753 | 15,038,109,502 |
| Gearing ratio | | 45% | 43% |

## 29 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

| | Liabilities | Equity | | | Total |
|---|---|---|---|---|---|
| | | Share capital | Capital reserves | Unappropriated loss | |
| | Rupees | | | | |
| **Balance as at July 01, 2022** | 15,038,109,502 | 19,815,275,900 | 1,667,710,885 | (9,214,901,275) | 27,306,195,012 |
| **Changes from financing cash flows** | | | | | |
| Receipt of long term loan - net of transaction cost | - | - | - | - | - |
| Payment of interest on long term loan and musharakah | (697,789,303) | - | - | - | (697,789,303) |
| **Total changes from financing cash flows** | (697,789,303) | - | - | - | (697,789,303) |
| **Other changes** | 1,997,379,554 | - | - | - | 1,997,379,554 |
| **Equity related** | | | | | |
| Issue of shares | - | - | - | - | - |
| Total comprehensive | - | - | - | (3,122,661,406) | (3,122,661,406) |
| Total equity related other changes income for the year | - | - | - | (3,122,661,406) | (3,122,661,406) |
| **Balance as at June 30, 2023** | 16,337,699,753 | 19,815,275,900 | 1,667,710,885 | (12,337,562,681) | 25,483,123,857 |

| | Liabilities | Equity | | | Total |
|---|---|---|---|---|---|
| | | Share capital | Capital reserves | Unappropriated loss | |
| | Rupees | | | | |
| **Balance as at July 01, 2021** | 16,088,911,903 | 19,815,275,900 | 1,667,710,885 | (6,434,000,390) | 31,137,898,298 |
| **Changes from financing cash flows** | | | | | |
| Receipt of long term loan - net of transaction cost | 585,842,819 | - | - | - | 585,842,819 |
| Payment of interest on long term loan and musharakah | (664,667,316) | - | - | - | (664,667,316) |
| **Total changes from financing cash flows** | (78,824,497) | - | - | - | (78,824,497) |
| **Other changes** | 1,643,782,205 | - | - | - | 1,643,782,205 |
| **Equity related** | | | | | |
| Issue of shares | - | - | - | - | - |
| Total comprehensive | - | - | - | (2,780,900,885) | (2,780,900,885) |
| Total equity related other changes income for the year | - | - | - | (2,780,900,885) | (2,780,900,885) |
| **Balance as at June 30, 2022** | 17,653,869,611 | 19,815,275,900 | 1,667,710,885 | (9,214,901,275) | 29,921,955,121 |

## 30 RELATED PARTY TRANSACTIONS AND BALANCES

Frontier Works Organization (FWO) and Pakhtunkhwa Highway Authority (PKHA) hold 42 % and 58% shares of the Company at year end respectively. However, since FWO has power to control the Company, it is the parent entity. Therefore all the subsidiaries and associates of FWO are the related parties of the Company. Other related parties include PKHA, directors, minor shareholders, key management personnel and entities over which directors are able to exercise significant influence.

Following are the associated companies and related parties with whom the Company had entered into transactions during the year:

| Associated Company | Basis of relationship | Number of shares held in the Company |
|---|---|---|
| Frontier Works Organisation (FWO) | Holding Organization | 83,152,756 |
| Pakhtunkhwa Highways Authority | Associate | 115,000,000 |
| Major General Kamal Azfar | Chairman | 1 |
| Brig . Farooq Ahmed Joiya | CEO | 1 |
| Khawaja Asim Shaheen | Director | 1 |
| Equipment Management & Support Company (Pvt.) Ltd. (EMASCO) | Common directorship | - |

| | 2023 Rupees | 2022 Rupees |
|---|---|---|
| **Transactions and balances with related parties** | | |
| ***-Transactions*** | | |
| IPCs billed druing the year | - | 241,316,697 |
| O&M fee - FWO | - | 467,000,000 |
| O&M Plantation Cost-FWO | - | 6,720,000 |
| Toll amount received from FWO | 82,393,750 | 82,291,180 |
| Cost of facilities provided to PKHA by the Company | - | 2,000,358 |
| Car rentals paid to EMASCO | 2,470,865 | 1,563,397 |
| ***-Balances*** | | |
| Equity injected by FWO | 8,315,275,900 | 8,315,275,900 |
| O&M Fee payable to FWO | 744,000,000 | 744,000,000 |
| Payable to FWO against expenses and management fee | 16,603,180 | 16,603,180 |
| Receivable from FWO agianst toll collection | 67,241,710 | 31,879,440 |
| Payable to EMASCO against car rentals | 240,000 | 150,000 |
| Equity injected by PKHA | 11,500,000,000 | 11,500,000,000 |
| Subordinate loan payable to PKHA | 4,886,384,215 | 5,500,000,000 |
| Long term loan from FWO | 5,108,811,689 | 5,270,515,867 |

## 31 APPLICATION OF IFRIC INTERPRETATION 12 "SERVICE CONCESSION ARRANGEMENTS"

Securities and Exchange Commission of Pakistan through its S.R.O. NO 24 (I)/2012, dated January 16, 2012 has exempted the application of IFRIC 12 - "Service Concession Arrangements", for Companies in Pakistan. Consequently, the Company is not required to account for its arrangement under build, operate and transfer agreement with PKHA for Swat Expressway. If the Company was to follow IFRIC 12. the effect on the financial statements would have been as follows:

| | 2023<br>Rupees | 2022<br>Rupees |
|---|---|---|
| Increase in profit before tax for the year | 1,395,915,345 | 1,215,567,919 |
| Recognition of intangible asset | 30,518,869,031 | 32,162,119,329 |
| Derecognition of concession asset | 24,011,149,073 | 27,050,314,716 |
| (Decrease) / increase in taxation obligation | (12,015,255) | 3,349,906 |

## 32 NUMBER OF EMPLOYEES

| | | |
|---|---|---|
| Total number of employees at end of the year | | |
| Contractual employees | 35 | 42 |
| Casual employees | 365 | 371 |
| Average number of employees for the year | | |
| Contractual employees | 39 | 28 |
| Casual employees | 368 | 359 |

## 33 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the year.

## 34 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 1 2 DEC 2023 by the Board of Directors of the Company.

## 35 GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR